The Impact of Combined Race and Ethnicity Reporting on Long-Term Earnings Statistics

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The Federal Interagency Technical Working Group on Race and Ethnicity Standards recently released an initial proposal (Federal Register 2023-01635) for revising the current OMB 1997 Statistical Policy Directive No. 15 standards for the collection and dissemination of race and ethnicity information. The initial proposal highlights two major changes. The first change creates a new "Middle Eastern or North African" (MENA) category, while the second change combines detailed race and ethnicity categories into a single question. One of the major challenges is the proposed nesting of ethnicities/nationalities within race categories. While many nationalities consist almost entirely of a single race, others do not. By combining race and ethnicity information into a single question (as proposed in Figure 2 in the 2023 Federal Register notice), reporting is materially changed, as was shown by the expansion of the race options for Whites and African Americans in the 2020 Census (Waddell et al. 2022; https://doi.org/10.1057/s11369-022-00274-3).

Race and ethnicity are important components of U.S. long-term earnings inequality (McKinney et al. 2022; https://doi.org/10.3982/QE1908). Using data from the U.S. Census Bureau's LEHD linked employer-employee database we produce long-term (12-year) earnings and work-history outcomes for various race and ethnicity groups, especially those we expect to potentially be impacted by the proposed changes to the race and ethnicity questions. Using place of birth information from the Census Numident, we classify workers into nationality categories and combine this information with self-reported race and ethnicity information from Census Bureau surveys. First, we compare responses to both the self-reported race/ethnicity questions with Census Numident place of birth information allowing us to understand how self-reported ethnicity (i.e., Hispanic, Latinx, and Puerto Rican) compares with administrative reports of place of birth. Second, we construct long-term earnings outcomes for various place of birth groups both with and without race information, highlighting the potential impacts on earnings statistics if the proposed questions reduce non-nested race reporting.

McKinney, K.L., John M Abowd, and Hubert P. Janicki, “U.S. Long-Term Earnings Outcomes by Sex, Race, Ethnicity, and Place of Birth,” Quantitative Economics, Volume 13:4, (November: 2022): 1879-1945, DOI: https://doi.org/10.3982/QE1908.

Waddell, S.R., John M. Abowd, Camille Busette, and Mark Hugo Lopez, “Measuring race in US economic statistics: what do we know?” Business Economics, Volume 57, (October: 2022):181–190, DOI: https://doi.org/10.1057/s11369-022-00274-3. [census.gov arxiv.org]