# METRO STATS

Exploring regional issues that matter.

April 2016

# Diving Deeper: Understanding Disparities between Black and White Residents in the Twin Cities Region

## Key Findings

In September 2015, we released our second annual report (PDF) on racial disparities in the 16-county Twin Cities metropolitan area. Much like our first report (PDF), data from the U.S. Census Bureau's 2014 American Community Survey showed that among the 25 most populous metro areas, the Twin Cities metro has the largest—or among the largest—disparities between persons of color and White, non-Latinos in poverty rates, homeownership, employment, and level of education. The gaps between our metro's Black and White residents' level of education, employment, poverty rates, and homeownership are particularly striking: the Twin Cities have the largest disparities across U.S. metros.

Some question whether these disparities are, in fact, based on race at all. This line of thinking accepts that economic outcomes are worse for Black residents but rather than seeing race as the distinguishing characteristic, point to underlying demographics as the main drivers of these inequities. For example, younger people (of any race or ethnicity) may be less likely to be employed, show lower overall income, and are less likely to own their home. If Black residents tend to be younger, today's racial disparities in economic outcomes may be more the result of age than race. Said another way, if the region's Black and White residents had the same demographic profile, our region's racial disparities would be drastically reduced. **However, our analysis shows that underlying demographic differences cannot explain away our region's disparities in employment, income, and howeownership between Black and White residents.**

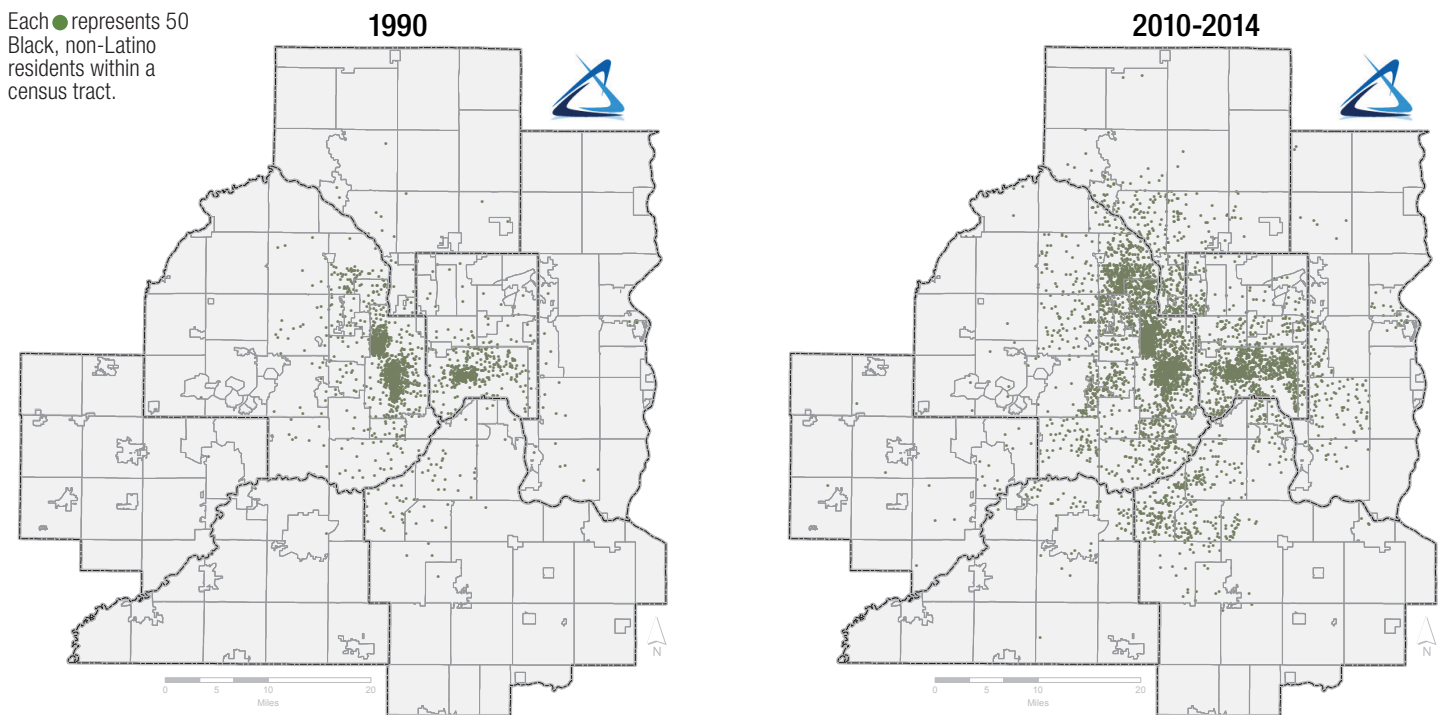| Our focus | Are there meaningful demographic differences between Black and White residents? | To what extent do demographic differences drive the region's large racial disparities in employment, income, and homeownership? | What other evidence suggests the region's disparities are strongly tied to race and not the result of other trends? |
|---|---|---|---|
| Our findings | **Yes.**<br><br>Compared with the region's White residents, Black residents are 1) younger, 2) more likely to have been born outside the U.S.—and if so, immigrated more recently, and 3) more likely to self-report lower English language skills. These differences matter because they are associated with lower employment rates, less income and lower homeownership rates.<br><br>Page 3 | **Not much.**<br><br>Our analysis shows that even if the region's Black residents had the same demographic profile (and select socioeconomic factors) as White residents, their employment rate, average hourly wage, and homeownership rate would still be lower than that of Whites. This suggests race—or factors closely aligned with race—are indeed at the heart of disparities.<br><br>Page 5 | **Plenty.**<br><br>Racial disparities in employment, income, and homeownership have persisted in the Twin Cities region since 1990, predating more recent waves of Black immigration to the Twin Cities region. Further, other U.S. metros with similar shares of residents of color do not have racial disparities as large or as persistent as those in our region.<br><br>Page 7 |

## Background: The Twin Cities region's Black residents

The most recent American Community Survey data show that just over 245,500 Black persons lived in the seven-county Twin Cities region in the 2010-2014 period. For national context, other large metro areas whose share of Black residents is similar to the 16-county Minneapolis-Saint Paul-Bloomington metro area include Pittsburgh, San Francisco, Boston, and Riverside.

Of all communities of color in the Twin Cities region, the Black population is the largest. Between 1990 and 2010-2014, the region's Black population nearly tripled while the total population increased by 28%. Currently Black residents account for 8.4% of the region's total population, up from 3.8% in 1990. Although this report looks at the region's Black population as a whole, it is worth noting that the Black community in the Twin Cities is multicultural and includes residents who identify as Somali, Ethopian, and Liberian, as well as Black residents with other ethnic backgrounds.[1]

As Figure 1 shows, a large number of Black residents lived in Minneapolis and its surrounding suburbs and in Saint Paul in 1990. By 2010-2014, this residential pattern expanded considerably, though Hennepin County retained many Black residents. The cities with the largest share of Black residents in 2010-2014 include Brooklyn Center (29.5%), Brooklyn Park (25.7%), Columbia Heights (18%), New Hope (17.9%), and Minneapolis (17.6%). By number, the top five cities are Minneapolis, Saint Paul, Brooklyn Park, Brooklyn Center, and Burnsville. Our previous research (PDF) shows that the region's Black residents are more likely to live in Areas of Concentrated Poverty than White residents are. (Areas of Concentrated Poverty are census tracts where at least 40% of the residents have incomes at or below 185% of the federal poverty threshold.)

### FIGURE 1. BLACK, NON-LATINO RESIDENTS IN THE TWIN CITIES REGION IN 1990 AND 2010-2014

Each ● represents 50 Black, non-Latino residents within a census tract.



Source: U.S. Census Bureau, Decennial Census, 1990; American Community Survey 5-year Estimates, 2010–2014.

## Understanding the demographic differences between the region's Black and White residents

The focus of this *MetroStats* is to explore the region's racial disparities in employment, income, and homeownership and to better understand if they are wholly race-based or if other demographic differences between Black and White residents drive these inequities. We begin by taking a closer look at whether demographic differences between the region's Black and White residents exist, and if so, what they are, how large they are, and why they matter to economic outcomes.

**In fact, the overall demographic profile of the region's Black residents does differ from that of White residents and in ways that may affect outcomes like employment, income, and homeownership.** Black residents—as a whole—are younger: data from 2010-2014 show about two-thirds of Black residents (62%) are under age 35 compared with 43% of Whites (Figure 2). Twin Cities residents under age 35 are less likely to be employed or own their homes, and have lower incomes than older residents (Figure 3).

Another key difference between Black and White residents is their respective share of immigrants: nearly one in three Black residents (29%) were born outside the U.S., compared with only 2% of White residents (Figure 2). Further, Black immigrants are more likely to have spent fewer years in the U.S. than White immigrants living in the region. Recent immigrants of both races show lower employment, income, and homeownership than their U.S.-born counterparts (Figure 3). However, both Black and White immigrants who have spent 15 or more years in the U.S. show higher employment, income, and homeownership than native-born residents.[2] This is especially true for the region's Black immigrants. (It's important to note, though, that Black residents' employment, income, and homeownership remain below that of White residents across all immigration groupings.)

Lastly, reflecting a higher share of recent immigrants, Black residents are more likely to self-report speaking English "less than very well" compared with White residents (Figure 2). Whereas White residents who report lower English skills show considerably lower employment, income, and homeownership than White residents who speak English "very well," the employment, income, and homeownership for Black residents who are less confident speaking English does not differ much from Black residents that report higher English skills (Figure 3).

## FIGURE 2. DEMOGRAPHIC DIFFERENCES BETWEEN THE REGION'S BLACK AND WHITE RESIDENTS

### Age and sex

As a whole, the region's Black population is younger than the White population: about two in every three Black residents are under age 35.

### Immigration profile

The region's Black population has a much higher share of immigrants compared with the White population. Further, Black residents born abroad are more likely to have recently immigrated to the U.S.

### English language skills

Reflecting their higher share of recent immigrants, the region's Black residents are more likely to self-report lower English language skills.



Source: Metropolitan Council analysis of U.S. Census Bureau, American Community Survey Public Use Microdata Sample, 2010-2014.

## FIGURE 3. WHY DEMOGRAPHIC DIFFERENCES BETWEEN THE REGION'S BLACK AND WHITE RESIDENTS MATTER

| | Outcomes by age | Outcomes by immigration profile | Outcomes by English skills |
|---|---|---|---|
| **Employment** | Younger residents (under age 35) are slightly less likely to be employed than older residents.<br><br>Black residents in any age group have considerably lower employment rates than White residents (typically 20+ percentage points). | Very recent immigrants (in the U.S. for less than 5 years) are less likely to be employed than U.S.-born residents.<br><br>Black immigrants who have spent at least 5 years in the U.S. show a considerably higher employment rate than Black residents born in the U.S. The same is true for White immigrants with 10 or more years in the U.S. However, the Black employment rate is always lower than Whites, regardless of immigration or time in the U.S. | Employment differs slightly based on English skills.<br><br>The employment rate of Black residents who speak English "less than very well" is less than one percentage point lower than Black residents who report higher English skills. The gap for White residents is larger (14 percentage points). |
| **Per capita income** | Younger residents have lower per capita income than older residents.<br><br>The per capita income of younger White residents (about $28,000) is nearly double that of younger Black residents (about $15,500), a pattern that persists in older age groups as well. | Immigrants with more than 15 years in the U.S. show higher incomes than residents born in the U.S.<br><br>Very recent Black immigrants have incomes one fourth of their White counterparts (about $9,000 versus $35,000). Black immigrants who have spent more time in the U.S. show higher incomes than more recent immigrants but they never meet or exceed that of Whites. Black immigrants' incomes do exceed those of U.S.-born Blacks. | Residents with lower English skills have much lower incomes.<br><br>The per capita income for White residents with lower English skill is half that of those who report speaking English "very well." Conversely, the income of Black residents with lower English skills is only slightly below Blacks with higher English skills. |
| **Homeownership** | Younger residents (under age 35) are less likely to own their homes than older residents.<br><br>Young Black householders are much less likely to own a home: only 8% of Black householders between ages 18 and 34 own their home (versus 50% of young White householders). | Recent immigrants (in the U.S. for less than 10 years) are less likely to own their homes than residents born in the U.S.<br><br>White households, regardless of their immigration profile, have homeownership rates that are triple that of Black households. However, Black immigrants who have spent at least 15 years in the U.S. are nearly twice as likely to own their home as their U.S.-born counterparts. | Residents with lower English skills are less likely to own their homes than those who speak English "very well."<br><br>The homeownership rate of Black households with lower English skills is only slightly below that of Black households with higher skills. White households with higher English skills are much more likely to own their home. |

*Source: Metropolitan Council analysis of U.S. Census Bureau, American Community Survey Public Use Microdata Sample, 2010-2014.*

So far we've determined:
- There are demographic differences between the region's Black and White residents. As a whole, Black residents are younger, are much more likely to have been born abroad and immigrated more recently, and are more likely to self-report lower English language skills compared with White residents.

- Employment, income, and homeownership can vary based on one's age, immigration profile, and English language skills.

- Regardless of groupings by age, immigration profile, and English language skills, Black residents show lower employment, income, and homeownership than White residents.

The question remains, however: to what extent are these underlying demographic differences between Black and White residents driving the region's large racial disparities? Or is race the primary factor in these gaps?

## Untangling other demographic factors from race: What drives disparities?

Compared with White residents, employment, income, and homeownership is lower for Black residents across the board—whether they are U.S.-born or born abroad, whether they are older or younger, and whether they self-report speaking English "very well" or "less than very well."

Clearly demographics play some role in these outcomes but the disparities along racial lines are consistent. Our next step is to better understand the influence of demographics—like age, immigration profile, and English language skills—on economic outcomes. **If we remove the demographic differences between Black and White residents, will the disparities decrease?**

To investigate, we used regression modeling—a type of statistical analysis that detects patterns in data and calculates the contributions of many different factors on outcomes (here, employment, income, and homeownership). Using regression models, we calculated what the outcomes for Black residents would be if Black residents had the same demographic profile as White residents. This allowed us to look at the economic outcomes of Black and White residents holding all else constant—and potentially untangle the contribution of race from these other demographic characteristics.

A few caveats worth noting: our regression models are limited to characteristics that appear in the U.S. Census Bureau's American Community Survey data. In our first model, we look specifically at age, immigration profile, and English language skills. We then created a second model that included those characteristics as well as additional factors like disability status, level of education, and whether someone recently moved to the region from another U.S. state (migration), among others. We recognize that our analysis does not include every factor that could effect employment, income, or home-ownership.[3] Our intent was not to develop an exhaustive or definitive statistical model that fully explains all factors involved in our region's racial disparities. Rather, our goal was to estimate what the disparities between Black and White residents of our region would be if Blacks and Whites had a similar demographic profile. In essence, we are removing demographic factors' contribution to racial disparities to see what remains. (See page 8 for technical notes on our regression analysis.)

*"If Black residents had the same demographic profile as White residents, would regional disparities decrease?"*

*To find out, we used regression models that removed the influence of these underlying demographics, then recalculated the outcomes.*

**Even when demographic differences between the region's White and Black residents are taken into account, large disparities in employment, income, and homeownership would remain.** This suggests race—or factors closely aligned with race—are involved (Figure 4).

More specifically, consider that:
- After removing the influence of eight demographic differences between Black and White residents, the employment rate for Black residents would only increase by 7.8 percentage points, going from 62.1% to 69.9%. The current employment rate for White residents is 79.2%.

- After removing the influence of 10 demographic differences between Black and White residents, the average hourly wage for Black workers would remain $3.26 below that of White workers, about $6,700 annually for a full-time employee.

- After removing the influence of 10 demographic differences, the homeownership rate for Black households would increase somewhat, going from 24.7% to 48.1%. This rate would remain well below that of White households at 75.7%.

## FIGURE 4. REMOVING DEMOGRAPHIC DIFFERENCES BETWEEN BLACK AND WHITE RESIDENTS

**Employment rate**

When demographic differences are removed through modeling, the employment rate for Black residents would increase by 7.8 percentage points. Compared with White residents, a large disparity in employment would remain.

79.2%

62.1%

Currently, White residents living in the Twin Cities region are employed at a higher rate than Black residents by 17.1 percentage points.

Actual ACS data

White, non-Latino

Black, non-Latino

61.1%

If Black residents had the same
- age distribution
- immigration profile
- English skills

as White residents, their employment rate would drop slightly, and the disparity in employment would be 18.1 percentage points. (Why? See page 2)

69.9%

If Black residents had the same
- age distribution
- immigration profile
- English skills
- gender balance
- migration pattern
- disability status
- level of education
- share of parents with child(ren) under age 6

as White residents, their employment rate would rise to 69.9%, but a 9.3 percentage-point disparity would remain.

Regression analysis of ACS data

Black, non-Latino (modeled rate)
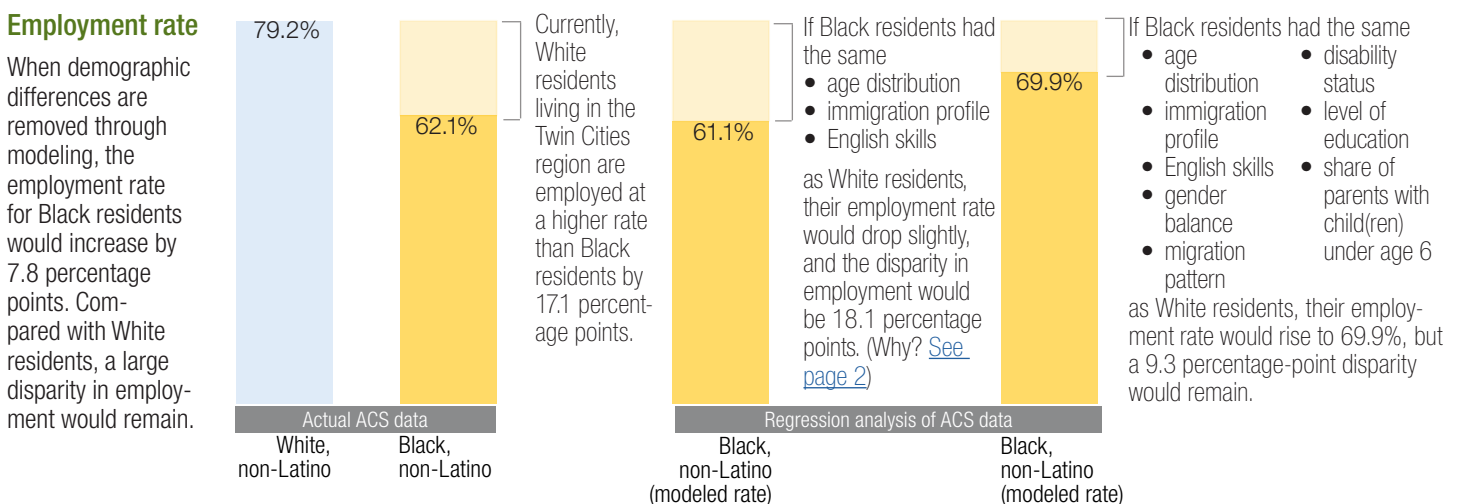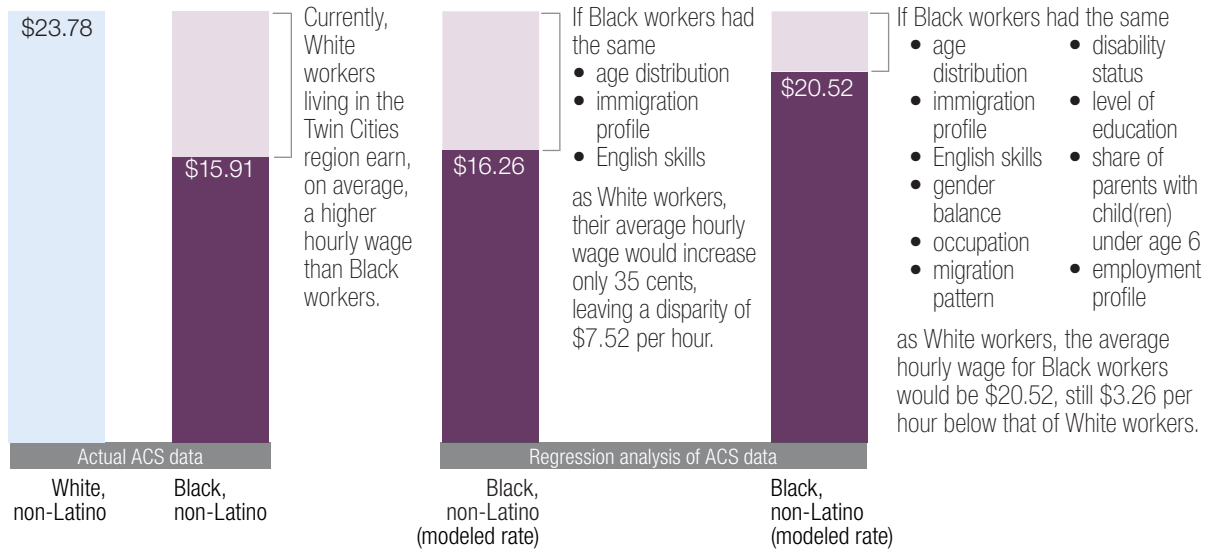
Black, non-Latino (modeled rate)

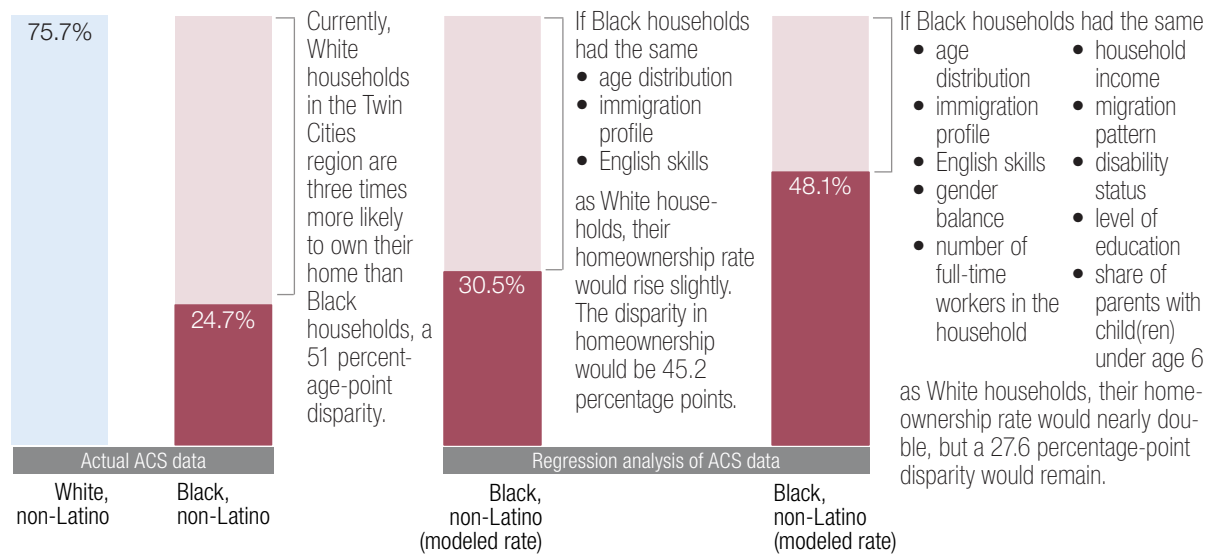# FIGURE 4 (Continued): REMOVING DEMOGRAPHIC DIFFERENCES BETWEEN BLACK AND WHITE RESIDENTS

## Average hourly wage

The average hourly wage of Black workers is $7.87 below than that of White workers. Removing demographic differences in age, immigration, and English would only close this gap 35 cents. Accounting for a wider range of demographics closes this wage gap somewhat further.

$23.78 — White, non-Latino (Actual ACS data)

$15.91 — Black, non-Latino (Actual ACS data)

Currently, White workers living in the Twin Cities region earn, on average, a higher hourly wage than Black workers.

$16.26 — Black, non-Latino (modeled rate) (Regression analysis of ACS data)

If Black workers had the same
- age distribution
- immigration profile
- English skills

as White workers, their average hourly wage would increase only 35 cents, leaving a disparity of $7.52 per hour.

$20.52 — Black, non-Latino (modeled rate)

If Black workers had the same
- age distribution
- immigration profile
- English skills
- gender balance
- occupation
- migration pattern
- disability status
- level of education
- share of parents with child(ren) under age 6
- employment profile

as White workers, the average hourly wage for Black workers would be $20.52, still $3.26 per hour below that of White workers.

## Homeownership rate

White households' homeownership rate is triple that of Black households. When demographic differences are removed through modeling, the Black homeownership rate would increase somewhat, but a sizeable disparity would remain.

75.7% — White, non-Latino (Actual ACS data)

24.7% — Black, non-Latino (Actual ACS data)

Currently, White households in the Twin Cities region are three times more likely to own their home than Black households, a 51 percentage-point disparity.

30.5% — Black, non-Latino (modeled rate) (Regression analysis of ACS data)

If Black households had the same
- age distribution
- immigration profile
- English skills

as White households, their homeownership rate would rise slightly. The disparity in homeownership would be 45.2 percentage points.

48.1% — Black, non-Latino (modeled rate)

If Black households had the same
- age distribution
- immigration profile
- English skills
- gender balance
- number of full-time workers in the household
- household income
- migration pattern
- disability status
- level of education
- share of parents with child(ren) under age 6

as White households, their homeownership rate would nearly double, but a 27.6 percentage-point disparity would remain.

*Source: U.S. Census Bureau, American Community Survey Public Use Microdata Sample, 2010-2014.* See page 8 *for technical notes on our regression analysis.*

By applying regression analysis to 2010-2014 American Community Survey data, we've established:
- that despite the demographic differences in age, immigration profile and English language skills between the region's Black and White residents, removing the collective influence of these demographic factors has a minimal effect on decreasing disparities in employment, income, and homeownership; and,
- when we remove the influence of an even wider range of demographic factors available in the dataset, racial disparities persist.

These results confirm that race—or factors closely associated with race—are indeed at the heart of the region's racial and ethnic disparities. While this analysis does not (and cannot) account for all factors involved in perpetuating racial disparities—credit scores in homeownership or relevant experience in employment, for example—other research supports the claim that systemic discrimination is part of the equation.[4]

# A well-established history of racial disparities in The Twin Cities region

Another misconception we hear about the Twin Cities region's racial disparities is that they are a recent phenomenon, and largely associated with growth in the share of residents of color, especially immigrants. However, as Figure 5 shows, racial disparities have been present in the region for over 30 years.

In 1990, only 5% of Black residents in the Twin Cities region were born abroad. As shown in Figure 2, the share of Black immigrants has increased considerably. In 2010-2014, 29% of the region's Black residents were born outside the U.S. Meanwhile, disparities in employment, income, and homeownership have remained largely consistent, even as the immigration trend has shifted.

## FIGURE 5. RACIAL DISPARITIES IN THE TWIN CITIES REGION ACROSS THREE DECADES



**Employment**

Not available 1980

| | 1990 | 2000 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| White | 81.3% | 82.6% | 79.6% | 79.6% | 79.3% | 81.1% | 77.8% | 77.3% | 78.7% | 79.3% | 79.5% | 79.9% |
| Black | 57.6% | 63.0% | 65.1% | 63.7% | 62.1% | 62.1% | 58.8% | 58.5% | 57.7% | 59.5% | 60.3% | 67.6% |

■ Black, non-Latinos age 16-64 in civilian labor force   □ White, non-Latinos age 16-64 in civilian labor force

In 1990, four in every five working-age White residents were employed, compared to just over half (58%) of Black residents. The Black employment rate has increased 10 percentage points since then. Over the same time period, the employment rate for White residents declined slightly. Both trends reduced the gap somewhat.

**Per capita income** (thousands of 2014 dollars)

Not available 1980

| | 1990 | 2000 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| White | $32.2 | $41.3 | $41.9 | $41.3 | $42.4 | $43.2 | $40.4 | $40.2 | $39.7 | $40.6 | $41.3 | $42.0 |
| Black | $15.8 | $19.3 | $18.0 | $17.5 | $17.2 | $19.5 | $17.4 | $15.8 | $16.6 | $15.8 | $17.4 | $18.5 |

■ Black, non-Latino residents   □ White, non-Latino residents

The large gap in per capita income between White and Black residents from 1990 to 2014 is quite clear. Further, the per capita income for White residents has risen slightly since 2000, while dropping slightly for Black residents over the same time period, even as employment rates did just the opposite.

**Homeownership**

| | 1980 | 1990 | 2000 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| White | 67.8% | 70.3% | 75.7% | 77.8% | 79.2% | 78.7% | 77.9% | 77.2% | 76.7% | 76.7% | 75.2% | 74.8% | 75.4% |
| Black | 36.7% | 28.4% | 32.3% | 28.6% | 29.7% | 28.7% | 30.4% | 25.4% | 24.6% | 26.5% | 18.8% | 25.8% | 26.1% |

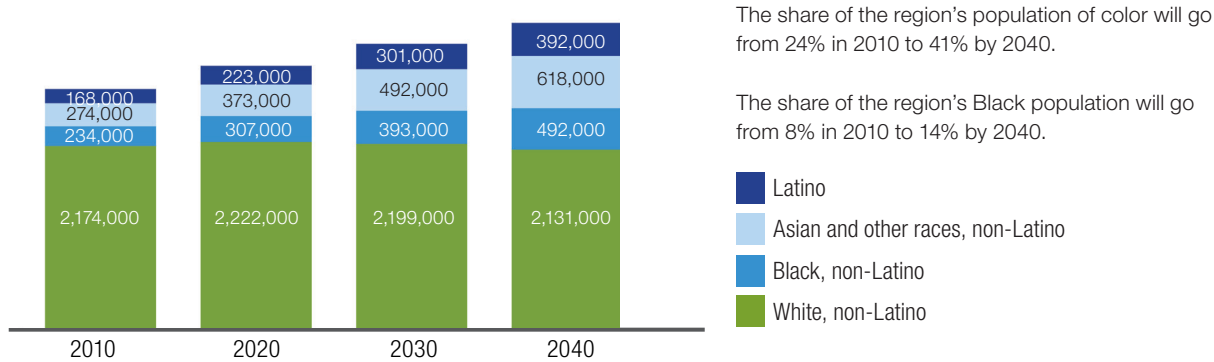■ Black, non-Latino households   □ White, non-Latino households

In 1980, two-thirds of White householders in the Twin Cities region owned their home, compared with only one-third of Black householders. This gap widened over the past three decades: as of 2014, three in every four White households own their home compared with one in four Black households.

*Source: U.S. Census Bureau, Decennial Census 1980, 1990 and 2000; American Community Survey Public Use Microdata Sample, 2005-2014.*

## Looking ahead: How racial disparities undermine our region's future prosperity

The Twin Cities region is among the most prosperous regions in the U.S.: overall, our unemployment rate, home-ownership rate, and per capita income rank favorably compared with the 25 largest metropolitan areas. However, even with these assets, the presence and potential growth of our region's disparities between White residents and residents of color may undermine our economic competitiveness and prosperity. Other metro areas like Portland, Pittsburgh, and Boston have a similar share of residents of color as the Twin Cities but do not show racial and ethnic disparities as large or as persistent as those in our region when it comes to key economic outcomes. Our Thrive MSP 2040 regional forecast shows that our region's share of residents of color is expected to grow significantly over the next three decades (Figure 6). With nearly all of our region's workforce growth coming from residents of color in the coming decades, all residents of the Twin Cities region need access to opportunity if the region is to have a healthy and prosperous future.

### FIGURE 6. REGIONAL POPULATION FORECAST BY RACE AND ETHNICITY, 2010-2040



The share of the region's population of color will go from 24% in 2010 to 41% by 2040.

The share of the region's Black population will go from 8% in 2010 to 14% by 2040.

- Latino
- Asian and other races, non-Latino
- Black, non-Latino
- White, non-Latino

*Source: U.S. Census Bureau, Decennial Census, 2010 and Metropolitan Council regional forecast (March 2015).*

## Technical notes

Unless otherwise noted, the source for all analyses in this *MetroStats* was based on U.S. Census Bureau's American Community Survey (ACS) Public Use Microdata Sample (PUMS). All regression models are based on 2010-2014 five-year ACS PUMS and employed the successive difference replicate weights that accompany the PUMS files. These weights reflect the complex sampling design of the ACS and result in more accurate statistical inference. Please note that our ACS regression models are estimates that are subject to sampling error. Additionally, different tweaks to the models may yield slightly different results (though the overall story about disparities would not change). For these reasons, the numbers discussed throughout this report should be interpreted as our best approximations of what is happening across the region rather than exact or precise determinations. The full methodology is available here (PDF).

## Endnotes

[1] Both demographics and key economic outcomes differ by cultural group. The Minnesota State Demographic Center's The Economic Status of Minnesotans provides a summary of these diffrences at the state level.

[2] This is consistent with other economic research. Immigrants are not randomly selected from their countries of origin—they tend to have high levels of education or are refugees who have an incentive to make a new life in the U.S. That said, the histories and circumstances of different immigrant groups vary considerably, which affects the pattern of results presented here. This research by the Social Security Administration provides additional context.

[3] See, for example: Board of Governors of the Federal Reserve (2010). Does Credit Scoring Produce a Disparate Impact?; American Civil Liberties Union (2015) Picking Up the Pieces: A Minneapolis Case Study.

[4] See, for example: Institute on Metropolitan Opportunity (2014). Twin Cities in Crisis: Unequal Treatment of Communities of Color in Mortgage Lending;  Minnesota Advisory Committee to the U.S. Commission on Civil Rights (2013). Unemployment Disparity in Minnesota; Economic Policy Insititute (2015). The Impact of Full Employment on African American Employment and Wages.