

Racial Disparities in Job Displacement in the United States, 1979-2011

Elizabeth Wrigley-Field
University of Wisconsin-Madison
wrigleyfield@wisc.edu

This paper offers the first systematic analysis of racial disparities in job displacement in the United States over the past three decades. Using the Displaced Worker Survey (DWS), a supplement of the Current Population Survey (CPS), I analyze disparities in job displacement across and within subpopulations of white and black men and women.

Displacement—the loss of a job conceived as permanent (as opposed to temporary or contingent work) due to factors such as insufficient work, a position being abolished or a plant being closed—is a common and consequential economic harm that has been largely unexplored as a dimension of racial stratification in the economy. In short, economists have conducted many careful studies of changing patterns of job turnover, but with little attention systematic attention to racial differences in job insecurity (a critique made in Hollister 2011, though see Jaeger and Stevens 1999, Neumark et al. 2000), while sociologists and demographers have extensively documented racial stratification in the economy (including in transitions to unemployment: e.g. Couch and Fairlie [2010]), but have provided no comprehensive description of layoff risk by race. This omission is surprising in light of the potential of permanent layoffs to be tremendously destructive to workers and their families over a long period of time (e.g., Gandolfini and Hansson 2011)—potentially knocking workers indefinitely off the economic trajectory they had seemed to be on (Farber 2000, 2011)—and in light of layoffs being quite unevenly distributed across the economy.

In this paper, I (1) provide a theoretical analysis of the formal relationship between racial disparities in job displacement and in unemployment, showing how an analysis of displacement may shed new light on one of the most well-documented aspects of racial stratification, the unemployment disparity; and (2) provide an empirical description of the displacement disparities and a preliminary empirical analysis of their contribution to unemployment disparities.

The empirical results offer evidence of an unexpected growth the racial disparities in job displacement over the past decade, a growth that exists within several cohorts and occupational categories, and that contrasts with the secular trend in racial disparities in unemployment, which tended to decrease until the Great Recession.

Theoretical Results: Displacement and Unemployment

In this section, I first articulate four ways that displacement and unemployment rates might be associated with one another over time. These four possibilities exist regardless of how displacement is measured.¹ I then articulate six possible sources of racial disparities in

¹ There are also two additional ways that displacement and unemployment rates can be related, depending on the displacement measure used (i.e., on conditional vs. unconditional displacement rates, and on the operationalization of conditional rates); these are discussed in the paper. The empirical results below are qualitatively robust to the choice of measure.

unemployment, explicating the various roles that racial disparities in job displacement might play in producing such unemployment disparities. This analytical framework generates precise questions about the displacement disparities and their contribution to unemployment disparities, some of which can be addressed empirically with the DWS data. For space, in this proposal I omit the analytical apparatus and the precise statement of the possible effects, and instead summarize them qualitatively.

The analytical results show that displacement and unemployment levels may be associated over time for any of four reasons, comprising a 2x2 table, with one dimension separating *displacement effects* from *period effects* and the other separating differences in *entry into unemployment* from differences in *duration of unemployment*. In short, displacement and unemployment may be associated in time because the displaced (vs. non-displaced workers) are differentially likely to enter into unemployment; or because the displaced (vs. non-displaced workers) are differentially likely to remain unemployed conditional on becoming unemployed; or because, conditional on whether or not they are displaced, workers are differentially likely to transition to unemployment in high-displacement (vs. low-displacement) periods; or because, conditional on whether or not they are displaced, workers who become unemployed are differentially likely to remain unemployed in high-displacement (vs. low-displacement) periods. (In the paper, I give theoretical reasons for predicting the directions of the associations here.)

The analytical results also identify six possible sources of racial disparity in unemployment, in terms of displacement. The disparity in unemployment can be decomposed into a racial disparity in the rate of entering unemployment and in the duration of unemployment, and each of those can be decomposed into a racial disparity among the displaced, a disparity among the non-displaced, and a disparity in the displacement rates themselves.

The latter--the racial disparity in the rate of displacement--is the main object of empirical study in this paper. The analytical framework allows us to understand the contribution of those results to unemployment disparities.

Preliminary Empirical Results: Racial Disparities in Job Displacement

Figure 1 shows the level of job displacement (as a percent of formerly employed workers experiencing at least one displacement over the prior three years) and unemployment (Panel A), and the racial disparities in displacement and unemployment (Panel B). [For space, this proposal shows results only for black and white men.] For white men, displacement is more common than unemployment; for black men, this is reversed.

It is apparent that the displacement and unemployment levels have a close association over short time intervals--that is, they vacillate together. However, the secular trends reveal some differences. The racial disparity in unemployment has had a generally downward trend over the three decades studied (until the Great Recession). In contrast, racial disparities in displacement decrease until the early 2000s, and then increase, before increasing again in the Great Recession. (The increase in the racial disparity in the pre-Great-Recession-2000s, compared to the 1990s, is subtle in these graphs because the racial disparity in unemployment is larger than the disparity in displacement. This increase is statistically significant in linear probability models.)

Additional analyses by subpopulation (not shown) show that this increase in the racial disparity in job displacement is particularly concentrated in about 20% of subpopulations examined, including workers in the private sector, in the South, less educated workers, workers in all age groups, and workers in desirable occupations, discussed below.

Results by Occupation

Figure 2 shows the results of a decomposition of men's total racial disparities in the probability of displacement into two components: disparities in the racial composition of occupations (occupational segregation), and racial disparities in the displacement rate within occupations. For ease of viewing, Figure 2 shows only selected occupational groups (the ones whose magnitudes are important for some time interval); Panel A shows only the across-occupation contribution to the total disparities for selected occupations, while Panel B adds the within-occupation contribution to the total disparities.

Panel A shows that the contribution of occupational segregation to the racial disparities in displacement has declined over time. Additional analyses [not shown] reveal that this is not because of declining racial segregation by occupation, but rather because occupations have themselves converged in their displacement risk.

Panel B shows that only one occupational group, technical/sales/administrative assistant jobs, have had consistently high racial disparities over time. Panel B also shows that two occupational groups show 'negative disparities' (i.e., white disadvantage) in displacement in the 1990s, but positive disparities (black disadvantage) in the 2000s. These occupations are professionals and managers, and craft occupations.² This pattern is notable because professional, managerial, and craft occupations are highly desirable occupations, implying that the racial disparities in these occupations may potentially be highly consequential for patterns of downward economic mobility. The pattern is also notable because these occupational groups are entered very differently from one another: professional jobs are highly credentialed, with relatively routinized hiring, and have been far more accessible to desegregation efforts than have managerial jobs, which employ less-routinized hiring and remain highly segregated (Stainback and Tomaskovic-Devey 2012). Given these divergent patterns of hiring, that the changing pattern of racial disparities in displacement is shared by these occupations is puzzling and is grounds for further investigation.

Additional empirical analyses, in progress, construct measures of unemployment conditional on workers' most recent occupation. These analyses relate the displacement results by occupation, presented here, to trends in the unemployment disparities, and connect the empirical to the theoretical results.

² Additional analyses [not shown] show that the increasing disparities within craft occupations is largely a result of construction, whereas within the managerial/professional category, the increasing disparities occur robustly in smaller occupations (and within demographic subgroups)--an important indication that this pattern is 'real,' and not an artifact of combining distinct occupations into one broad category.

FIGURES

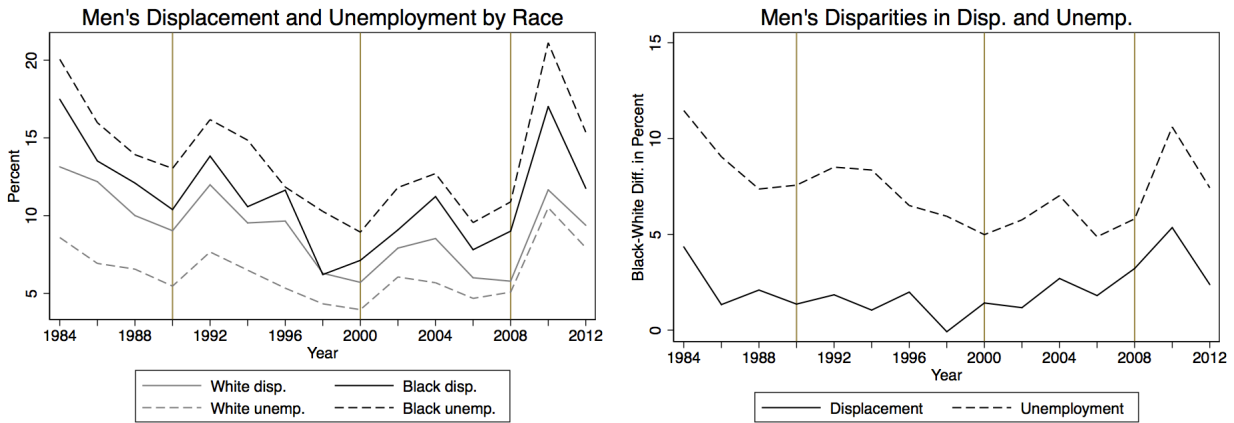


Fig 1. Panel A (left) shows the probability of displacement and unemployment for black and white men over time. Panel B (right) shows the black-white difference in these probabilities.

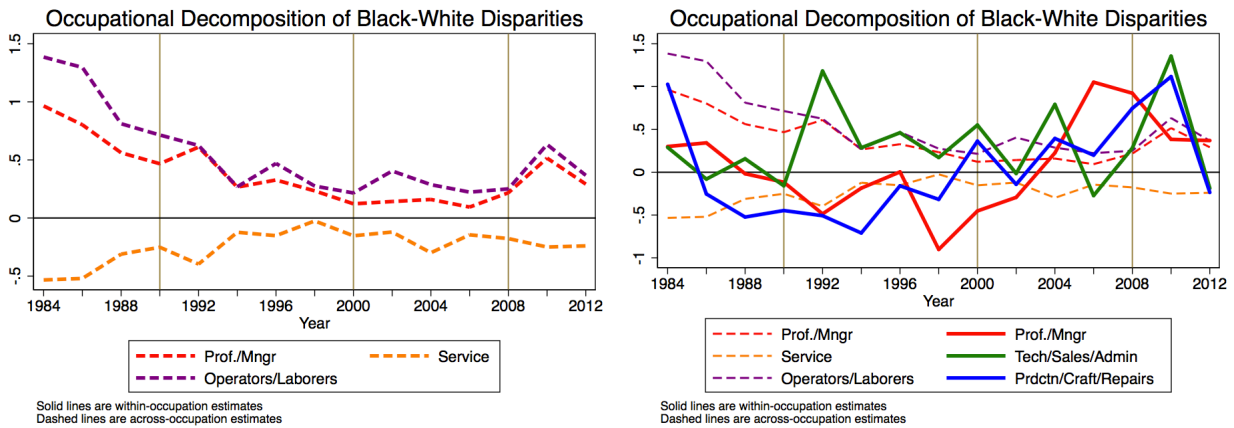


Fig 2. Panel A (left) shows the across-occupation (occupational segregation) contribution to racial displacement disparities; Panel B (right) adds within-occupation disparities. Both are for selected occupations that make an important contribution to the total disparities.