

The Long-Term Economic Impacts of Federal Employment Segregation

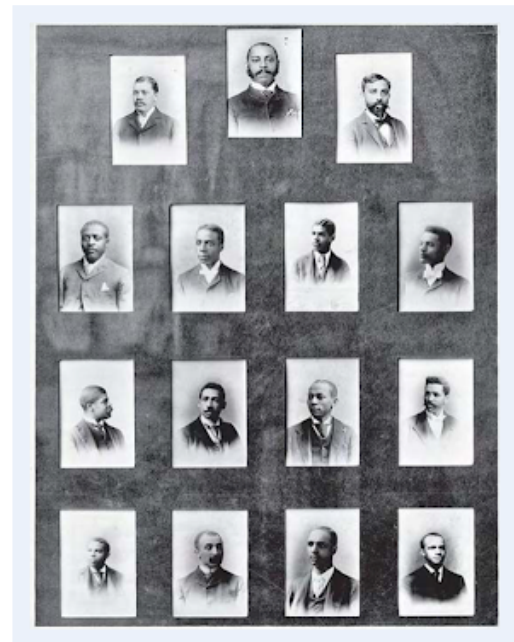
Research brief summarizing work by O-Lab affiliate [Abhay Aneja](#) (UC Berkeley Law School) and [Guo Xu](#) (UC Berkeley Haas School of Business)

Overview

Over the past several years, a new body of scholarship has deepened our understanding of how federal policy has shaped - and continues to shape - racial wealth disparities. These studies have given a fuller accounting of the [long-term harms of red-lining](#), for example, as well as the [racial dimensions of minimum wage law](#) and [unemployment policy](#), among other policies.

Along these same lines, in 2022 UC Berkeley Professors Abhay Aneja & Guo Xu contributed powerful new research on how segregation of the federal civil service during the Wilson administration contributed to long-term disparities in wealth and economic security for Black federal government workers and their families. This brief outlines the key findings from his study, as well as some of the historical context from the Wilson administration, and how these findings can inform our ongoing reckoning with the scale of systemic discrimination against Black Americans.

FIGURE 1:
Collage of Black Postal Service Workers by W.E.B. DuBois



Source: Yellin, Eric Steven. *Racism in the Nation's Service: Government Workers and the Color Line in Woodrow Wilson's America*. Chapel Hill: The University of North Carolina Press, 2013. Print.

KEY FINDINGS

Short-term effects: Woodrow Wilson's 1913 segregation of federal employees had persistently negative consequences for black civil service workers, who earned significantly lower wages as a result of the policy.

Mechanism: Segregation of the civil service exacerbated the white-Black earnings gap, primarily by relegating Black civil service employees to lower-paid positions. Under Wilson, high-earning Black civil service workers increasingly exited the service, and experienced a relative decrease in returns to education and experience.

Long-term effects: Black civil servants targeted by the policy were less likely to own a home than their white counterparts — at a time when home ownership was a salient method of wealth accumulation.

Intergenerational effects: Segregation of the civil service had negative, intergenerational **impacts** for the children of affected Black civil service workers, who experienced lower levels of earnings and educational attainment as a result of the policy.

Historical Background

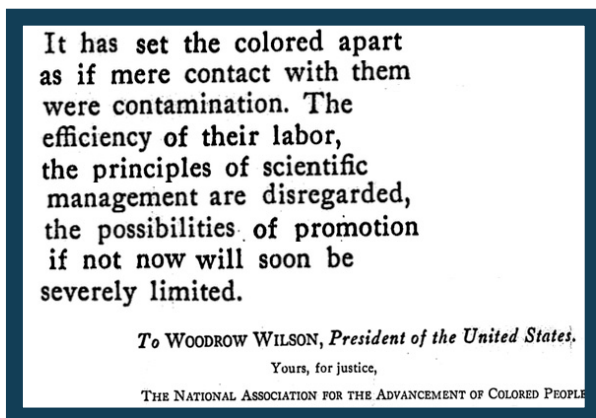
By the late 1800s, Black Americans had made substantial gains in federal government employment, especially following reforms that introduced merit-based examination requirements for civil service positions. Black Americans were employed at all levels of the federal bureaucracy.

However, this progress faced a new setback with the 1913 inauguration of Woodrow Wilson. Despite his support for Black Americans on the campaign trail, Wilson quickly began encouraging segregation in the federal bureaucracy. Wilson claimed that the change would alleviate racial “frictions,” but his advocacy for a policy of segregation notably coincided with the rise of the Jim Crow South – from which many of his supporters and advisers hailed.

Racial segregation in the federal civil service was first imposed in the Post Office Department, followed shortly after by the Treasury and other departments. As part of the segregation process, administrators demoted Black employees in order to place them in different workspaces with associated decreases in income. After Wilson took office, Black workers were also hired into the civil service at lower salaries.

Very quickly, the federal government transitioned from a workplace supporting Black economic mobility, to a bureaucracy taking sweeping action against Black employees. What were the long-term economic consequences of

FIGURE 2:
Excerpt from NAACP Letter Opposing Civil Service Segregation



Source: NAACP Peonage, Labor, and New Deal Files: Segregation, Federal Service. N.p., 1913. Print.

“Over a long career, [my grandfather] rose through the ranks from laborer to a position in midlevel management... He had a farm in Virginia and a home in Washington. By 1908, he was earning the considerable salary — for an African-American — of \$1,400 per year.

But only months after Woodrow Wilson was sworn in as president in 1913, my grandfather was demoted. He was shuttled from department to department in various menial jobs, and eventually became a messenger in the War Department, where he made only \$720 a year.

By April 1914, the family farm was auctioned off.”

— Davis, Gordon J. “What Woodrow Wilson Cost My Grandfather: Op-Ed Contributor.” *The New York Times*, Nov 24, 2015

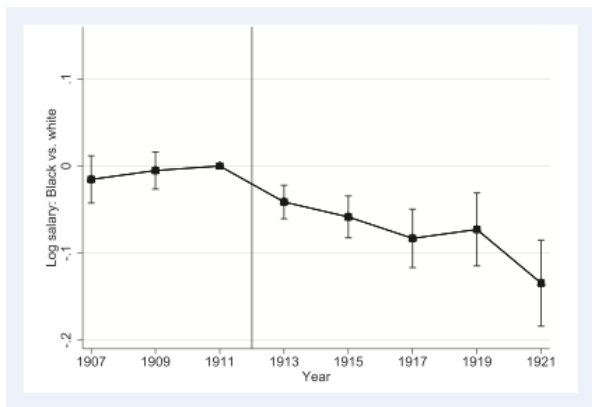
this change for Black civil service workers and their families? In their paper, “The Costs of Employment Segregation: Evidence From the Federal Government Under Woodrow Wilson,” Abhay Aneja & Guo Xu quantify the short-term, long-term, and intergenerational effects of this segregation policy on Black civil service workers and their families.

Research Methods & Findings

In order to examine the effect of Wilson’s civil service segregation policy on Black civil service workers, Aneja and Xu conducted a enormous digitization project spanning three data sources on US government personnel: the US Official Registers, the US Record of Appointment of Postmasters, and the US Postal Guide. In combination with data from the decennial census, the researchers were able to compare economic outcomes for similarly situated Black and white government employees, and to examine how these outcomes changed following the segregation order.

One of the research team’s primary data sources was the US Official Register, a biennial document capturing all federal employees’ place of birth, appointment state, salary, department and bureau, and job title. A challenge the team faced early on, however, was that the Official Register does not include data on Postal Office employees, which comprised 62% of all federal employment in 1913 and represented a high concentration of Black civil service workers. In order to fill in the gap, the team built a similar dataset for postal service employees,

FIGURE 3:
The racial earnings gap around Woodrow Wilson's presidency



The figure shows the black versus white (log) earnings gap for matched black civil servants around Woodrow Wilson's inauguration (t = 1913), covering the sample period 1907–1921 (solid black line). The solid vertical black line delineates the pretransition from the posttransition period.

Source: Aneja, Abhay, and Guo Xu. "The Costs of Employment Segregation: Evidence from the Federal Government Under Woodrow Wilson." *The Quarterly Journal of Economics* (2022): 911–958.

using data from the US Record of Appointment of Postmasters and the US Postal Guide. Together, these data sources provided them with a complete occupational dataset on federal civil service workers in the years surrounding Wilson's inauguration.

A second challenge the researchers faced was the absence of data on race in federal employment records. In order to overcome this, Aneja and Xu used a probabilistic matching formula incorporating an employee's first name, surname, and birth state to match their sample of federal employees to census data on race. Altogether, the team's matched census dataset ultimately covered 39,914 employees from 1907–1921.

In order to isolate the impact of the segregation policy on Black civil service workers, Aneja and Xu employed a matched difference-in-differences design, which matches each Black federal employee with a counterfactual white employee based on gender, government department and bureau, payment contract, and compensation. By comparing outcomes between otherwise similar employees, this approach excludes the effects of any confounding variables unrelated to the policy change.

Ultimately, the research team was able to identify a range of short-term, long-term, and intergenerational effects of the Wilson segregation policy on Black civil service workers and the Black-white earnings gap. In the four-year period preceding the segregation policy, for example, Black civil

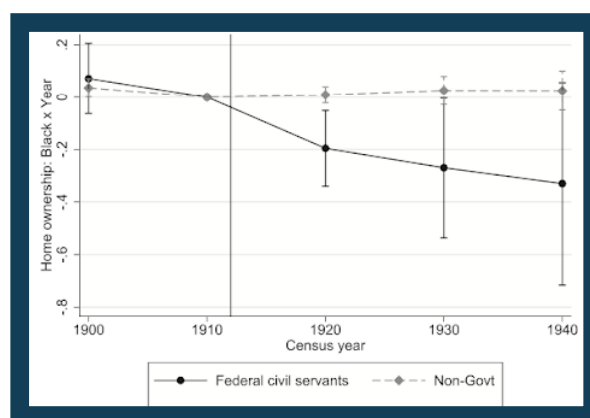
service workers earned 3.6% less than comparable white employees, on average. After Wilson took office, however, this gap widened to 11.5% — a 7.9 percentage point increase.

To further corroborate that the segregation policy was the cause of this gap, the research team compared the change in this wage gap amongst federal employees to the racial wage gap in the private sector. As no comparable gap widening was found in the broader economy, Aneja and Xu conclude that this effect was not a consequence of broader economic trends, but rather a direct result of the segregation policy.

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To assess the effects of this policy change on long-term economic inequality, the research team examined the segregation policy's impact on homeownership — a salient factor in wealth accumulation — using supplemental census data through 1940. Compared to their matched white counterparts, Black civil servants were less likely to report owning a home after Wilson took office. The researchers again compared this gap to the

FIGURE 4:
Home ownership gap by race, before and after Wilson's segregation policy



The figure shows the home ownership gap between black and white civil servants around Woodrow Wilson's inauguration and implementation of the segregation order (solid black line). For comparison, the gray dashed line shows the same gap for the nongovernmental and nonagricultural workers.

Source: Aneja, Abhay, and Guo Xu. "The Costs of Employment Segregation: Evidence from the Federal Government Under Woodrow Wilson." *The Quarterly Journal of Economics* (2022): 911–958.

FIGURE 5:
Federal employees at a segregated Public Health Service dispensary for government workers, circa 1920



Source: Yellin, Eric Steven. *Racism in the Nation's Service: Government Workers and the Color Line in Woodrow Wilson's America*. Chapel Hill: The University of North Carolina Press, 2013. Print.

economy-wide racial homeownership gap in the same period, and found that broader economic trends and racial discrimination did not contribute to this gap.

Lastly, Aneja and Xu considered how Wilson's segregation policy may have impacted the intergenerational welfare of Black families. Using decennial census data, the researchers identified children of Black civil servants impacted by the policy, and leveraged age variation amongst children in 1913, when Wilson took office. After controlling for economy-wide effects, the team found that children of Black civil service workers exposed to the segregation policy reported 1.2 fewer years of education, on average, and lower earnings, as compared to the children of white civil servants.

Informing the development of equity-oriented policymaking

Aneja and Xu's work contributes an important new piece of evidence to the growing body of literature on the scope and power of federal policy and other systemic drivers of racial disparities. By quantifying

the inter-generational economic impacts of Wilson's segregation policy on Black families, the researchers demonstrate the devastating reach of white supremacist policy on Black civil service workers and their families. Moreover, the authors' findings on the long-term and intergenerational consequences of this policy demonstrate the compounding harm created when individuals are denied adequate opportunities and material resources to achieve prosperity – a phenomenon disproportionately experienced by Black Americans.

As we work to overcome persisting racial disparities in wealth accumulation and the labor market, in the healthcare industry and the criminal justice system, and in the public sector and all avenues of life, historical evidence like that generated by Aneja and Xu provides invaluable perspective on the scale of the challenges we face, and on the origin of those challenges.

CITED SOURCES

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