

The Economic and Educational State of Black Americans in the 21st Century: Should We be Optimistic or Concerned?

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Abstract This report presents an overview of the economic and educational status of black Americans. In addition to summarizing blacks' current economic condition, long-term trends are also presented. The purpose of this report is to highlight information that will accentuate the magnitude of the black socioeconomic disadvantage. My goal is to generate discussion about policies in which people have an awareness of the scale and time it will take to address racial inequality. Therefore, this report is more descriptive than prescriptive. To help facilitate thinking about potential policy directions, economic patterns are shown across various presidential administrations.

Keywords Educational status · Racial inequality · Education

Introduction

Over the past few decades the United States (U.S.) population has undergone major demographic changes. Whereas black Americans' share of the U.S. population was 11.8% in 1990 and is projected to be 12.2% in 2010, the Latino/a population's share is expected to increase from the 9% observed in 1990 to 16% in 2010. Although the black population is projected to increase steadily over the next half century, it will likely not comprise more than 12% of the U.S. population by 2050. This is primarily due to the rapid growth of the Latino/a population, which will nearly triple by 2050 and comprise roughly a third of the total U.S. population. In contrast, the non-Hispanic white population will remain virtually unchanged over the next 40 years (U.S. Census 2008).

These changes make it tempting to shift the economic policy focus toward Latino/as, the largest and fastest growing minority group within the U.S. However, black Americans continue to experience large disadvantages and face factors that will make it challenging for them to become upwardly mobile and achieve socioeconomic parity. Furthermore, both blacks and Latino/as face many of the same socioeconomic and educational obstacles that must be eradicated if the United States is to fulfill its commitment to achieving race-neutrality so that the American "creed of opportunity" is inclusive of all groups.

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This report presents an overview of the economic and educational status of black Americans. In addition to summarizing blacks' current economic condition, long-term trends are also presented. The purpose of this report is to highlight information that will accentuate the magnitude of the black socioeconomic disadvantage. My goal is to generate discussion about policies in which people have an awareness of the scale and time it will take to address racial inequality. Therefore, this report is more descriptive than prescriptive. To help facilitate thinking about potential policy directions, economic patterns are shown across various presidential administrations.

Overview of the economic state of black Americans

It is generally accepted that what is meant by the term "middle class" does not apply universally for all groups within the U.S. The term "black middle class" has entered the lexicon of the discourse around socioeconomic inequality. Although the term has an ambiguous definition, people are typically classified as middle class if they are college educated, work in professional salaried occupations, have average to above average incomes, and a comfortable standard of living. Although this might apply to some blacks within the U.S., the black middle class is a tenuous middle class that faces the constant threat of downward mobility. In fact, black children from middle- and upper-middle class families experience a generational drop in income, which is in sharp contrast to the traditional American expectation that each generation will do better than the previous one; only 31% of middle class black children have greater family earnings than their parents compared to 68% of their white counterparts (Isaacs 2007).

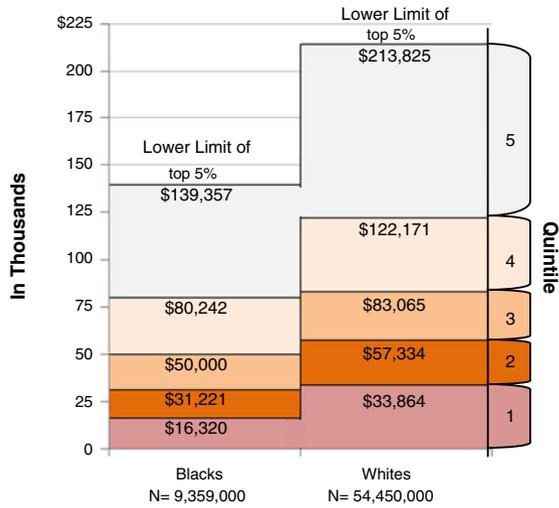
A visual illustration of the difference in the economic distribution between blacks and whites is displayed in Fig. 1, which shows the upper annual income limit of each quintile for black and white families.¹ The upper limit for white families in the bottom fifth of the white distribution is \$33,864. In contrast, \$16,320 represents the upper limit of the bottom quintile for blacks. In fact, whereas only 20% of white families have an income of \$33,864 or less, slightly more than 40% of blacks are below this income level; the upper limit of the second quintile for blacks (\$32,221) is less than the upper limit for the first quintile for whites. Also, a family with an annual income of \$83,000 earns more than 60% of white families and over 80% of black families. Even more startling is the racial difference in the income that places a family in the 95th percentile for annual income (\$139,357 for blacks and \$213,823 for whites). Thus, Fig. 1 shows that the income limits for each quintile differs drastically by race. If one considers the third quintile as representing the middle class, then the resources associated with being middle class is very different for black and white families.

In addition to the vast black-white difference in the distribution for family income, the racial inequality in family income has persisted over the past two decades (see Fig. 2).² Whereas the black-white gap in family income has remained

¹ A family consists of two or more people (one of whom is the householder) related by birth, marriage, or adoption residing in the same housing unit. A household consists of all people who occupy a housing unit regardless of relationship. A household may consist of a person living alone or multiple unrelated individuals or families living together.

² It is important to note that median family income differs from median household income, which was \$55,530 for whites and 34,218 for blacks in 2008 (U.S. Census 2009a).

Fig. 1 Income limits for each 5th and top 5% of families, 2008

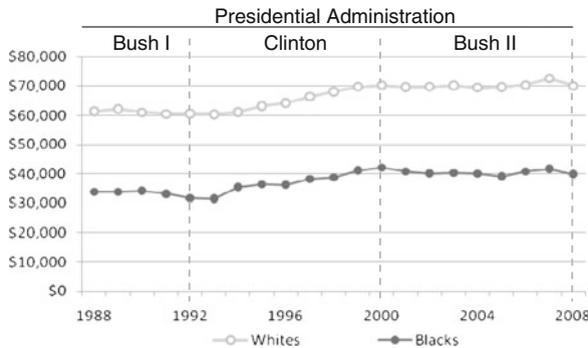


Source: Data are from the U.S. Census Bureau, Current Population Survey, 2008 Annual Social and Economic Supplement, Table F - 1.

virtually unchanged since 1988, the black family income as a percentage of white family income did increase during the Clinton administration (52% in 1992 to 60% in 2000), due to the economic growth experienced by both white and black families during this period. However, neither group experienced economic growth during the years immediately preceding and following the Clinton administration.

Another measure of the economic status of families is home ownership. Figure 3 shows that large black-white differences exist in the percent of home ownership for all households in the U.S. Consistent with the data for median family income, the percent of black home ownership increased during the Clinton administration from 42 to 48%. However, this increase stagnated under the Bush II administration and declined to 46% by 2008.

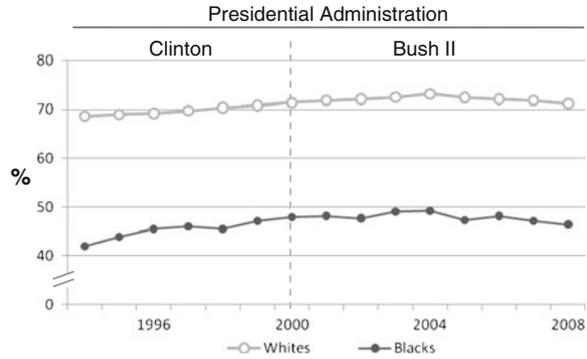
Black families also experienced a greater decline in poverty rate during the Clinton administration than during any other presidential administration over the past 30 years. Figure 4 shows that whereas the percentage of white families living in poverty has remained stable since 1974, the poverty rate for black families varied



Source: Data are from the U.S. Census Bureau, Current Population Survey, 2008 Annual Social and Economic Supplement, Table F-6B.

Fig. 2 Median family income by race (in 2008 dollars)

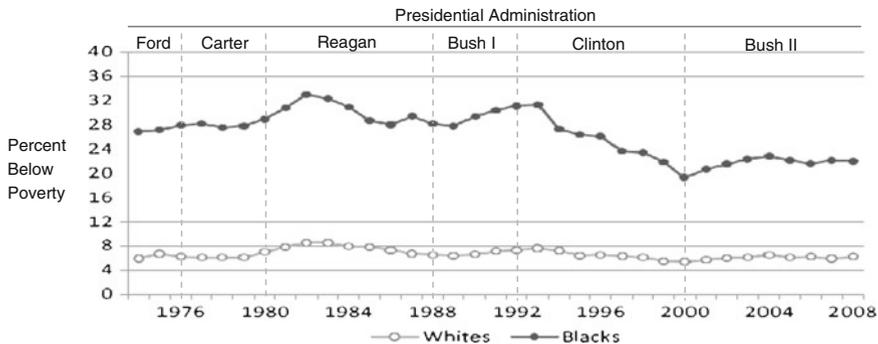
Fig. 3 Percent home ownership for all households



Source: Data are from the U.S. Census Bureau, Current Population Survey, 1994-2008, Table HINC-01.

across administrations. Specifically, the percent of black families in poverty spiked during the Reagan administration, had an upward trend during both Bush administrations, and declined drastically (by roughly one-third) during the Clinton administration. The percent of black families in poverty ranged from 28 to 33 during the 16 years prior to Clinton taking office and was less than 20% when he left office in 2000. It appears that the greatest economic gains for black families over the past three decades occurred during the Clinton administration.

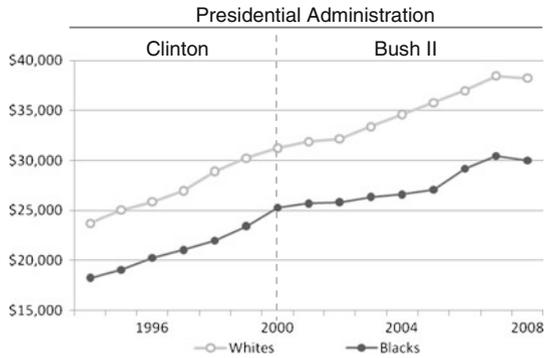
The data on families excludes people in non-family households. However, the patterns for data based on personal income are similar to those shown above for families. For example, Fig. 5 shows that while median income increased for both whites and blacks during the Clinton administration, the wage gap remained constant. In contrast, the black-white wage gap increased slightly during the George W. Bush administration. A better illustration of the wage gap is displayed in Fig. 6. Specifically, the solid line shows that the black-white gap in median income increased steadily after 2000. The gap in mean income increased during both the Clinton and Bush II administrations. More importantly, Fig. 6 shows a rising racial inequality in income.



Source: Data are from the U.S. Census Bureau, Current Population Survey, 1974-2008, Historical Poverty Table 4 - Families.

Fig. 4 Percent of families in poverty by race

Fig. 5 Personal median income by race (age 25 and over)



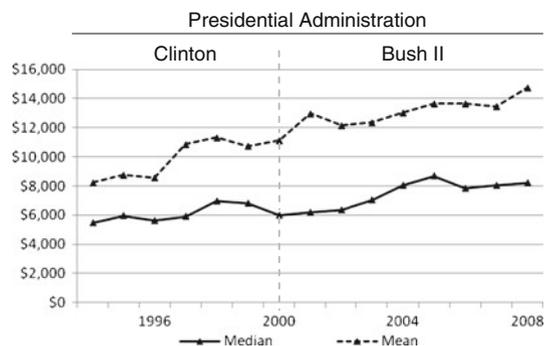
Source: Data are from the U.S. Census Bureau, Current Population Survey, 1994-2008, Table PINC-03.

In general, black Americans are disadvantage across various measures of economic well-being. For example, among people 25 years old and over blacks have higher unemployment rates (4.3 and 8.9 for white and black males, respectively, and 4.0 and 7.1 for white and black females, respectively), and experience longer durations of unemployment than their white counterparts (an average of 12.1 weeks compared to 8.8 weeks) (Bureau of Labor Statistics 2009a). Furthermore, in 2002, net worth—median value of assets for households—was \$87,056 for whites and \$5,446 for blacks (U.S. Census 2009b). As I discuss below, a great deal of work is necessary before education can be the primary mechanism for ameliorating these inequalities.

Blacks continue to face labor market inequality

Numerous studies suggest that blacks face significant challenges toward attaining equality within the labor market (Oettinger 1996; Elliott and Smith 2004; Smith 2005). For example, in a study on differential access to workplace power, Elliott and

Fig. 6 Difference in white-black wage gap over time

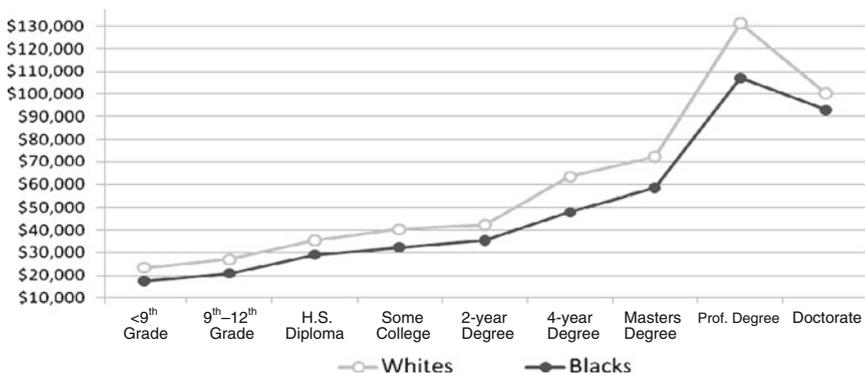


Source: Data are from the U.S. Census Bureau, Current Population Survey, 1994-2008, Table PINC-03.

Smith (2004) find that racial inequality increases at higher levels of power. They also find that for black women, this form of inequality is a result of direct discrimination. Similarly, Smith (2005) shows that racial differences exist in the processes that determine promotions in the labor force. Specifically, he finds that before receiving a promotion, relative to white men, black men must work longer periods of time after leaving school, and black women must have more prior job specific experience and more overall work experience—*ceteris paribus*. Furthermore, numerous studies provide some evidence that blacks' human capital credentials receive more intense scrutiny than those of whites when in contention for promotions (Baldi and McBrier 1997), particularly when vying for managerial (Wilson et al. 1999) and supervisory positions (Smith 2001).

In addition to racial differences in upward mobility within the workforce, the racial wage gap widens after labor market entry. Studies based on the National Longitudinal Survey of Youth show that while no black-white wage gap exists at labor force entry, a racial wage gap develops as experience accumulates primarily because blacks reap smaller gains from job mobility (Oettinger 1996; Tomaskovic-Devey et al. 2005). The black wage disadvantage persists net of education, experience, hours worked, occupation, authority, region, and city size (Smith 1997). Furthermore, Smith (1997) finds little evidence that this income gap declined over the last quarter century. This pattern also exists among women, despite the gains made by black women between 1940 and 1980 (Anderson and Shapiro 1996).

These inequalities cannot be attributed to racial differences in educational attainment. Figure 7 relates the annual income of white and black Americans over the age of 25 to educational attainment for 2008 using the Current Population Survey. Both whites and blacks experience increased earnings with each additional level of schooling. The increases in the slopes are virtually identical indicating that the returns to education are about the same for each race. However, whites earn somewhat more than blacks at each level of schooling. Furthermore, the black-white pay differential widens slightly at higher levels of education.



Source: Data are from the U.S. Census Bureau, Current Population Survey, 2009 Annual Social and Economic Supplement.

Fig. 7 Mean Annual income by educational attainment for people ages of 25 and over, 2008

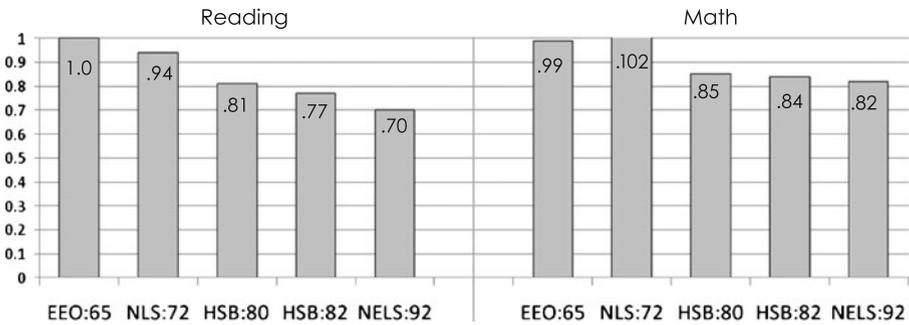
The state of education in black America

By age 17 the average black student is four years behind the average white student; black 12th graders score lower than white 8th graders in reading, math, United States (U.S.) history and geography (Thernstrom and Thernstrom 2003). The academic achievement gap between whites and blacks has narrowed over the past 30 years, with black children's test scores gaining both absolutely and relative to whites (Ferguson 2001; Hedges and Nowell 1999; Jencks and Phillips 1998). However, the convergence in black-white test scores that occurred from the early 1970s to approximately 1990 has been slow (Grissmer et al. 1998; Hedges and Nowell 1999). For example, the rate of change in the gap observed over the past 30 years in the National Assessment of Educational Progress (NAEP)—created by Congress in 1969 to regularly test nationally representative samples of students in grades 4, 8 and 12 (or sometimes ages 9, 13, 17)—suggests that gap convergence would take 30 years in reading and about 75 years in math (Hedges and Nowell 1999).

Analysis of non-NAEP surveys yields even more startling projections. Figure 8 shows the white-black achievement gap among twelfth graders across four decades using five national datasets. The gap has been standardized to account for the fact that different achievement tests were used across different surveys.³ The first set of bars for reading show a linear rate of decline in the achievement gap from 1965 to 1992 of .12 standard deviations per decade. Given that the gap in 1992 stood at .70 standard deviations, gap convergence in reading would take approximately six decades. For math achievement, the linear rate of decline from 1965 to 1992 is .08 standard deviations per decade, which suggests that it would take over a century for the .82 difference observed in 1992 to disappear. If these projections were not disconcerting enough, more recent analysis of achievement trends in the 1990s indicate that the modest convergence in reading and math gaps that were observed in the 1970s and 1980s has either ceased (Smith 2000) or reversed (Grissmer et al. 1998).

Evidence of this is shown in Fig. 9, which shows SAT reading and math scores for white and black youth from 1996 through 2008. The data are for seniors who took the SAT any time during their high school years through March of their senior year. If a student took the test more than once, the most recent score is used. The graph shows that the achievement gap has remained constant in both reading and math since the mid-1990s. Racial inequality exists even among high achievers. Hedges and Nowell (1998:

³ Standard deviation is a statistical term that represents the average distance of each unit—in this case 12th grade test taker—from the mean for the entire sample. It is calculated in the following manner: (1) each test taker's score is subtracted from the mean for the entire sample, (2) each of these mean deviations are squared, (3) the squared mean deviations are added, then (4) divided by the total number of units in the sample, which produces the average squared deviation for every unit in the sample, and (5) the square root of this result from step 4 is the standard deviation. Typically, 68% of the sample is between -1 and 1 standard deviation from the mean for the entire sample and 95% of the sample is between -2 and 2 standard deviations from the sample mean. The standard deviation can be calculated separately for blacks relative to the mean for blacks in the sample (say an average of 70) and for whites relative to the white distribution (say an average of 80). Rather than expressing this difference in means between these two subsamples in the raw units specific to the exam (which in this case would be a 10-point gap), the difference in means can be expressed in standard deviation units; If the full sample that includes both whites and blacks has a standard deviation of 20, then a 10-point gap is a standardized gap of 0.5). Therefore, a black-white achievement gap of one standard deviation is rather large and means that 76% of whites in the sample will score above blacks while only 24% of blacks will score higher than whites.



Note: Constructed from Hedges and Nowell (1999)
 EEO:65 = Equal Educational Opportunity Survey of 1965; NLS:72 = National Longitudinal Study of 1972;
 HSB:80 and 82= High School and Beyond of 1980 and 1982; and the NELS:92 = National Educational Longitudinal Study of 1992.

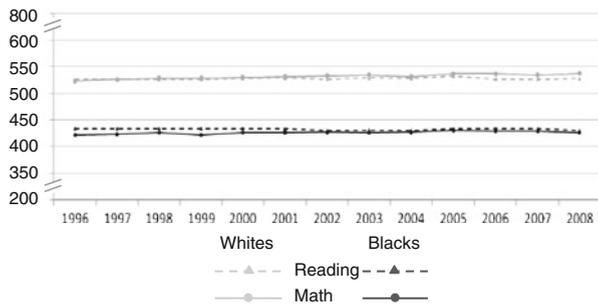
Fig. 8 Standardized white-black achievement gap among 12th graders over time on five national surveys

167) note that “Blacks are hugely underrepresented in the upper tails of the achievement distributions, and this underrepresentation does not seem to be decreasing.”

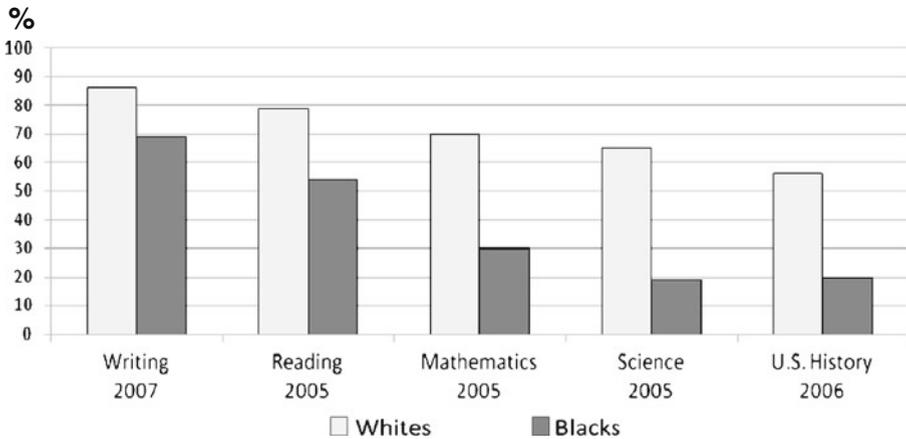
In addition to the long-standing persistence of the achievement gap, the gap is pervasive across subject areas. Figure 10 shows the percent of white and black twelfth graders with scores that place them at the basic proficiency level. Whereas two-thirds of white students are achieving at a level considered basic proficient on all but U.S. history, less than one-third of blacks are basic proficient in math, science, and U.S. history, and barely over half are basic proficient in reading. Thus, not only do educators and policy makers have to consider strategies for accelerating gap convergence, but they must also provide a solution that considers a wide-range of school subjects.

This racial achievement gap should be considered a national crisis and among the biggest social problems facing the U.S. during this century. The black-white gap in basic premarket skills remains an important factor in black-white differences in earnings. That is, the racial wage gap is smaller between blacks and whites with similar test scores than among those with different scores (Neal and Johnson 1996; Farkas and Vicknair 1996; and O’Neill 1990). Furthermore, when blacks and whites have the same twelfth grade test scores, blacks are more likely than whites to complete college (Jencks and Phillips 1998). This is important considering that relative to whites, blacks have on average only three-fifths as many college graduates and three-fourths as much in earnings. In *The Black-White Test Score Gap*,

Fig. 9 SAT scores since the mid-1990s



Source: College Entrance Examination Board, National Report on College-Bound Seniors, years 1995-96 through 2007-08.



Source: National Assessment of Educational Progress (NAEP) Data Tools

Fig. 10 Percent of students at or above basic proficiency level (grade 12)

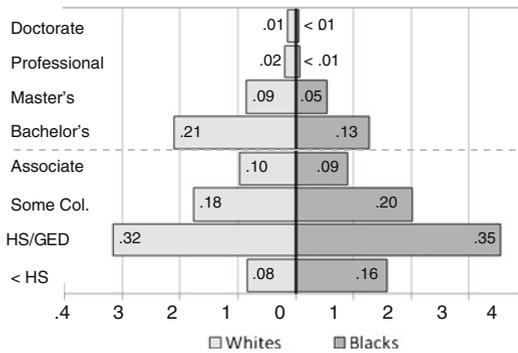
Jencks and Phillips (1998) posit a viewpoint shared by many scholars that reducing the test score gap is necessary and sufficient for substantially reducing racial inequality in educational attainment and earnings, which would in turn help decrease racial differences in crime, health, and family structure.

The achievement gap may now lead to even greater racial disparity on many life-chance outcomes because of anti-affirmative action initiatives and litigation. Elite colleges and professional schools are facing greater pressure to rely more heavily on test scores despite the fact that standardized tests, and the Scholastic Aptitude Test (SAT) in particular, are weaker predictors of college performance for blacks than for whites (Vars and Bowen 1998). Proposition 209 banned the use of race in student admissions to attain diversity in public institutions in California. *Hopwood v. Texas* (78 F.3d 932 Fifth Circuit 1995) has also led to the same ban in both public and private institutions throughout Texas, Louisiana, and Mississippi. Since affirmative action programs tend to be concentrated among the most selective four-year institutions (Kane 1998), fewer blacks may gain admission to flagship universities, as has been the case in both California and Texas since affirmative action was repealed (Swain 2001, Harris and Tienda 2010). Given that graduates from elite universities receive greater returns to education than those from non-elite institutions (Espenshade and Radford 2009; Loury and Garman 1995), one can only expect blacks’ underrepresentation in these types of schools to exacerbate racial inequality.

Reducing the achievement gap should also help reduce racial differences in educational attainment, which are rather large (see Fig. 11). Twice as many blacks (16%) have less than a high school education than whites (8%). Also alarming is that only 19% of black adults hold at least a bachelor’s degree compared to 33% of their white counterparts.

Many private-sector employers also use standardized tests for hiring, placing, and promoting employees. Hedges and Nowell (1998: 167) write “if very high scores are needed to excel in a field, or if gatekeepers believe that this is so, the fact that whites are ten to twenty times more likely to have high scores makes it almost impossible for blacks to be well represented in high-ranking positions. This underrepresentation

Fig. 11 Highest educational attainment pyramid by race (age 25 and over)



Source: Data are from the U.S. Census Bureau, Current Population Survey, 2009 Annual Social and Economic Supplement.

seems to hold for all types of tests: the consequences are not limited to scientific or technical fields.” Jencks and Phillips (1998) echo this sentiment in predicting that if selective colleges and professional schools based their admissions decisions entirely on test scores, accepting only students scoring in the top percentiles, their enrollment would currently be 96 or 97% white and Asian. This would exclude almost all the nation’s future black leaders. If we are ever to achieve race-neutrality so that the American “creed of opportunity” is inclusive of all groups, then the factors that permit individuals the ability to fully participate in American life must be unrelated to race. Reducing the achievement gap between ethnic minorities and whites seems to be the best first step in realizing the democratic values that U.S. laws and social policies strive to achieve.

With the advent of the school voucher movement and the push to end affirmative-action programs over the past decade, the issue of race-based and ethnicity-based test score gaps should be a central policy concern within the United States during the next few decades.

Conclusion

The purpose of this report is to highlight information that will accentuate the magnitude of the black socioeconomic disadvantage within the U.S. In general, black Americans are disadvantage across various measures of economic and educational well-being. Numerous studies suggest blacks face significant challenges toward attaining equality within the labor market; blacks’ human capital credentials receive more intense scrutiny than those of whites when in contention for promotions, the racial wage gap widens after labor market entry, and the black wage disadvantage persists net of education, experience, hours worked, occupation, authority, region, and city size. Furthermore, there is little evidence that this income gap has declined over the last quarter century. Similarly, the racial achievement gap is long-standing and pervasive across subject areas. While the economic condition of blacks relative to whites showed some improvement under the Clinton administration, it is important to understand that the current patterns of inequality will persist for a significant portion of this century. Policy discussions need to occur with an understanding that these patterns will not converge overnight. Unfortunately, hoping that these inequalities do not persist into the next century is a realistic concern.

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