Exploring Possible Effects of the Proposed Updated 2023 OMB Race and Ethnicity Standard on Labor Market Measures – Insights from the CPS

by

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Abstract

OMB currently has a two-part standard for collecting race and ethnicity information. Respondents are first asked whether they are Hispanic and then asked about their race, selecting all race categories that apply. The Federal Interagency Technical Working Group on Race and Ethnicity Standards has now proposed a new minimum standard in which race and ethnicity are combined into one question that allows for possible multiple responses of both race and ethnicity. According to the Federal Register Notice, this change is motivated in part by the fact that "respondents do not understand a distinction between 'race' and 'ethnicity.'" A possible outcome is that some individuals will indicate that they are Hispanic and not provide any race information. Our paper will utilize the Current Population Survey (CPS), which is currently using the two-question format, to examine potential effects on the measurement of key labor market performance indicators, such as the wage rate, the unemployment rate, and the labor force participation rate. Although a parallel administration of both question typologies would be needed to provide more precise estimates of potential effects of using the modified format, we can place bounds on the estimated effects by assuming that when answering the combined question, either a) Hispanics would not select another race category or b) Hispanics' selection of the race category would have the same distribution as that found with the two-question format. In addition to the edited data, we also plan to make use of unedited data so that we can look at individuals who identify both as Hispanic and "other" race. Questions to be examined using the CPS data include: What proportions of Hispanics indicate that they are Black or White? Does the wage earned by Hispanics vary significantly by race? Do unemployment rates differ among Hispanics of various races. Do the effects differ by gender? How much inequality is there between various groups?