



# American Economic Association

Committee on Economic Statistics <https://www.aeaweb.org/about-aea/committees/economic-statistics>

May 8, 2021

## Economic Measurement of Consequences of Systemic Racism: Challenges and Opportunities

This document provides an overview of the complications of using most existing federal and state data to measure the economic consequences of systemic racism, as well as potential solutions to identified problems.

### **Bottom Line:**

- ***Vital deficiencies in federal and state administrative and survey data make it difficult to measure racial disparities and other effects of systemic racism.***
- ***Fixes, while difficult to implement quickly, can be initiated in the near and intermediate term to substantially advance measurement of the economic consequences of systemic racism in the US.***

First, we note that Section 9 of the President’s Executive Order on Advancing Racial Equity states “Many Federal datasets are not disaggregated by race, ethnicity, gender, disability, income, veteran status, or other key demographic variables...a lack of data [that] impedes efforts to measure and advance equity.” As we highlight below, such limitations are important but there are also significant challenges even for the federal statistical surveys that *are* disaggregated by racial and other demographic data.

These challenges include:

- **Poor survey coverage of small and minority populations.** For example, there were substantial net undercounts in the 2010 Decennial Census, estimated at: 4.88% for the American Indian and Alaskan Native population living on American Indian Reservations; 2.06% for the Black population; and 1.54% for the Hispanic population. Another example is the Survey of Consumer Finances, whose sample size is not large enough to conduct meaningful analysis for American Indians/Alaska Natives, Native Hawaiian/ Pacific Islanders, or Asians.
- **Nonresponse bias.** Survey response rates are generally low and declining, but since nonresponse rates also vary by racial and ethnic groups, and by geographic region, survey results are skewed toward groups and/or regions with higher response rates. For example, nonresponse tends to be higher than average in central cities, and black and Hispanic populations are overrepresented in Central cities, so survey findings are biased against their representation.
- **Inability to identify within-group differences.** For example, all people of Hispanic origin are not alike. Identification of ethnic disparities that affect particular subgroups of Hispanics cannot be discerned from data that aggregate many groups of people into a single category.
- **Failure to include choices in surveys that are relevant to specific racial populations.** When people cannot identify themselves in survey questionnaire choices, nonresponse is likely.



# American Economic Association

Committee on Economic Statistics <https://www.aeaweb.org/about-aea/committees/economic-statistics>

- **Surveys may fail to ask the very questions that would reveal discrimination.** For example, business surveys don't ask for details on such things as loan request history.
- **The lack of a necessary theoretical/structural basis for systemic racism to guide appropriate data collection and use.**
- **The lack of needed coordination among those contributing to the measurement of systemic racism** (e.g., statistical agencies, program agencies, and researchers)

## A variety of potential actions/approaches may address identified issues with federal surveys

- Coverage problems can be mitigated by oversampling in geographic areas or among particular groups that do not receive adequate coverage under standard sample frame development.
- Modifying survey questions or adding new questions and/or targeted supplements to existing surveys may allow for inclusion of racially appropriate choice sets and details on otherwise invisible transactions that can reveal discriminatory practices.
  - However:
    - A broader group of people, of various races and backgrounds, needs to be involved in research conceptualization, survey design and data collection processes in order to identify appropriate additions and modifications.
    - Cognitive and other research may be needed to design new measures, methodologies and algorithms to study choice sets, relational influences, business practices, etc.

Second, limitations in, as well as access to, critical state and administrative data greatly hamper measuring the economic consequences of systemic racism:

- We use as a core motivating example the limitations and access to Unemployment Insurance (UI) wage and claims data at the individual level. The UI data are collected and processed at the State level and cover 96 percent of nonfarm employment. Such data have already been used by the user community as a powerful tool for statistics and analysis. But there are many limitations and challenges. These include:
  - Many state level data IT infrastructure systems are antiquated, as became evident in the processing of claims in the pandemic. This limits the quality and the timely use of such data.
  - Some States collect no demographic data for UI wage records, though States do collect demographics on claims records, either for all claimants or a subsample.
  - It is feasible to use the UI data with demographic data from federal sources but this approach has also faced challenges.
    - The Census Bureau's Longitudinal Household-Employer Dynamics (LEHD) program has augmented UI wage records with demographic estimates using



# American Economic Association

Committee on Economic Statistics <https://www.aeaweb.org/about-aea/committees/economic-statistics>

- survey and administrative demographic data. It obtains UI wage records from the States via partnerships that do not fund curation of the data.
  - However, access to such data is limited. Critically, the LEHD data infrastructure is commingled with Federal Tax Information (FTI) and so cannot be shared with the States or other statistical agencies, including BLS.
  - Enabling legislation to permit sharing of FTI across the statistical agencies covered by CIPSEA has never been passed.
  - BLS's Quarterly Census of Employment and Wages program funds and supervises States' curation of UI *employer* records and allows sharing, but that does not extend to UI wage and claims records.
- Enhanced, accessible, and timely UI wage and claims data at the individual level could be used for a variety of purposes. including:
  - A sample frame to permit the type of oversampling by race in surveys as discussed above.
  - New statistical products to track the racial impacts of current economic conditions on job creation and layoffs at a granular level.
  - Evidence to support policymaking, such as assessment of racial impacts of programs and policies on a timely and granular level.

The UI wage and claims administrative data is only one example of how enhanced and broader access to administrative data is of critical importance in this area. In addition, integration of administrative and survey data can improve the quality and usefulness of both.

We acknowledge that there are limited steps that can be taken in the very short run. However, elaboration by the White House on Section 9 of the President's Executive Order on Advancing Racial Equity could direct federal statistical agencies (and other agencies as relevant) to take the following steps in the short term:

1. Evaluate statistical features of specific surveys and administrative data that impede adequate measurement of the economic consequences of systemic racism;
2. Expand advisory committee membership to include more individuals with direct experience in attempts to measure racism in culturally effective manners; and
3. Identify the resources and time needed to associate racial and ethnic demographics with federal and state administrative data and improve access to those data.
4. Create a mechanism for coordination across agencies in collecting data relevant to the measurement of systemic racism. A Task Force (with agency and external members) could be created, and/or a body such as the NAS Committee on National Statistics could conduct a study. In either case, a study to identify the appropriate conceptual framework for evaluating data to measure systemic racism should be a part.



# **American Economic Association**

Committee on Economic Statistics <https://www.aeaweb.org/about-aea/committees/economic-statistics>

Legislation is required for several key steps to overcome the challenges discussed above, especially to reduce the barriers for the access to and integration of federal and state administrative and survey data. Two high priority areas for legislative action are:

1. Building on the Evidence Act of 2018 to implement the necessary steps to facilitate access to data for evidence building while ensuring privacy and transparency in how those data are used.
2. Enabling data sharing of FTI among BEA, BLS, Census, and HHS as a routine practice. Permitting data sharing and collaborative integration of micro data would yield dramatic improvements in U.S. economic statistics. In addition, such integration would yield the core data infrastructure that could be built upon for evidence-based policy making that takes racism into account. The U.S. is an outlier among advanced economies in not permitting such data integration within its statistical system.



# **American Economic Association**

Committee on Economic Statistics <https://www.aeaweb.org/about-aea/committees/economic-statistics>

## **American Economic Association (AEA) Committee on Economic Statistics' Subcommittee on Measuring Effects of Systemic Racism**

- John Haltiwanger (Committee Chair) Distinguished University Professor, Department of Economics at the University of Maryland
- Katherine Smith Evans, Washington Area Representative, American Economic Association, and former Administrator, Economic Research Service
- Martin Gaynor, E.J. Barone Professor of Economics and Public Policy at Carnegie Mellon University and former Director of the Bureau of Economics at the Federal Trade Commission
- Erica L. Groshen, Senior Scholar at the ILR School of Cornell University and the Upjohn Institute for Employment Research, and former Commissioner of the Bureau of Labor Statistics
- Linwood Tauheed, Associate Professor of Economics, University of Missouri-Kansas City, and Past President of the National Economic Association

## **Other Members of the AEA Committee on Economic Statistics who endorse this report**

- Randall Akee, Associate Professor, Department of Public Policy and American Indian Studies at the University of California, Los Angeles and Chair, America Indian Studies Interdepartmental Program.
- Erik Brynjolfsson, Jerry Yang and Akiko Yamazaki Professor and Senior Fellow at the Stanford Institute for Human-Centered AI, Director of the Stanford Digital Economy Lab, and the Ralph Landau Senior Fellow at the Stanford Institute for Economic Policy Research.
- Janice C. Eberly, James R. and Helen D. Russell Professor of Finance, Northwestern University, and former Chief Economist, and Assistant Secretary for Economic Policy at the U.S. Treasury.
- Steven Landefeld, former Director of the U.S. Bureau of Economic Analysis.
- Ayşegül Şahin, Richard J. Gonzalez Regents Chair in Economics at the University of Texas at Austin and an adviser to the Federal Reserve Bank of Dallas.

Contact for questions or for setting up briefings on this report: Katherine Smith Evans, American Economic Association, [kitty.s.evans@aeapubs.org](mailto:kitty.s.evans@aeapubs.org), 301-974-1644