Economic Review

Lifetime Earnings Differences across Black and White Individuals: Years Worked Matter

by: Andrew Glover, José Mustre-del-Río and Emily Pollard

December 01, 2022

Black individuals earn about one-third less than white individuals over the course of their lifetimes.

Most research on differences in earnings between Black and white individuals has focused on differences at a point in time—for example, over the course of a month or a year. However, this approach may understate labor market inequality between Black and white individuals, especially if their lifetime employment differs. Differences in the incidence of unemployment may translate into differences in years worked over an entire career. Thus, entire lifetime earnings histories may provide a more accurate picture of labor market inequality.

In this article, Andrew Glover, José Mustre-del-Río, and Emily Pollard go beyond point-in-time measures of earnings and examine lifetime earnings differences between Black and white individuals. They find that, on average, Black individuals earn about one-third less than white individuals over the course of their lifetimes (a difference equivalent to about $550,000), though the size of this gap varies by sex and education level. In addition, they find that differences in years worked, which are not captured by point-in-time measures, contribute substantially to earnings differences between Black and white individuals.

Publication information: Vol. 108, no. 1
DOI: 10.18651/ER/v108n1GloverMustredelRioPollard
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José Mustre-del-Río is a Research and Policy Officer at the Federal Reserve Bank of Kansas City. He joined the Economic Research Department in August 2011. Prior to joining the department, José received B.S. degrees in economics and applied mathematics from Ohio State University, and M.A. and Ph.D. degrees in economics from the University of Rochester. José's main areas of research are in macroeconomics, labor economics and computational economics.

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After I graduated from Carleton College in 2016 with a BA in mathematics and economics, I was excited to join the research team at the Federal Reserve Bank of Kansas City. During my time as an RA, I supported José Mustre-del-Río, Andy Glover, Brent Bundick, and Lee Smith. Currently, my main role is to help support the monetary policy briefing process. I also run the Kansas City Fed’s Labor Market Conditions Indicators (LMCI) model and collaborate with economists on Bank publications. I really appreciate the variety of work I’ve gotten to do at the bank and the flexibility given to RAs to explore their interests.