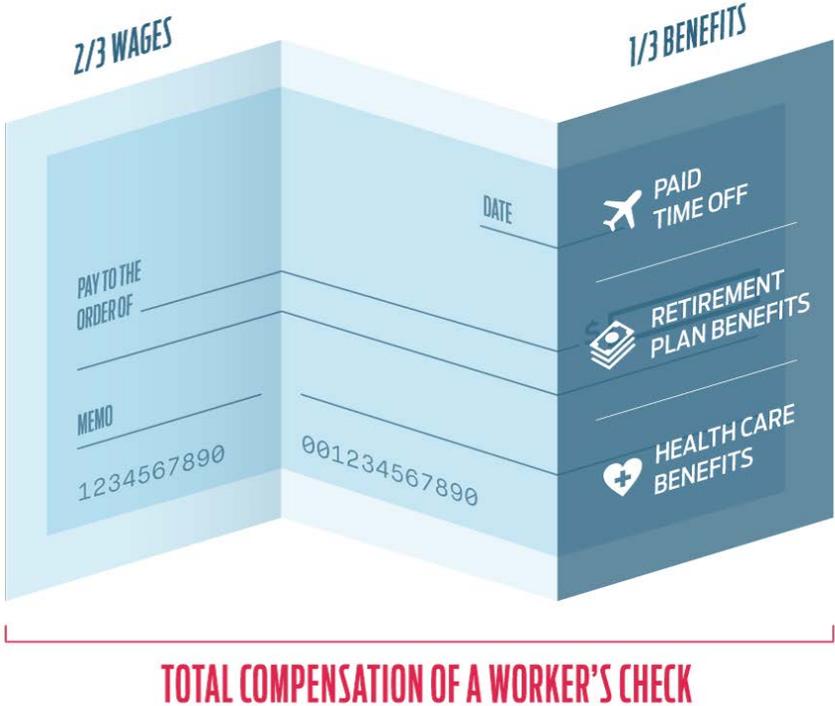


Not Only Unequal Paychecks: Occupational Segregation, Benefits, and the Racial Wealth Gap

April 2019



ABOUT IASP

The Institute on Assets and Social Policy (IASP), located at the Heller School for Social Policy and Management at Brandeis University, works to improve our understanding of inequality by examining how assets and asset-building opportunities impact the well-being, financial security, and social and economic mobility of individuals, families and communities, particularly those left out of America's economic mainstream. In collaboration with our research partners, constituency groups, and practitioner organizations, we use a racial equity lens to explore the role that assets play in inequality and insecurity, and the structural and institutional barriers to asset development.

ABOUT The Workers Lab

The Workers Lab supports experiments and innovation that builds power for working people in the 21st century economy

www.theworkerslab.com

AUTHORS

Laura Sullivan, Tatjana Meschede, Thomas Shapiro, Teresa Kroeger, and Fernanda Escobar

CONTACT

Institute on Assets and Social Policy (IASP), Heller School for Social Policy and Management, Brandeis University

(781) 736-8685

iasp@brandeis.edu

 @IASP_Heller

This work was supported by a generous grant from the Kellogg Foundation.

Persistent occupational segregation by race and ethnicity permeates the U.S. workplace. In 5 key industries, nearly two-thirds of Latinos work in low-paying, restaurant and construction jobs with few or no benefits, driving income and wealth inequality and a widening racial wealth gap.

10 of the 13 occupations with the most future job growth in the next 10 years are low-paid and concentrated in health, restaurant, and construction work (Bureau of Labor Statistics 2018).

Employers' barriers to pension benefits rob \$5,600 wealth from Black workers and \$9,800 from Latino workers. Employers' denial of health care coverage strips \$2,700 wealth from Black workers and \$5,400 from Latino workers.

All across our country, Black, Brown, and White people wake up every day and go to work in order to provide for their families. At the same time and in the same country, many political and corporate leaders wake up to work just as hard. The difference is that they are working to concentrate wealth for a small group of billionaires at the expense of hundreds of millions of hard-working people. This moment of obscene inequality is often narrated through wages: Working people in the U.S. have not seen a wage increase that matches the increased cost of housing, food, and transportation since the 1970's. For Black and Brown working people, the impact of wage stagnation and inequality has proven to be a significant barrier to living lives of opportunity and mobility. The data point that hangs over my head most days is one that reminds me that a Latina must work 22 months to be paid what a White man is paid in 12. We know that there is a deep connection between wages and wealth, but rarely do we highlight the passive systems of wealth accumulation that continue to rob Black and Latino workers of the stability that should come from hard work. Most notably is the racialized distribution of workplace benefits.

One third of a working person's compensation comes from the workplace benefits available to them. Since Black and Latino workers are concentrated in low-wage and low-earning industries, they are not able to fully enjoy or participate in the benefits that allow for stability. These benefits include employer-sponsored healthcare and matched retirement accounts. This important research reminds us that employment benefits are the most direct contributors to wealth-building via the workplace. Segregation across the labor market is one reason for this unequal access to benefits. The research also highlights that, even when Black and Latino working people do make it into high-paying fields, they lack equal access to the same wealth-building benefits that their White counterparts have access to.

The racialization of opportunity is a key feature of our history as a country. It has dogged us since our founding days. This research highlights the pernicious nature of the practices that keep many of us from the stability that comes from work. Importantly, though, it goes one step further by offering a set of practical solutions to help us move across racial differences so that, together, we can better realize the promise that many of us know is possible in the U.S.

Carmen Rojas, Co-Founder & CEO The Workers Lab

“...employment benefits are most direct contributors to wealth-building via the workplace” – but only to those with quality jobs.

Occupational segregation results in racialized patterns in which people are distributed unequally across jobs in the labor market. The impact of this inequality goes far beyond paychecks. With incomes making up just about two-thirds of employee compensation, it is benefits that complete the entire employee compensation package.¹ Historical legacy and contemporary employment practices concentrate Black and Latino working people disproportionately in jobs and industries stripped of or lacking in benefits that connect work to wealth and better livelihoods. For many employees, the workplace can be a crucial access point for asset-building opportunities through quality jobs that provide comprehensive employee compensation packages. However, Black and Latino workers face ongoing discrimination in hiring,² higher unemployment rates,³ fewer sick days, and less workplace flexibility⁴ compared to White workers, which severely diminishes workplace stability and access to wealth-building benefits. To understand the institutional and policy mechanisms by which wealth is distributed and inequality worsened at the workplace, it is imperative that we identify and recognize how the total employment package—from income to benefits to additional workplace resources—contribute to growing inequality and the racial wealth gap.

This report examines the impact of benefits disparities on the asset security of households of color. Our investigation results in a deeper understanding of the impacts of occupational segregation on access to workplace benefits, the racial wealth gap, and workers’ economic security.

How Did We Get Here?

Unlike the patterns we see today, in the post-war period of the 1950s and 1960s, strong unions and policy choices resulted in a broad-based sharing—primarily among White workers—of the robust economic prosperity and growing wealth of the period. Living standards rose overall, but had little, if any impact on racial inequality. The structures for sharing prosperity between employees and owners were established in the context of strong unions with benefits beyond the paycheck that protected family savings and provided opportunities for improved well-being and brighter futures. Workplace-based health insurance, paid time off, and retirement plans became a crucible through which working families could protect and create wealth through

¹ Bureau of Labor Statistics (BLS). (2019). Employer Costs for Employee Compensation. <https://www.bls.gov/news.release/pdf/ecec.pdf>.

² Quillian, L., et al. (2017). Meta-analysis of field experiments shows no change in racial discrimination in hiring over time. *Proceedings of the National Academy of Sciences of the United States of America*, 114 (41), 10870-10875.

³ Economic Policy Institute. (2018). Unemployment of black and Hispanic workers remains high relative to white workers. <https://epi.org/137629>.

⁴ Center for American Progress. (2012). Latinos Least Likely to Have Paid Leave of Workplace Flexibility. <https://www.americanprogress.org/issues/economy/reports/2012/11/20/45394/latinos-least-likely-to-have-paid-leave-or-workplace-flexibility/>.

their jobs. Yet, today and in the post-war period, not all working families were included in work savings and benefit structures—workers of color, women, and those in low-paid jobs are particularly left out. Occupational segregation is a major reason that post-World War II prosperity created in the workplace primarily benefitted Whites. Unfortunately, today even as our workforce grows more diverse, occupational segregation continues to characterize the nation’s workplaces.

Movement towards a post-war work-to-wealth prosperity model was disrupted in the early 1970s by corporations and the rich through power and policy shifts that began to capture and hoard a far greater share of society’s wealth and continues today to dramatically widen income and wealth inequality to historic highs. The intersection of wealth and race is a central axis of inequality in the U.S. The racial wealth gap between Whites and Blacks and Latinos has persisted over decades⁵ and has widened as a result of the Great Recession.⁶ This wealth gap springs from foundational sources like slavery, Jim Crow, and inheritance, and it grows through policy choices and racialized institutions like the Tax Code, homeownership and equity, and the workplace. Wealth divergence between Black and Latino families and White families persists and widens—importantly, similar marital status, education, work status, and income do not result in anything near parity.⁷ Policy, institutional, and systemic obstacles are the major challenges to building wealth for households of color pursuing economic security and future opportunities.

Racial inequality in workplace and benefits opportunities today exist in the context of declining security for working people nationally. Corporate interests, wealthy individuals, and political leadership shifted power in the modern labor market such that benefits are becoming increasingly scarce as a key strategy to boost profits by eroding the economic security of working people.⁸ Employers, aided by policy changes, converted retirement accounts from a system where employers ante up funds and workers receive a set payout at retirement to asking workers to put in their own money in plans like a 401(k) or 403(b) and to bear the risks of financial markets. Replacing set benefit plans with defined-contribution retirement accounts essentially shifts accountability and risk from employers to individual workers. As part of this privatization of security today, only about one-half of private-sector workers have health insurance through work⁹ and the proportion of costs shouldered by workers and their families has steadily increased.¹⁰ Corporations and policymakers have weakened union power and the

⁵ Pew Research Center. Wealth inequality has widened. <http://www.pewresearch.org/fact-tank/2014/12/12/racial-wealth-gaps-great-recession/>.

⁶ Sullivan, L. & Meschede, T. (2018). How measurement of inequalities in wealth by race/ethnicity impacts narrative and policy: Investigating the full distribution. *Race and Social Problems*, 10(1), 19-29.

⁷ IASP and Demos. (2017). “Asset Value of Whiteness.” <https://heller.brandeis.edu/iasp/pdfs/racial-wealth-equity/racial-wealth-gap/asset-value-whiteness.pdf>.

⁸ Hacker, J. (2006). *The Great Risk Shift: The Assault on American Jobs, Families, Health Care and Retirement and How You Can Fight Back*. New York: Oxford University Press.

⁹ BLS. (2018). Employee Benefits Survey. <https://www.bls.gov/ncs/ebs/benefits/2018/ownership/private/table09a.htm>

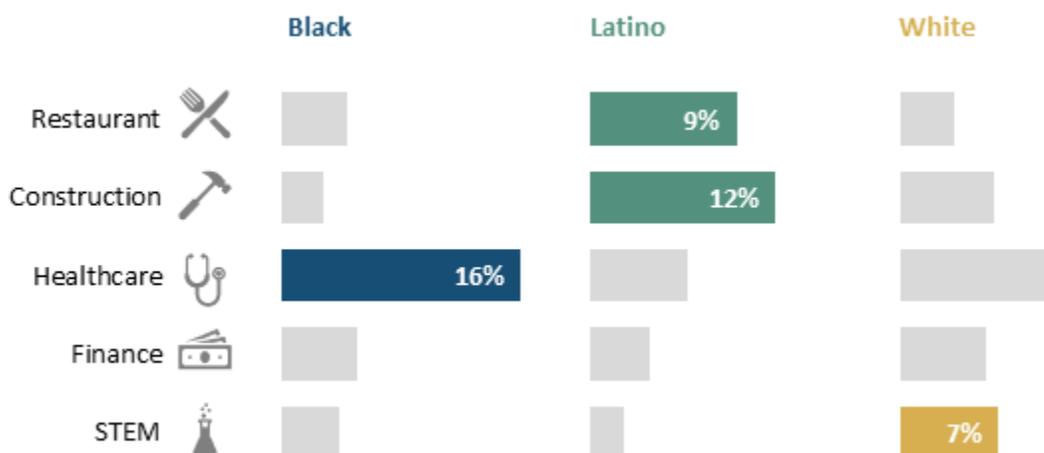
¹⁰ Kaiser Family Foundation. (2018). Employer Health Benefits Survey. <https://www.kff.org/report-section/2018-employer-health-benefits-survey-summary-of-findings/>.

capacity of workers to unionize, leading to dramatic declines in union representation such that only one in ten workers are members of unions, including a mere 6.5 percent of private sector employees.¹¹ Contingent, gig, and contract work have become defining features of work for many—circumstances in which workplace benefits and protections are extremely limited, if present at all, and the traditional labor market relationship has devolved into temporary relationships with no long-term obligations for the employer.¹²

Substantial Occupational Segregation in Key Sectors

Occupational segregation persists as people of color and women are often steered into lower paying and lower status careers than White men. In this investigation, we study the financial impacts of racial and ethnic segregation in the workplace to identify job-based sources of the enduring racial wealth gap in key sectors of the U.S. economy.¹³ We focus on five large sectors with substantial presence in the U.S. private sector economy that exemplify a range of lower and higher paying fields: restaurant, construction, healthcare, finance and STEM (science, technology, engineering, and math).

Figure 1: Black and Latino Workers Concentrated in Lower-Paying Restaurant, Construction, and Healthcare Jobs; Whites in Higher-Paying STEM Jobs



Authors' calculations of share of each racial/ethnic group in each of the 5 selected sectors using a nationally representative sample of working, prime-age (25-64) adults, who are highly attached to the workforce (working at least 910 hours per year in their primary job), in the Survey of Income and Program Participation (SIPP), 2014 Panel Wave 1, which represents calendar year 2013. See appendix for more detail on the data and sample. All sectors are statistically significant different by race/ethnicity relative to proportions present in the full sample.

¹¹ BLS, (2019). Economic News Release: Union Members Summary. <https://www.bls.gov/news.release/union2.nr0.htm>.

¹² Weil, David. (2014). *The Fissured Workplace*. Cambridge: Harvard University Press.

¹³ Previous research has helped to identify major drivers of the racial wealth gap within important financial spheres for families, including housing, education, and income and work (Shapiro, Meschede, & Osoro, 2013; Sullivan et al., 2015). This analysis digs deeper into one important policy area—among several: work.

Occupational segregation patterns are stark in all five sectors. Black and Latino employees are underrepresented in STEM positions, the highest paid field in our study, while Latino workers are highly overrepresented in restaurant and construction positions, the two lowest paid fields studied. Black workers are concentrated in health, a field with both high and low paying positions, but are more likely to hold lower-paying health care positions. In fact, almost four in ten (38 percent) Black employees working in health care are health or personal care aids with typical incomes below \$25,000 per year.¹⁴ By contrast, just three percent of White workers hold positions in the restaurant sector, while they are more likely to hold finance and STEM positions than their Black and Latino peers.

Implications of Occupational Segregation on Wages and Wealth

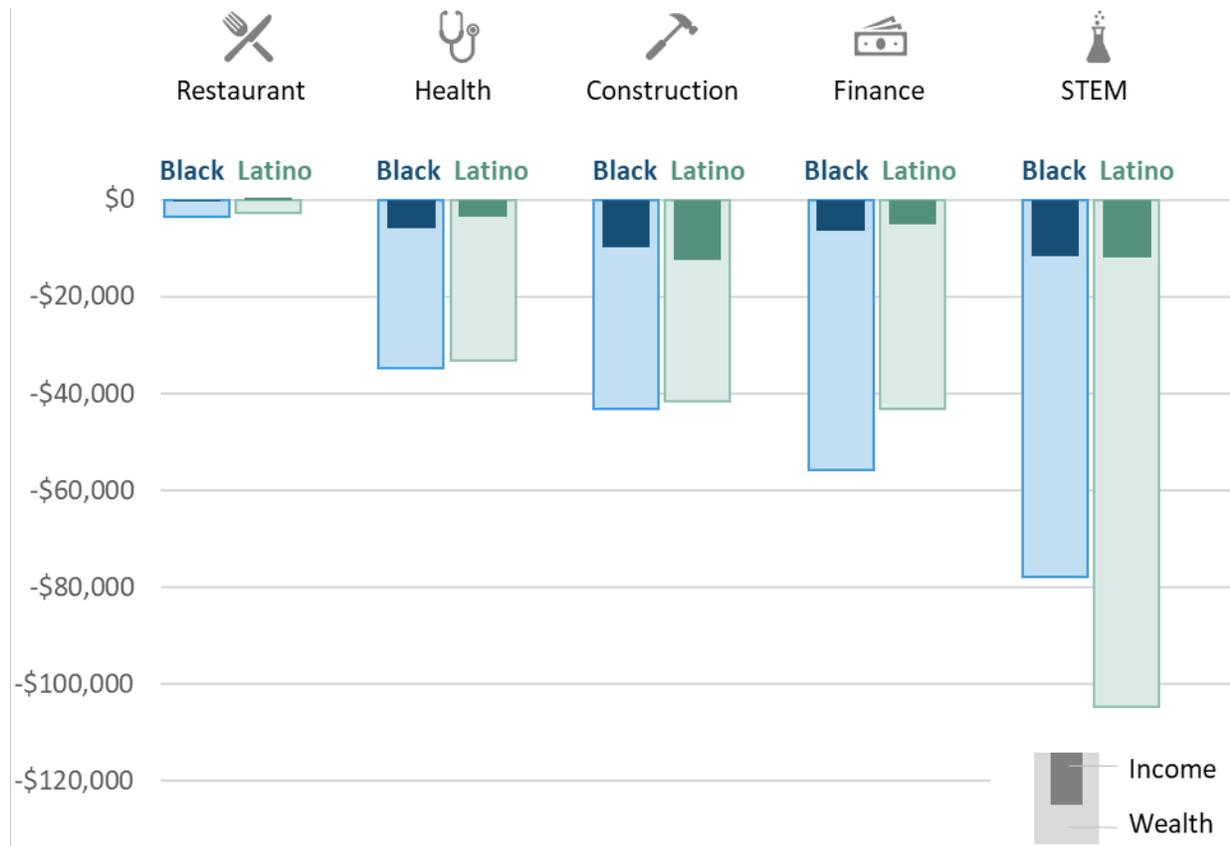
The prevalence of segregation in key industries highlighted here has important implications for the income and wealth of working people and contributes to substantial disparities in economic security. Compensation varies substantially across sectors (see appendix for further detail), such that opportunities to enter a career in a high-paying field have substantial implications for life-long earnings prospects. When doors are closed for people of color in fields and positions with better pay and employment packages, their income and their wealth-building opportunities are hindered. Adding to this, people of color are less likely to be in fields with job security and good benefits, and even when they are employed in these fields, they are employed in lower-paying jobs.

Within construction and healthcare, Blacks and Latinos have significantly lower pay than their White peers with similar educational backgrounds. For Black employees, pay is also significantly lower than Whites in finance and STEM with the same degrees. While incomes increase for all in more highly-compensated sectors, the gains from entering a higher-paying field are not shared equally.

Even when working people of color enter into higher-compensated fields their gaps in pay are substantial and reveal large differences in economic security among peers in the same field.

¹⁴ Additional analysis conducted by authors on higher and lower paying fields within each sector, not presented in this report.

Figure 2. Despite Similar Education, Racial Wealth Gaps Large across Sectors, Especially in STEM; Income Gaps Smaller



Authors' calculations of difference in income and wealth of Black and Latino workers relative to White workers using median regression, controlling for education, among working, prime-age (25-64) sample in the Survey of Income and Program Participation (SIPP), 2014 Panel Wave 1. All regression estimates for wealth are statistically significant, except for the restaurant sector. Income differences between Black and White workers are statistically significant controlling for education, except for restaurants. For Latinos, income differences with Whites are statistically significant in the construction and health sectors when controlling for education. All dollar figures in 2013 dollars.

While income gaps are notable across and within sectors by race/ethnicity, gaps in wealth are much greater. Figure 2 highlights the typical difference in income and wealth among colleagues in the same field by race/ethnicity controlling for education. Except in restaurants, where typical wealth and income is lowest and where Whites are least likely to hold positions, Black-White and Latino-White wealth gaps are large and statistically significant. The results show that **even among working people with the same level of education in the same sectors, racial wealth disparities are substantial and expose very different trajectories in long-term economic security.**

White Workers More Likely to Have Benefits in Each Sector

Employment Capital includes

1. **Workplace Benefits** (health insurance; retirement; paid sick, personal days, and vacation; disability insurance)
2. **Job Flexibility** (modified work schedules around care-giving needs; compressed work weeks; job sharing),
3. **Work Consistency** (stable employment; tenure with one employer; sufficient hours to qualify for benefits)

While a broad array of employment-based resources known as **employment capital**¹⁵ can move working families towards financial security, employment benefits are the most direct contributors to wealth-building via the workplace. Access to health insurance coverage and retirement benefits are just two examples. For Black and Latino workers, access to health insurance coverage and retirement benefits is substantially and statistically significantly lower than for White workers in all the sectors under examined in this report, except in finance.

In construction, Latinos are half as likely to have health insurance than their White coworkers (29 versus 61 percent) respectively.

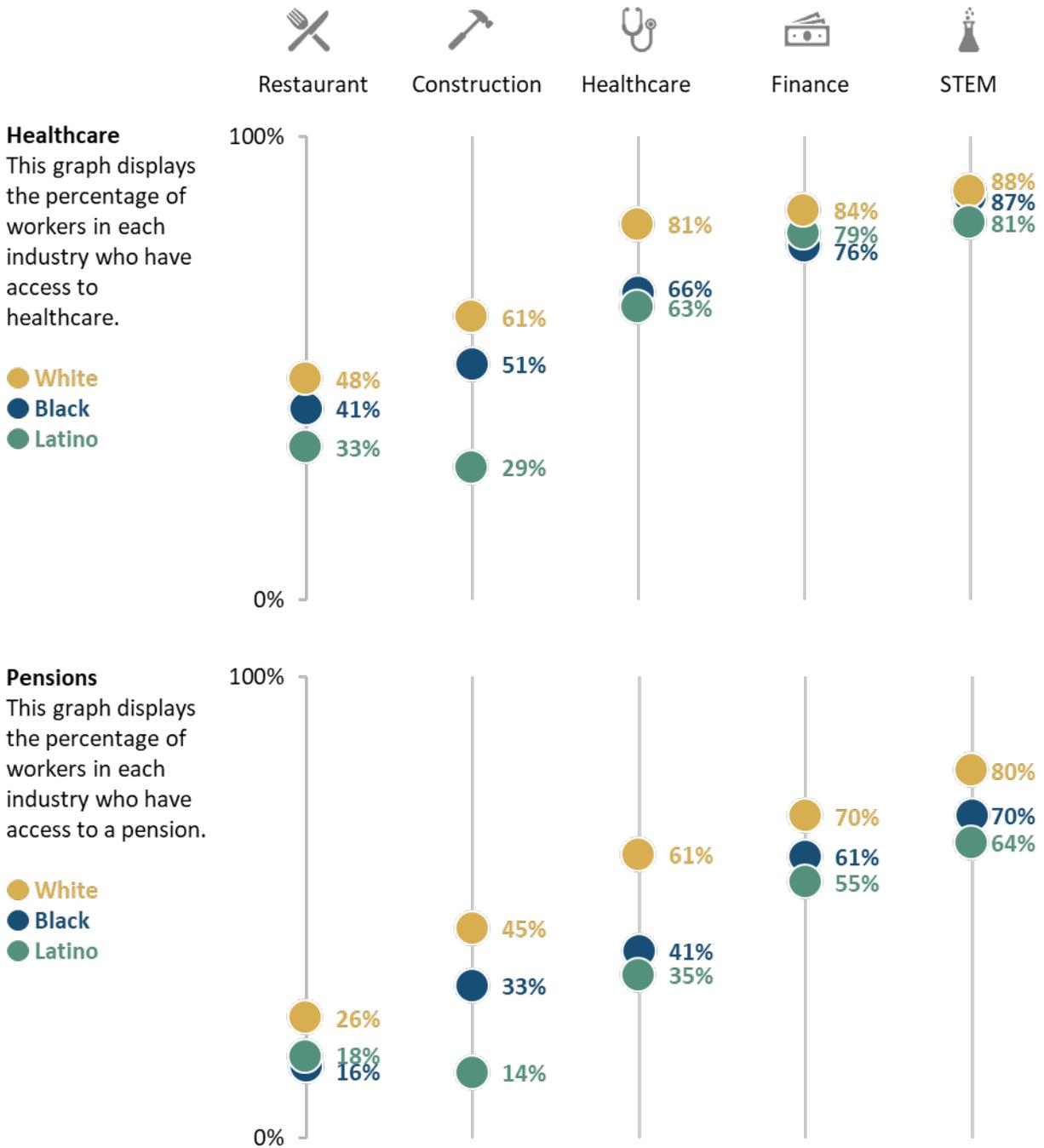
Fewer than half of Black workers and a third of Latino workers participate in any pension plan at work. Within sectors, racial and ethnic disparities in pension coverage mean that Latino and Black employees lack access to the crucial benefits that help their White peers build assets and long-term security. The restaurant and construction sectors stand out for their low levels of coverage, but the within sector disparities underscore the inequalities among peers working together. Again, differences in construction are particularly striking as Whites are three times more likely to hold pensions than Latinos.

Greater likelihood of benefits coverage typically goes hand-in-hand with more highly-paid fields; however, even when employees of color gain access to jobs in fields with higher levels of compensation and benefits, they are less likely to have equal access to wealth-building benefits.

When workers of color do not have access to the same on-the-job asset-building benefits as their White coworkers, a major barrier to wealth accumulation is erected and an equity opportunity is denied.

¹⁵ Thomas, H. Boguslaw, J., Chaganti, S., Atkinson, A., & Shapiro, T. (2013). "Employment Capital: How work builds and protects family wealth and security." <https://heller.brandeis.edu/iasp/pdfs/racial-wealth-equity/leveraging-mobility/employment-capital.pdf>.

Figure 3: Race/Ethnicity Chasms in Health and Pension Coverage by Sector



Authors' calculations using the Survey of Income and Program Participation (SIPP), 2014 Panel Wave 1. All sectors show a statistically significant difference in health and pension coverage by race/ethnicity, except for finance. For the purposes of this analysis, pension benefits include both defined benefit and defined contribution (401k-type) pensions.

Equalizing Health and Pension Access Reduces Racial Wealth Gaps

To better understand how the disparities investigated above contribute to the racial wealth gap, we employ the Racial Wealth Audit™ framework,¹⁶ to look at how the racial wealth gap would be projected to change if employer-based health coverage and pension were equalized by race/ethnicity increasing coverage for Black and Latino employees to levels of Whites for our sample overall. If pension or health coverage were equalized to the current coverage rates for Whites overall (76 percent for health and 57 percent respectively for pensions), the Black-White and Latino-White wealth gaps would narrow substantially.

Median wealth among Latino employees would increase 71 percent if employer-based health coverage were equalized and would more than double if pension rates were equalized. For Black workers, median wealth would also go up substantially, increasing 25 percent if employer-based health were equalized and 53 percent if pension rates were equalized.

Figure 4. Equity in Benefits for Workers Shrinks the Racial Wealth Gaps



Authors' projections of median individual-level wealth for the working age (25-64), employed study sample using the Survey of Income and Program Participation (SIPP), 2014 Panel Wave 1. All dollar figures are in 2013 dollars. See appendix for additional details regarding methodology.

¹⁶ See appendix for description of Racial Wealth Audit projection methodology.

Eliminating the dramatic inequalities in racial and ethnic wealth-building opportunities at the workplace peers could lead to crucial reductions in the racial wealth gap and an enhancement of security for Black and Latino employees and their families.

If health and pension coverage were increased for all employees with greater commitments more broadly from employers and public institutions to establish and maintain long-term security for working people, the potential for greater security for all employees, particularly people of color, could be realized. Simply put, strengthening and enhancing workplace benefit structures, especially those that protect and build wealth, can lead to more financially secure lives for working families.

Less Risk, More Benefits for All

Wealth disparities by race and ethnicity will continue unabated unless we support and enact proactive policy interventions. Policymakers, unions, advocacy groups, and employers all have key roles to play in generating and enhancing work to wealth connections by promoting labor and social policies that support fair compensation, access to insurance, and appropriate savings opportunities for employees. Basic standards of adequacy and security—both short and long-term—should be an expectation for all working people. By mobilizing the numerous stakeholders involved in developing and sustaining asset-building opportunities at work, the workplace can become a resource for wealth-building for all employees, not just the fortunate few with benefits today, and racial and ethnic disparities in wealth and benefits can be eliminated.

Based on the findings of this report, we propose that priorities for equalizing and expanding financial security and strengthening work to wealth connections fall into three broad areas: 1.) Ensuring basic thresholds of security are met for all; 2.) Enhancing workplace benefits; and 3.) Escalating access to well-paying fields:

1. Ensuring basic thresholds of security are met for all: Basic standards of economic security should be available to everyone in the United States. We can afford to invest in the security and prosperity of workers if we prioritize the well-being of our communities and ensure that no one falls between the gaps in our safety net. The minimum wage in states and communities should match regional living wage standards. Policy priorities should also include bolstering Social Security, particularly for low-income workers, and ensuring healthcare coverage for all. Better public support for child care and universal pre-K would increase security for millions of families and increase many parents' access to work opportunities.
2. Enhancing workplace benefits: The current employer-based benefits system is insufficient for ensuring the income and asset security of most workers, particularly workers of color.

Minimum standards for workplace benefits such as paid-time off and family leave should be expanded on the national level. Policy reforms should also prioritize expanding access to pension and health coverage for workers as well as enhancing quality and participation. Fostered by advocates across the country, the new state-level Secure Choice savings programs that create portable retirement savings accounts for private sector workers without retirement plans at work are a positive new development and should be the foundation for a national system.

3. Escalating access to well-paying fields: Our national investments should reflect a commitment that all people have a right to quality jobs. The data in this report reveal we fall far short of that ideal. Our unequal and highly segregated educational system does not meet our national aspiration to provide equal opportunity for all. Access to preschool and college should not be based on ability to pay and the funding and quality of our public schools should not be based on zip code. Workforce training programs should be enhanced to include wages for participants and be designed for specific placements in collaboration with employers.¹⁷

Moving Forward

Work is a key component to economic security—providing both income and asset- building resources; however, this investigation demonstrates that well-paying jobs that contribute to both income and asset security are concentrated in industries and jobs that drive inequality for Blacks and Latinos. While inequalities in income by race/ethnicity due to occupational segregation have been well-documented, this paper contributes to our understanding of the toxic effects of benefits disparities on the racial wealth gap. The policy recommendations outlined here have the potential to enhance the connections between work and wealth—which have been in decline for decades—while ensuring that wealth- building opportunities are more equally distributed. Workplaces and employers should be a first point-of-access to wealth building opportunities for all, but public commitments to crucial standards of security and investment in our communities are also needed. If policymakers, businesses, unions, and advocates make commitments to improving the quality of jobs and enhancing access and reducing barriers to secure jobs for people of color, we move greater security for working people and the country forward.

¹⁷ Better policy can only be designed and enacted with good information about what works. In coordination with our core policy recommendations, it is crucial that we continue to expand our knowledge about policies that work to enhance economic security for U.S. families, particularly the most vulnerable. Currently, existing national datasets that have wealth data have limited data on workplaces and employee benefits. Enhancing existing surveys to include comprehensive data on wealth, workplace characteristics, and benefits information would do much to expand our knowledge of work and wealth connections and disparities. Improving the race and ethnicity data in our national datasets to include more detailed information and oversampling of smaller population subgroups would allow for disaggregated analysis that would help inform policy decisions. Sector-specific research on work and wealth connections and the racial wealth gap would also be particularly informative, given unique dynamics across sectors.

Appendix

Data Source

The analysis for this report utilizes the nationally representative Survey of Income and Program Participation (SIPP), one of the best national surveys to capture work, wealth, and demographic characteristics of U.S. individuals and households. The SIPP is a comprehensive, nationally representative panel dataset that measures key economic and social dynamics of individuals and families in the United States. Conducted and maintained by the U.S. Census Bureau, the SIPP provides detailed data on the financial well-being of families including income, wealth, employment, and program participation. Importantly, health insurance and workplace benefits variables are available to analyze connections between workplace benefits and wealth. Analysis for this report uses the first wave of the 2014 SIPP panel, which was conducted during the 2013 calendar year. All dollar figures are in 2013 dollars.

Sample

In order to study wealth disparities as they relate to workplace disparities, this analysis is conducted at the individual-level among individuals 25-64 years old, who were strongly attached to employment. Because occupation and industry characteristics as well as race/ethnicity are characteristics of individuals and not households, this analysis focuses on individual level variables and individual wealth holdings, though wealth is often measured at the household level in the literature. Jointly held assets are divided evenly between household members in the SIPP individual-level data.

For the purposes of creating our sample and following precedent from past literature, strong attachment to work is defined as at least 910 hours per year in a primary job, which is equal to full time (35 hours per week) for at least half the year (26 weeks) or half-time for full year employees (17.5 hours per week)¹⁸. This threshold captures people with significant work hours and job commitment, but may not work the full year such as teachers or construction workers as well as full-year employees who work at least half-time.

Race and Ethnicity Subgroups

Given the data availability in our primary data sources, this analysis focuses on employees in the three largest race/ethnicity groups in the U.S.: non-Hispanic Whites, non-Hispanic Blacks, and Hispanic or Latino individuals. Race and ethnicity are asked as separate questions in the SIPP. All persons who identify as Hispanic or Latino are included among Latinos in our study. While data

¹⁸ Adams, T. K., & Duncan, G. J. (1992). Long-Term Poverty in Rural Areas. In *Rural Poverty in America*. Greenwood Publishing Group; Lichter, D. T., Johnston, G. M., & McLaughlin, D. K. (1994). Changing linkages between work and poverty in rural America. *Rural Sociology*, 59(3), 395-415; Klein, B., & Rones, P. (1989). A profile of the working poor. *Monthly Labor Review*, 112(3), 3-13.

on Asian Americans is included in the SIPP, sample sizes were not sufficient to have statistically significant results for the primary analyses for this study. Unfortunately, information for Native Americans is not available in our data source. IASP supports efforts to improve data collection relating to race and ethnicity in nationally representative datasets to allow for analysis of a greater diversity of groups and disaggregated analysis among subpopulations of the largest racial and ethnic groups in the U.S.

Selection of Five Sectors

The sectors included in this analysis were selected because they are among the largest sectors in the U.S. private sector economy and represent a range of higher and lower paid sectors. To select our sectors, we first reviewed the data in the SIPP to determine which sectors had the highest percentage of individuals in the workforce. First, we excluded sectors that have relatively small percentages of the work force (e.g., mining, quarrying, and oil and gas extraction). Among sectors that were a larger percentage of the workforce, we also excluded sectors that are dominated by or have a substantial presence of public sector workers, including public administration and education, due to substantial workplace differences between public and private sector workers. Among the remaining sectors, we excluded manufacturing because, even with declining unionization rates, the sector has a greater history of unionization and generally higher union representation than other sectors in the U.S. economy and therefore, was determined to be qualitatively different from the other large sectors in the economy. There were two additional sectors that were excluded because they were general categories for services and support that combined a number of dissimilar occupations. After making these judgements, there were seven remaining sectors; we chose five from among the seven sectors to get a range of higher and lower paid fields.

Racial and Ethnic Disparities in Income and Wealth by Sector

As noted in the body of the report, disparities in income and wealth exist by race and ethnicity within and across the five sectors studied in this analysis. Table A1 highlights the median income for employees in the study sample by race/ethnicity and sector revealing statistically significant disparities in income exist within sectors for employees of color relative to their White peers, except for Black workers in restaurants, the lowest paid field in our study, and in STEM, the highest paid sector. Table A2 highlights disparities in median wealth by sector and race/ethnicity again exposing significantly lower wealth for Black and Latino individuals in the same fields as their White peers, except in restaurants where median wealth is low for all groups.

Table A1. Substantial Gaps in Median Income Among Peers in Same Sector by Race/Ethnicity & Income Inequality Across Sectors

Median Income by Sector	Restaurant	Construction	Healthcare	Finance	STEM	Full Working Age, Employed Sample
Black	\$20,900	\$30,000***	\$31,900***	\$42,100**	\$64,400	\$33,400***
Latino	\$19,800*	\$26,200***	\$28,600***	\$41,700**	\$60,200***	\$27,500***
White	\$22,600	\$46,900	\$47,600	\$51,100	\$73,200	\$44,100
All workers	\$20,900	\$39,100	\$41,700	\$49,100	\$74,200	\$39,500

Authors' calculations of median employee income using working, prime-age (25-64) sample in the Survey of Income and Program Participation (SIPP), 2014 Panel Wave 1, not controlling for education. All dollar figures are in 2013 dollars. P-value of ≤ 0.05 (*), ≤ 0.01 (**), and ≤ 0.001 (***) indicates significantly different value relative to White employees.

Table A2. Wealth Gaps Are Large Across Key Sectors and by Race/Ethnicity within Sectors

Median Wealth by Sector	Restaurant	Construction	Healthcare	Finance	STEM	Full Working Age, Employed Sample
Black	\$1,600	\$6,800***	\$4,900***	\$20,800***	\$77,100***	\$10,600***
Latino	\$2,000	\$4,800***	\$7,500***	\$38,400***	\$41,200***	\$7,600***
White	\$4,900	\$67,200	\$66,400	\$98,600	\$158,300	\$68,000
All workers	\$3,600	\$29,400	\$41,500	\$76,400	\$137,500	\$42,600

Authors' calculations of median individual-level wealth using working, prime-age (25-64) sample in the Survey of Income and Program Participation (SIPP), 2014 Panel Wave 1, not controlling for education. All dollar figures are in 2013 dollars. P-value of ≤ 0.05 (*), ≤ 0.01 (**), and ≤ 0.001 (***) indicates significantly different value relative to White employees.

Racial and Ethnic Disparities in Income and Wealth in Key Healthcare Occupations

One of the largest and fastest growing sectors in the U.S. economy, healthcare is a crucial sector for employment in the United States. Table A3 highlights the income and wealth of Black, Latino and White employees in two of the largest occupations in healthcare, registered nurses and health aids. As the table demonstrates, while income disparities are not significant by race/ethnicity for registered nurses, wealth disparities are substantial and significant, highlighting important wealth disparities among peers holding the same occupational position. Health aids have lower salaries overall and differences in income and wealth are not significant by race/ethnicity within this occupation; however, White employees in health (7 percent) are much less likely than Black (26 percent) and Latino (20 percent) employees in the health sector to work as health aids.

Table A3. Median Income and Wealth for Registered Nurses and Home Health Aides by Race/Ethnicity

		Black	Latino	White
Registered Nurses	Income	\$54,200	\$60,200	\$55,200
	Wealth	\$20,000***	\$35,500*	\$93,500
Health Aides	Income	\$23,100	\$22,100	\$23,600
	Wealth	\$900	\$3,700	\$5,300

Authors' calculations of median individual-level wealth using working, prime-age (25-64) sample in the Survey of Income and Program Participation (SIPP), 2014 Panel Wave 1. P-value of ≤ 0.05 (*), ≤ 0.01 (**), and ≤ 0.001 (***) indicates significantly different value relative to White employees. All dollar figures are in 2013 dollars.

Regression Analysis and Racial Wealth Audit

To estimate the expected typical difference in income and wealth for colleagues in the same fields controlling for education (Figure 2), we conducted median regression analysis separately for each of the five sectors in this study to predict income and wealth with independent variables for level of education and race/ethnicity. Reported results in Figure 2 are the expected differences in income and wealth for Black and Latino employees relative to their peers controlling for education. As noted in the body of the report, differences in wealth are statistically significant for Black and Latino employees relative to their White peers in each sector except in restaurants, a sector in which wealth levels are typically low overall. Income disparities are significantly different for Latinos in the construction and health sectors relative to Whites, and for Black employees in all sectors, except restaurants.

In order to apply the Racial Wealth Audit framework to compare the racial wealth gap before and after a policy change, we model the expected changes in wealth due to increased benefits participation for Black and Latino employees (Figure 4) using a reweighting technique to equalize the proportions of employees of color with benefits relative to the proportions that currently have benefits among their White peers. This analytic strategy increases the weights of individuals of color with benefits in the study sample in the SIPP, so that they equal the same proportion of White employees with benefits among all White employees in the sample. Thus, separately, for health and pension benefits we increased the population weights of those who have the respective benefit, such that the group with the benefit would be equal in proportion to the total proportion of White employees with the particular benefit. For example, since 75.5 percent of White workers in our sample had health insurance through the workplace, and 66.5 and 51.6 percent of Black and Latino employees did respectively, we increased the population weights of the Black and Latino employees such that they were equal to 75.5 percent of our sample. This strategy holds all other characteristics of the employees of color constant, including demographic, economic and other characteristics of the sample. More information on the use of this reweighting technique to model changes in proportions of households with a particular economic characteristic is available in our report, "The Racial Wealth Gap: Why Policy Matters" (Sullivan et al., 2015).

References

- Bureau of Labor Statistics (2018). Occupations with the most job growth. Online. Available: <https://www.bls.gov/emp/tables/occupations-most-job-growth.htm>. Accessed March 4, 2019.
- Shapiro, T. M., Meschede, T., & Osoro, S. (2013). *The Roots of the Widening Racial Wealth Gap: Explaining the Black-White Economic Divide*. Retrieved from Waltham, Massachusetts: <https://heller.brandeis.edu/iasp/pdfs/racial-wealth-equity/racial-wealth-gap/roots-widening-racial-wealth-gap.pdf>.
- Sullivan, L., Meschede, T., Dietrich, L., Shapiro, T., Traub, A., Ruetschlin, C., & Draut, T. (2015). *The Racial Wealth Gap: Why Policy Matters*. Retrieved from New York, NY and Waltham, MA: <https://heller.brandeis.edu/iasp/pdfs/racial-wealth-equity/racial-wealth-gap/racial-wealth-gap-why-policy-matters.pdf>.