Diversity & Inclusion: A Tale of Two Economies

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"Not everything that counts can be counted, and not everything that can be counted counts." –Albert Einstein

Abstract

This study employs the natural unemployment rate as a benchmark to characterize the state of the labor market by race and gender. In our analysis, we find that the COVID recession produced asymmetric economic damages to some segments of the population and that the pace of recovery from the recession is slower for some races and gender than for others. This pattern matches similar trends of asymmetric damages and recovery seen over the prior three business cycles.

The Black labor market was affected most by recessions and experienced the slowest pace of recovery; in particular, Black women's pace of recoveries was the slowest among any race and gender. Of all segments examined over this 30-year-period, only the Black labor market never achieve the full employment status, making the past three business cycles "recovery-less" experiences for Black Americans. Essentially, the longest recovery following the Great Recession together with the historically largest monetary incentives were unable to push the Black unemployment rate to meet the natural rate of unemployment.

This finding, that one race never achieved full employment, suggests that policymakers should incorporate "diversity & inclusion" into their efforts to confront recessionary periods, rather than the current tradition of one-policy-fits-all. Our work proposes a new policy goal of full employment for each race and gender, which we believe would be a start to ending the "recovery-less" experience for Blacks. Typically, policymakers rely and respond to the aggregate economic numbers, however, we believe there must be policy tools specifically focused on the race/gender-defined labor markets. Our analysis suggests that a faster recovery in the Black labor market would boost national recovery pace and that focusing on the Black market would also help the aggregate market. As a result, incorporating the race and gender data would help to design policies to benefit all. In other words, full employment for each race and gender should be the policy goal going forward.