



Racial and Gender Gaps and Economic Gains From Closing Them

Why Supporting Women and
Minority Workers Is Good for Us All

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*These are my own views and not necessarily those of the Federal Reserve Bank of St. Louis, the Federal Reserve System, or the Board of Governors.

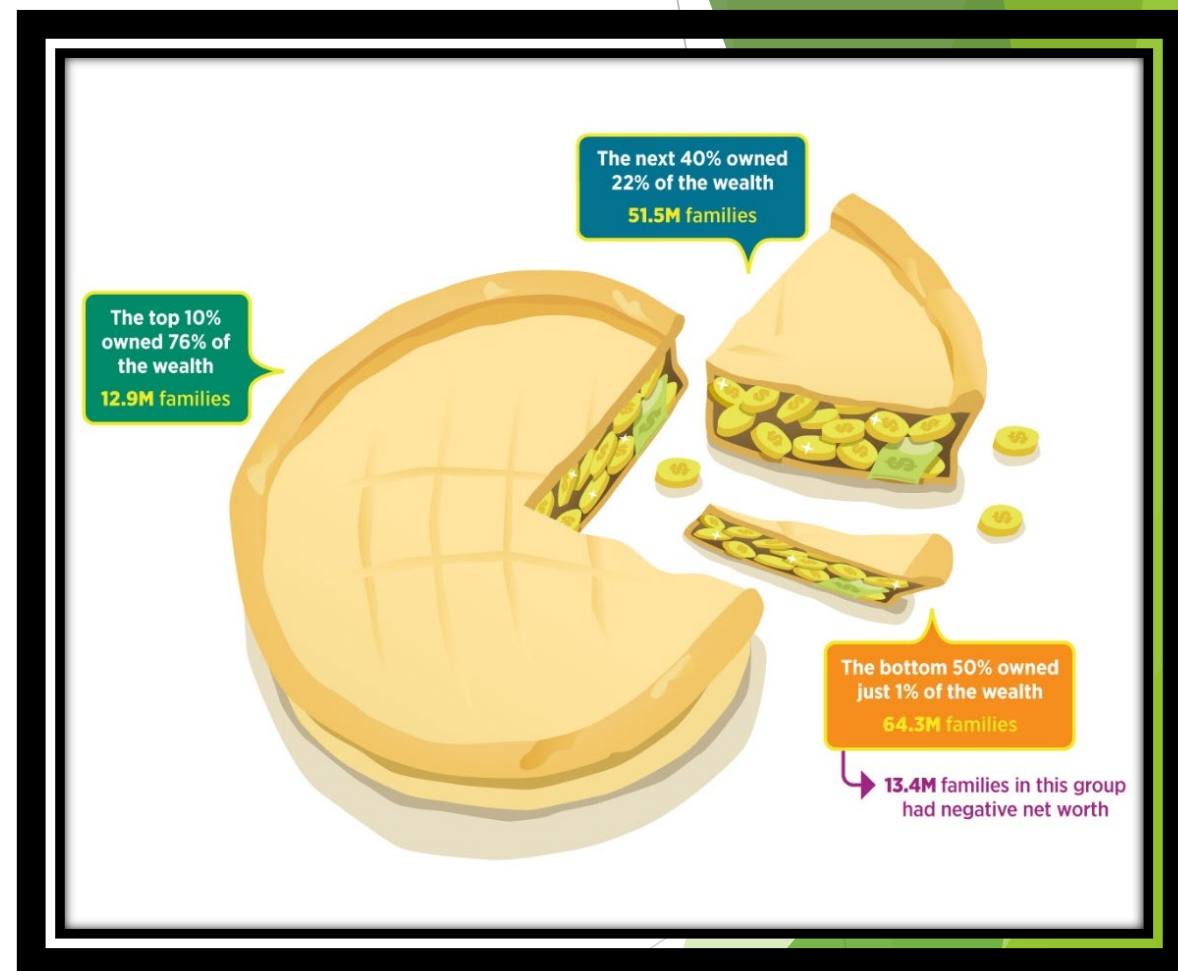
Overview

- ▶ The problem: Equal opportunity is not the reality
 - ▶ Large economic gaps by race/ethnicity and gender
 - ▶ Many root causes - a history of exclusion
- ▶ When it rains...
 - ▶ COVID-19 exacerbated many of these gaps, despite gains
- ▶ Who does this affect?
 - ▶ Strong economic argument for broadly strengthening families' financial resilience
- ▶ What can be done?
 - ▶ Inclusion; moving beyond a recovery mindset



WEALTH INEQUALITY

“Wealth inequality in America has grown tremendously... to the point where the top 10% of families... own 76% of the wealth pie. The bottom half... own only 1% of the pie.”



Source: Kent and Ricketts (December 2019), updated with 2019 data.

Demographic Snapshot: Bottom 50%

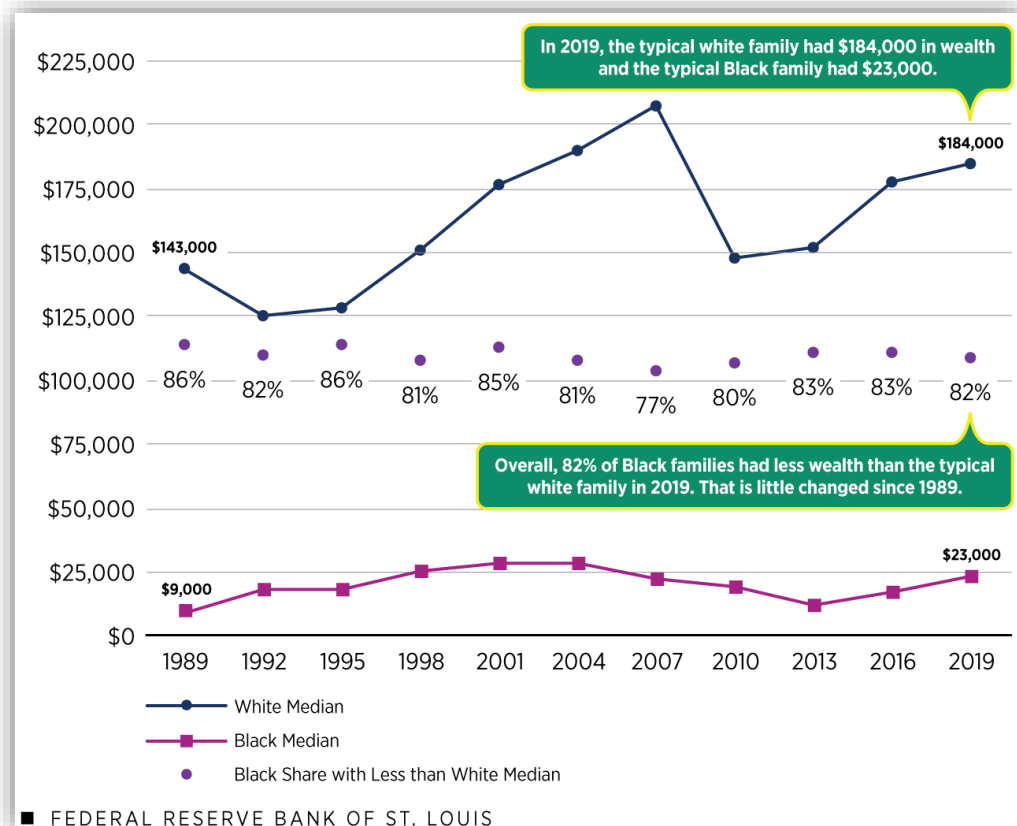


- ▶ 75% of Black families; 67% of Hispanic families; 41% of white families



- ▶ 56% of families headed by women; 44% of families headed by men

Black Family Wealth in 2019

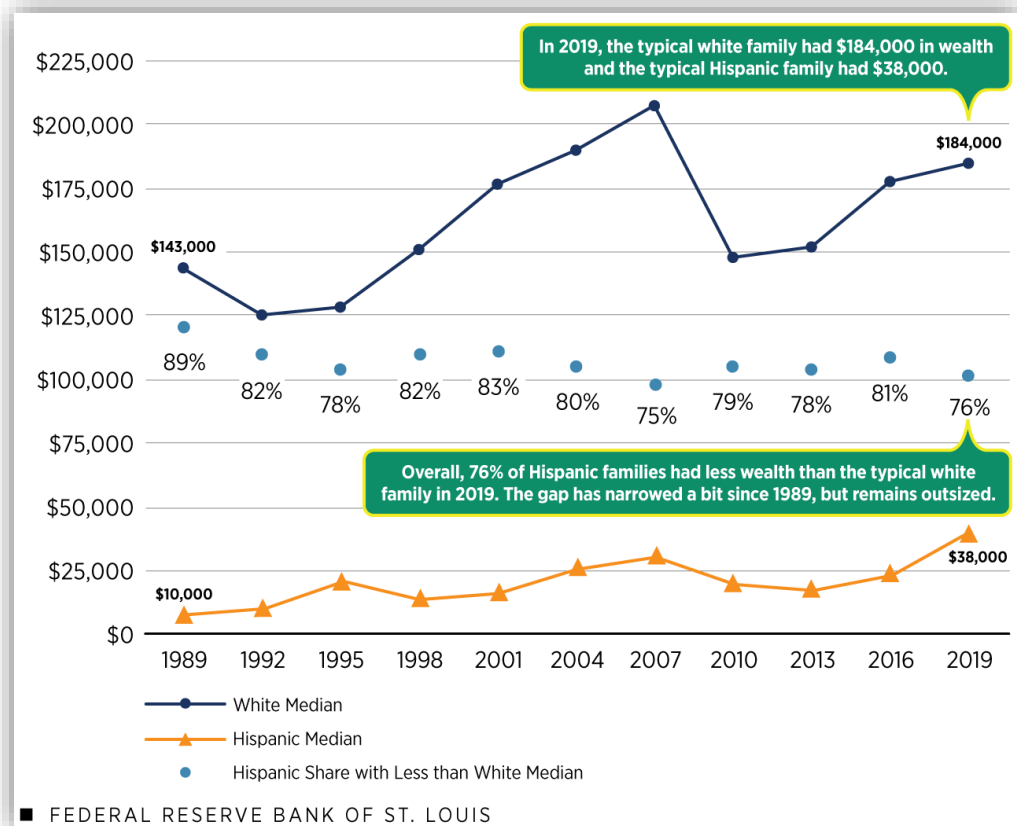


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Black families had just 12 cents in median wealth for every dollar of white family wealth

Hispanic Family Wealth in 2019

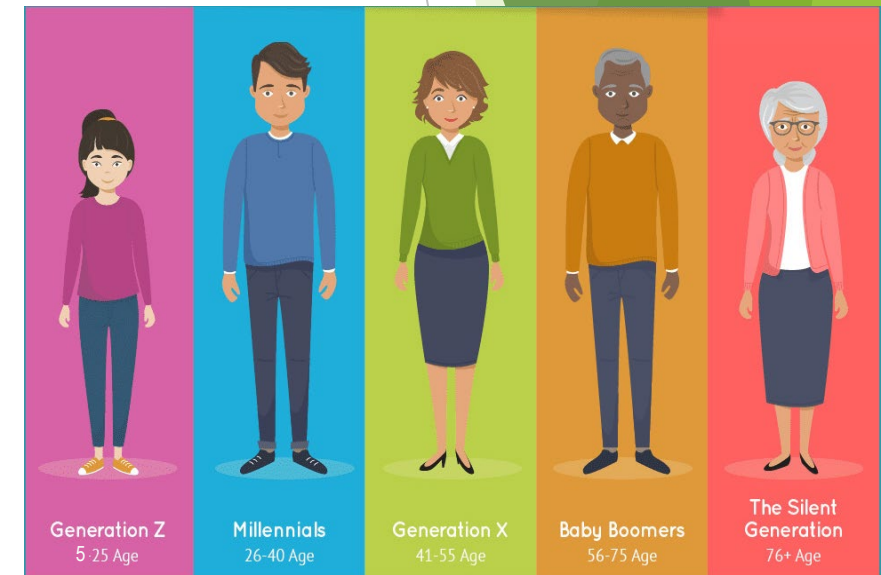
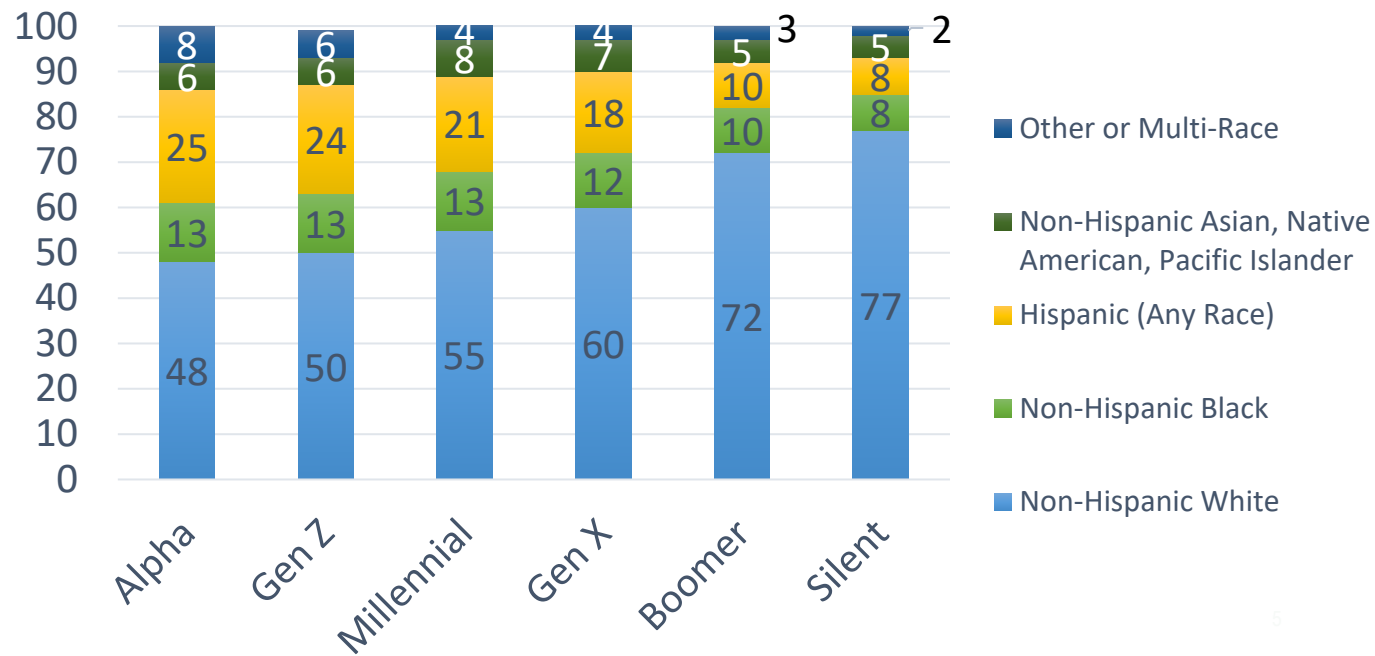


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Hispanic families had just 21 cents in median wealth for every dollar of white family wealth

Changing Demographics: Race and Ethnicity



Source: American Community Survey, 2020, IPUMS microdata and Kent's calculations.

Gender Wealth Gap



7% of women-headed families are millionaires
(17% of men)

55 \$\$\$\$

Overall gap; female median wealth per \$100 of male survey respondent wealth, regardless of marital status.



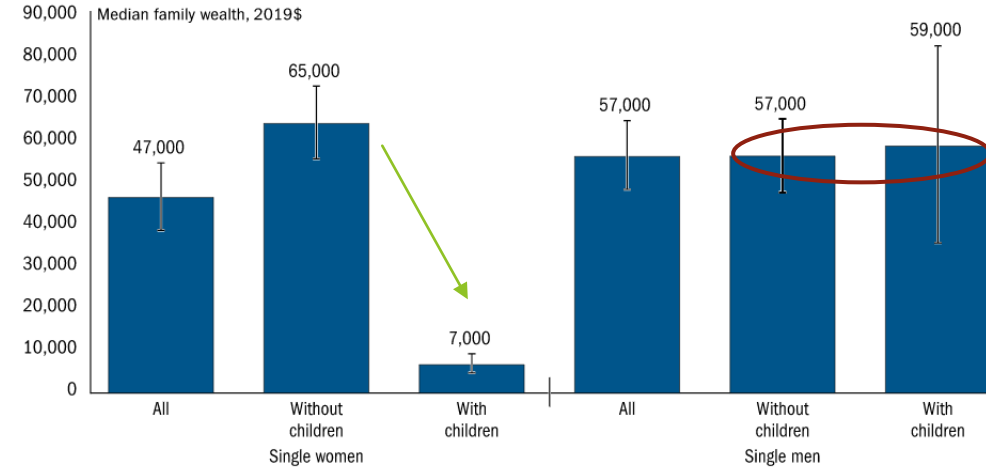
14% of women-headed families have no wealth or
are in debt (8% of men)

Note: Unit of analysis is families; characteristics are taken from the survey respondent, generally considered to be the most financially knowledgeable person.

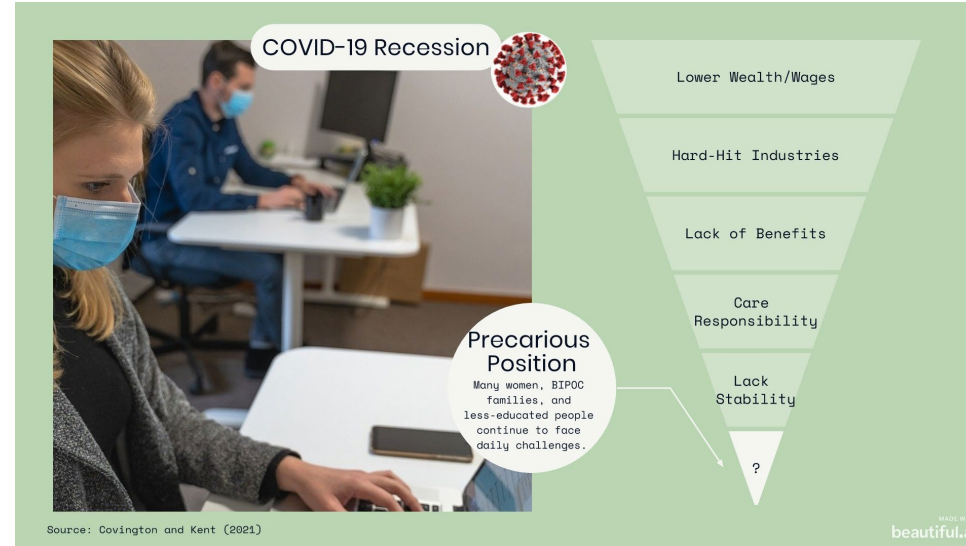
A Particularly Vulnerable Group

- ▶ Mothers earn \$0.75 cents per dollar earned by fathers
 - ▶ Child care is unaffordable for vast majority (97%) of single moms
- ▶ Motherhood wealth penalty
- ▶ Mothers are overrepresented in low-wage jobs with less access to wealth-building workplace benefits

Figure 1. Wealth for single mothers was very low in 2019



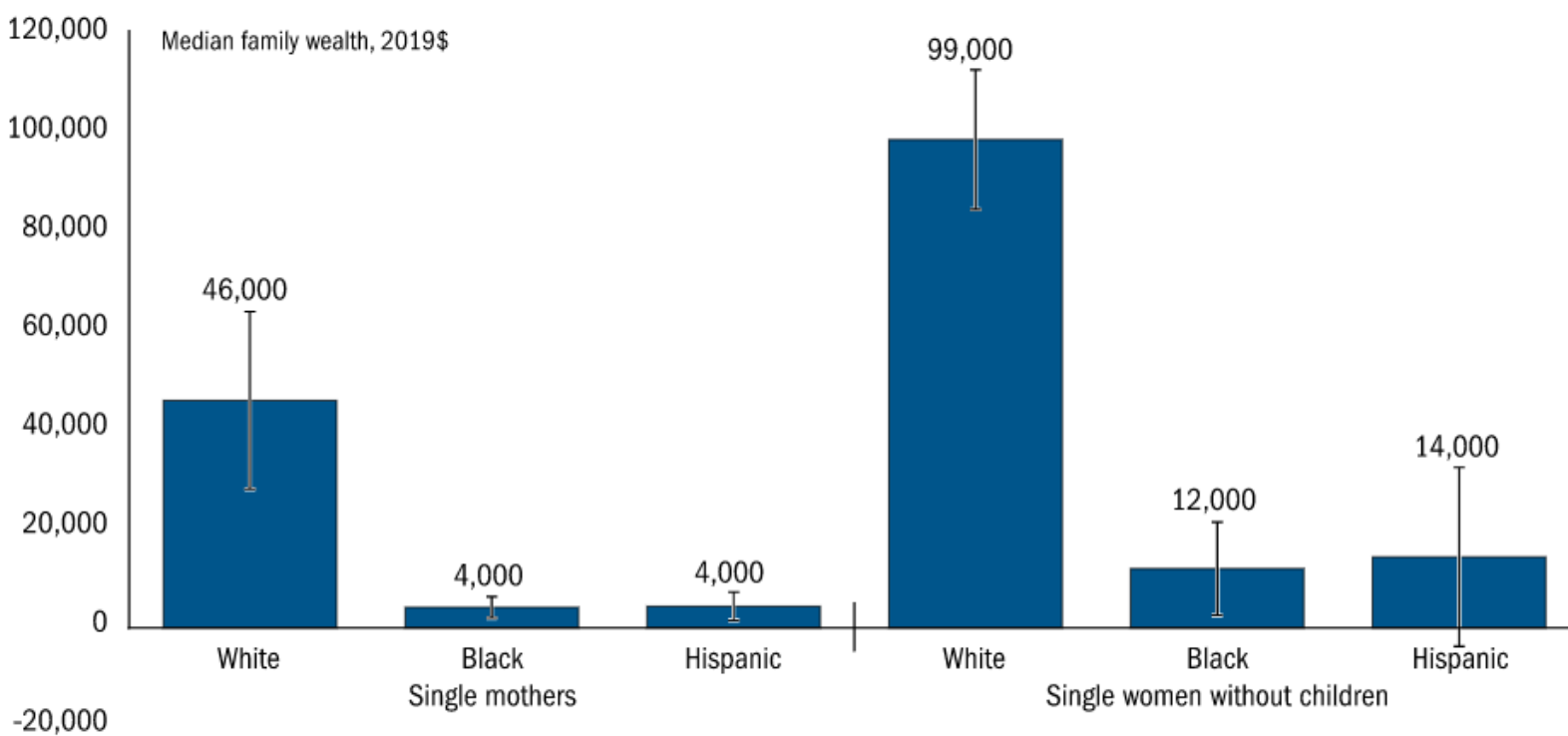
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Sources: Kent (November 2021); Kent (May, 2022)

Mothers of Color Have Few Resources

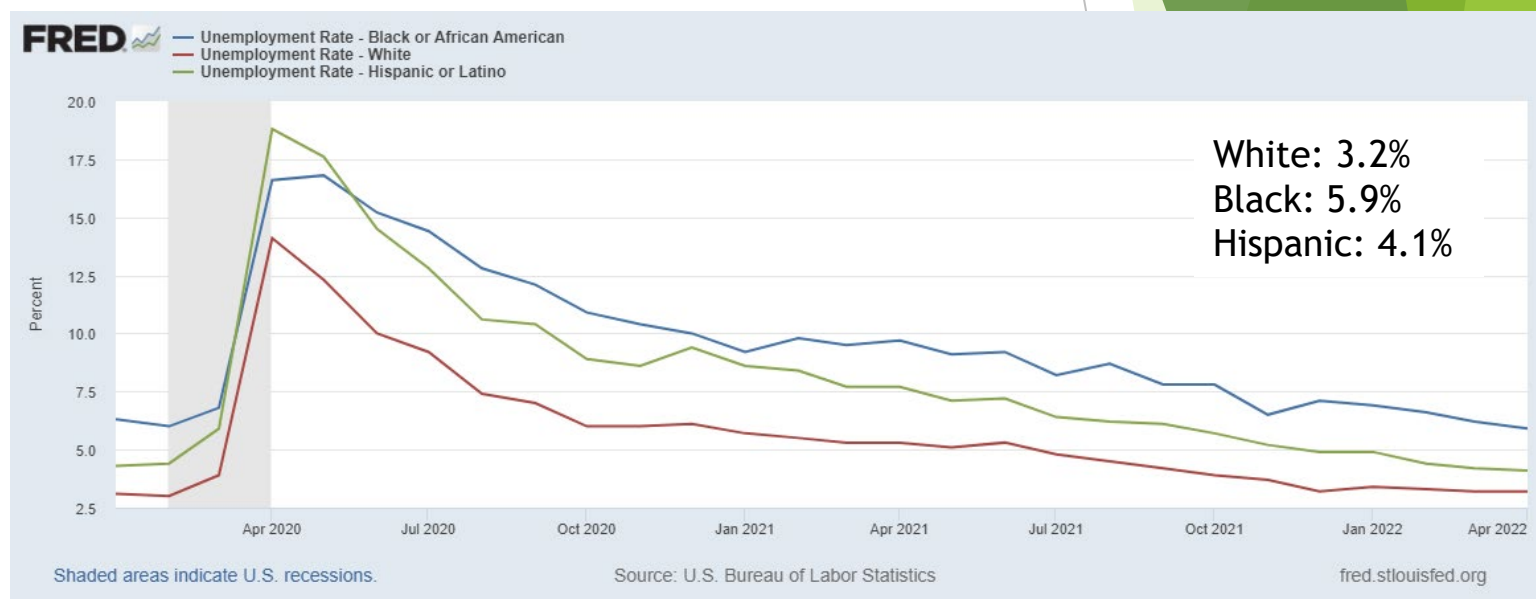
Figure 2. Wealth of single mothers of color much lower than that of single White mothers



Source: Kent (November 2021)

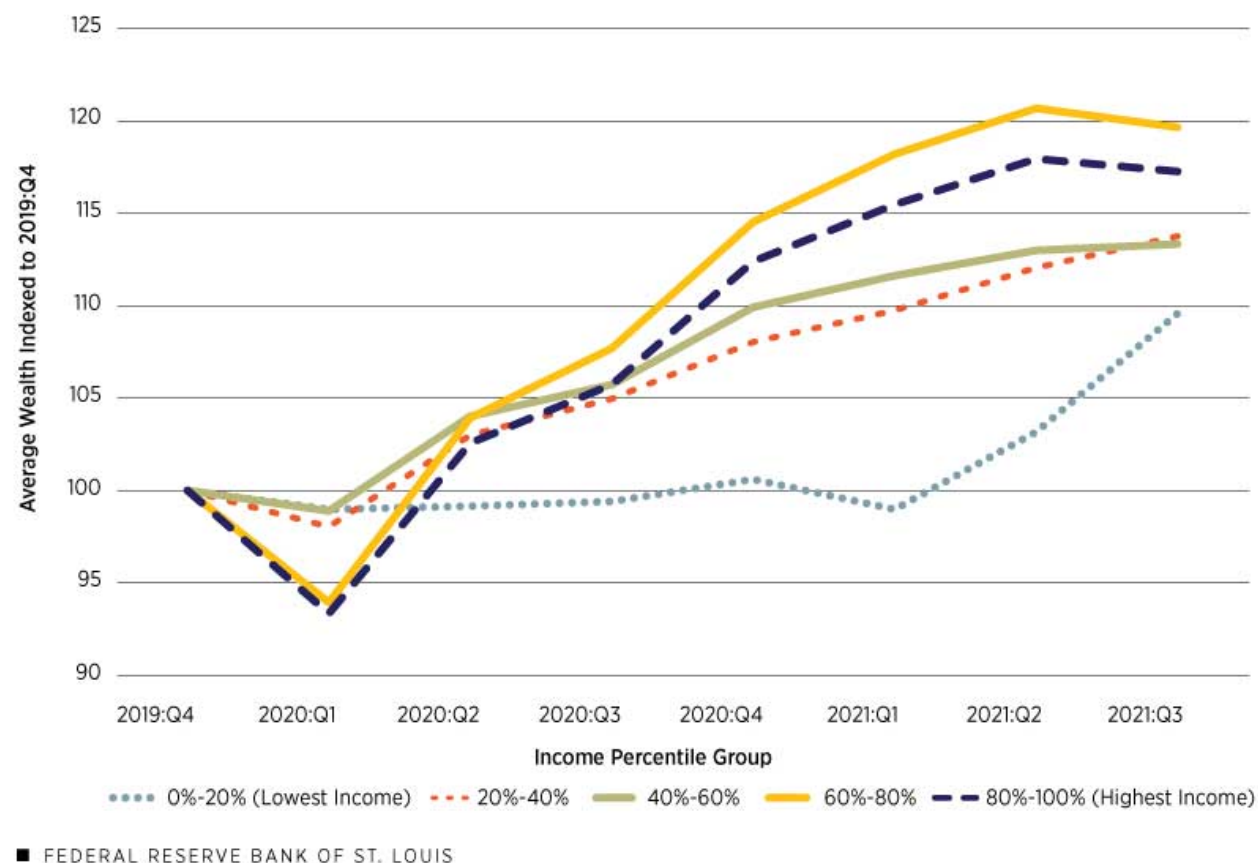
COVID-19's Effects

- ▶ Black and Hispanic workers more likely to be unemployed or have exited the labor force
- ▶ “Mom-cession”
 - ▶ Mothers more likely than fathers to be out of a job
 - ▶ A larger share of mothers left the labor force than did women w/o children
- ▶ ~16,000, or 9%, of child care providers permanently shut down (Child Care Aware)



Increasing Wealth Inequality Since 2019




- ▶ Growth for all, but more so at the top
- ▶ Unprecedented government aid kept low-income families afloat, but
- ▶ Rising stock market provided boon to higher-income families
- ▶ Top 20% of income group's wealth grew by \$547,000, on average
- ▶ Bottom 20% of income group's wealth grew by \$13,000, on average



Source: Kent and Boshara (March 2022)



Why including these groups fully benefits us all

- ▶ International competitiveness
 - ▶ Economic growth
 - ▶ Vibrant businesses
 - ▶ Thriving families
- 
- 
- 

A hand holding a globe with network lines. The background is a light blue gradient with a faint world map. A hand is holding a globe, and white lines connect various points on the globe, symbolizing global connectivity or a network.

International competitiveness

- ▶ U.S. women's participation in labor force lags other comparable countries
- ▶ Also the only industrialized country with no paid family/medical leave
- ▶ Few family-friendly policies which boost productivity

Economic and business growth

- ▶ Most women will become mothers
- ▶ Demographics are shifting
- ▶ Tax revenue increase, GDP growth, less reliance on social safety net
- ▶ Larger pool of senior women, Blacks, and Hispanics to pick for leadership roles
- ▶ Diversity of ideas, innovation
- ▶ Increased productivity and employee morale, reduced turnover and absenteeism



Potential Gains in PA

- ▶ Imagine if racial and gender gaps in the labor market didn't exist
- ▶ Gross domestic product a broad measure of how well everyone is doing
- ▶ Potential gain of \$82 billion/year

Source:

FedCommunities.org/data/closethegaps/

Envision a US economy that works for everyone

What if racial and gender gaps did not exist? Explore simulated economic gains from 2005 to 2019 in each US state and Washington DC.

For Pennsylvania, imagine closing gaps in race and gen...

TOTAL GAIN

Pennsylvania

If racial and gender gaps were closed, the GDP of Pennsylvania from 2005 to 2019 would have increased by

\$82B annually

from a simulated baseline GDP of \$250B

The simulated **total gain** and the sum of simulated **incremental gains**—which do not include the interplay (joint effects) of employment, educational attainment, and hours worked—will differ. Also, please keep in mind that each place has unique demographics, and some states may have higher GDP gains in part because of more diversity and/or greater disparities, so we recommend focusing on each state and each gap separately rather than drawing comparisons.

Thriving families

- ▶ Families rely on women's (and mothers') wages more than ever before
- ▶ Low-income, Black and Hispanic families are more likely to rely on
- ▶ Upward mobility for next generation
- ▶ Investing in children early, large returns



What Can Be Done?

- ▶ Ban salary histories
- ▶ Evaluate wage gaps in your companies
- ▶ Consider promotion tracks for lowest-paid workers
- ▶ Offering a broad range of benefits: flexible hours, childcare support, help with student loans, telework, etc.
- ▶ Federal paid family and medical leave
- ▶ Increase public funding for early care and education programs and public prekindergarten programs

Sources: Kent (March 2022);

<https://bestplace4workingparents.com/policies/>

Moving Forward

- ▶ Centering those that were harder-hit is critical for an inclusive recovery, but recovering to pre-pandemic levels is not enough
- ▶ A stronger safety net and greater workplace benefits/flexibility
- ▶ Inclusive equity could have broad economic gains in both the short and long-term



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