



The State of Minorities in 2010

Minorities Are Suffering Disproportionately in the Recession

Luke Reidenbach and Christian Weller January 15, 2010

The recession that began at the end of 2007 has produced enormous hardships for households across the country, and it has exacerbated structural problems already in place for minorities. The labor market has been particularly brutal, with high unemployment and job losses disproportionately affecting African Americans and Hispanics. The disparities between minorities and white Americans have persisted, and in some cases expanded. Many economic gains made in the previous economic expansion have been erased during the current downturn.

The economic situation for minorities was far from stable even before the recession hit. African Americans and Hispanics had higher unemployment, lower household income and wages, and higher poverty rates. White Americans were in a better economic situation than minorities on almost all indicators. And minorities were not receiving the benefits of the economic growth prior to 2007.

Asian Americans are also hurting in this recession, despite historically faring better in the labor market. Limited data masks diversity within the Asian-American community, making it difficult to gauge the effects of the recession on distinctly different ethnic groups. But the existing data show clear structural economic disparities in the American economy, both in times of economic growth and economic decline.

The reality that African Americans and Hispanics do less well than white Americans in the good times and worse in the bad times than white Americans must help guide future public policy. These structural differences refuse to go away, and will continue to worsen until policy shifts to better reflect the varying needs of communities of color.

The Center for American Progress Action Fund's Half in Ten campaign, which aims to cut poverty in half in 10 years, lays out policies that can address these disparities, and these options include investing in direct job creation that addresses long-neglected needs in communities, helping the most vulnerable workers, and providing aid to states and localities to prevent further losses and service cuts.

Unemployment

The rate of unemployment is the most widely used indicator for the health of the labor market. Unemployment rates for minorities have reached near-record levels over the past year. At the start of the recession, the unemployment rate for African Americans on a quarterly basis was 8.6 percent. In the two years that followed, the unemployment rate rose 7.2 percentage points to 15.8 percent.

The rate increased similarly for Hispanics—it went from 5.8 percent in December 2007 to 12.9 percent in December 2009, effectively doubling.¹ The unemployment rate for white Americans was 9.2 percent at the end of 2009, up 5 percentage points from December 2007—also more than doubling. Asian Americans² saw their unemployment rate go up from 3.7 percent to 7.7 percent, increasing two fold during the recession.

The unemployment rate increased at a faster annual rate for African Americans and Hispanics than for other groups. Both African Americans and Hispanics' unemployment rates increased an average 3.6 percentage points per year. White Americans' rate increased an average 2.5 percentage points per year—still an alarming increase—and Asian Americans' unemployment rate increased 2.0 percentage points annually.

Broken down by age, young people experienced far higher unemployment rates than the rest of the population. African Americans and Hispanics aged 20 to 24 saw their unemployment rise faster and to higher levels than those between 25 and 54 years old. Young African Americans' unemployment rose 4.8 percentage points annually since the start of the recession, resting at 26.4 percent at the end of 2009. Young Hispanics' rate went up 4.7 percentage points per year to 17.2 percent. In comparison, the unemployment rate for African Americans and Hispanics aged 25 to 54 were 13.2 and 12.1 percent, respectively, at the end of 2009.

These stark age disparities also exist for whites and Asian Americans. Young whites' unemployment was 12.9 percent in December 2009 and young Asian Americans' unemployment was 11.3 percent. This is compared to 8.0 percent unemployment rate for whites aged 25 to 54, and 7.0 percent for Asian Americans aged 25 to 54.

The high unemployment figures brought by this recession followed a period during which minorities did not receive the benefits of previous economic expansion. Minority unemployment rates in December 2007 were roughly the same as in March 2001 when the previous business cycle started.

The unemployment rate for whites was 4.2 percent in December 2007 compared to 3.7 percent in March 2001. The respective rates for Hispanics were 5.8 percent and 6.0 percent; 8.6 percent and 8.1 percent for African Americans; and 3.7 and 3.4 percent for Asian Americans. Structural differences in unemployment rates by race and ethnicity persisted through the entire decade.

Employment

The unemployment rate is an important and useful indicator for the labor market, but people ultimately care most about getting a job. Looking at the employment level, which does not necessarily mirror trends in the unemployment rate, is therefore helpful for understanding how minorities are faring in the economy.

Continuing the trend from 2008, the number of employed persons in the labor force declined significantly in 2009. The decline has been particularly sharp for African Americans, whose employment levels have fallen by 3.9 percent annually. Both Asian Americans and whites saw the number of employed fall by 2.7 percent, while Hispanic employment levels declined by 2.3 percent annually.

This follows meager employment gains made in the last business cycle. Employment grew by 0.8 percent annually from the first quarter of 2001 to the fourth quarter of 2007 for African Americans, and grew 0.06 percent annually for whites. Hispanics made large inroads during this period, achieving 3.5 percent employment increases annually.

What little employment growth there was in the last economic expansion has largely been reversed during the current recession, especially for African Americans. At the end of 2009, the number of employed African Americans was 2.1 percent lower than it was at the beginning of 2001. The number of employed white Americans was 1.4 percent lower than 2001 levels. The number of employed Asian Americans increased overall during this period by 5.5 percent, despite an equal 5.5 percent decline since the recession began. And even though they made significant progress in the last decade, the number of employed Hispanics has declined rapidly in the past two years—a total 4.7 percent decline—erasing some of the significant gains made in employment throughout the decade.

Employment-to-population ratio

It's also possible to assess the effects of the recession by examining the employed share of the population, which shows whether or not employment is keeping up with population growth.

Despite employment gains from 2001 to 2007, all groups saw a decline in employment-to-population ratio. During those years, Asian Americans' share dropped an average 0.1 percentage points annually, Hispanics' and whites' shares each dropped an average 0.2 percentage points annually, and African Americans' share dropped 0.4 percentage points annually. This slow decline indicates that the employment gains made during economic growth did not keep pace with population growth.

That rate of decline has dramatically increased since 2007. Both African Americans' and Hispanics' shares of the employed have dropped 2.9 percentage points annually since the

recession began. Asian Americans' employment-to-population ratio decreased 2.05 percentage points annually, and whites' ratio decreased 2.1 percentage points annually.

African Americans also have a significantly lower employed share than everyone else—52.1 percent at the end of 2009. The African-American employed share is 6.7 percentage points lower than the next lowest ratio: Hispanics' employment to population ratio was 58.8 percent at the end of 2009. In 2001, African Americans' employed share was 4.4 percentage points lower than the next lowest share—60.5 percent versus whites' 64.9 percent. In other words, this gap has only increased since the start of the last business cycle.

Part-time work

Another indicator of labor market weakness is the growth of contingent work such as temporary or part-time work, particularly in a recession when there are fewer secure jobs available.

Part-time employment levels rose by the end of 2009, both as an absolute number and as a share of the labor force. Hispanics in particular have turned to part-time employment in astonishing numbers. The number of part-time Hispanic workers grew by 16.5 percent annually since the start of the recession—the share of Hispanic workforce working part-time went from 12.7 percent to 17.2 percent over the course of just two years.

Comparatively, white Americans have the highest part-time employment as a share of the labor force—18.9 percent. And 14.2 percent of African Americans and 14.6 percent of Asian Americans are currently working fewer than 35 hours each week. Part-time employment grew an average 5.2 percent a year for whites since the start of the recession, 4.4 percent for African Americans, and 3.2 percent for Asian Americans.

Weekly earnings

The wages and earnings of those who are employed provide insight into the economic wellbeing of those Americans. Earnings measurements are strictly for money made on the job, but for many, this is the money that pays the bills. As of the third quarter of 2009, Hispanics and African Americans continued to make far less per week than whites or Asian Americans. In the third quarter of 2009, Hispanics' usual median weekly earnings were \$527.13 in 2008 dollars;³ African Americans' earnings were \$608.33 a week; whites made \$753.19 a week; and Asian Americans made \$877.22 a week.

The earnings gaps have changed little since the start of the recession. Whites' usual median weekly earnings were \$144.86 more than African Americans in the third quarter of 2009. At the end of 2007, the difference was \$155.18. Likewise, whites' earnings were \$226.06 more

than Hispanics in the third quarter of 2009, while the gap was \$220.99 more in 2007. The earnings gap has not changed much over the past two years. In fact, the gap has expanded for African Americans since the start of the decade. The earnings gap between African Americans and whites was \$137.01, compared to \$144.86 in the third quarter of 2009.

Median household income

Median household income is the most comprehensive measure of economic well-being. Data on weekly earnings show how much people are getting paid on the job, but the Census' income data includes income from outside the workplace as well, such as additional private or public sources.

Overall median household incomes declined from 2007 to 2008. Asian-American income decreased the most by \$2,840 in 2008 dollars, while the incomes of Hispanics, whites, and African Americans decreased by \$2,252, \$1,500, and \$1,056 in 2008 dollars respectively from 2007 to 2008.

There was little difference between the 2008 disparities in household income and those that have existed throughout the decade. African Americans continued to have the lowest median household income: \$34,345 in 2008 dollars. Hispanics' median household income was \$37,913. White Americans had a median income of \$55,530 and Asian Americans had a median income of \$65,567 in 2008 dollars.

These large gaps in income, with late 2009 Hispanic and African-American household incomes at 65.1 percent of household incomes for white households, are nothing new. In 2001, Hispanic and African-American household incomes were 66.7 percent of white's incomes.

The recession has caused household incomes to decrease for many American households. And Hispanic and African Americans' household incomes decreased more than three times faster than whites' from 2000 to 2008. African Americans' household income decreased 1.0 percent per year and Hispanics' income decreased 1.1 percent per year, while white Americans' income fell by 0.34 percent per year. Asian Americans' income decreased by 0.8 percent per year.

Poverty

The share of the population below the poverty line, which today is \$21,203 for a family of four, reflects the number of households without sufficient income to meet basic needs. The poverty rate increased across the board in 2008, showing the impact of the first year of the recession. Poverty rates among African Americans and Hispanics are more than

double the percentage of white Americans and Asian Americans in poverty; 8.6 percent of whites and 11.6 percent of Asian Americans are in poverty, while 24.7 percent of African Americans and 23.2 percent of Latinos are under the poverty line.

Poverty data also reveals that little has changed in the last eight years. African Americans' poverty rate is 2.2 percentage points higher than it was in 2000. For Hispanics, the rate is 1.7 percentage points higher. Whites and Asian Americans have seen 1.2 and 1.4 percentage point increases, respectively.

Health care

Having health insurance is a crucial component for a family's financial stability, given rising health care costs and the burden such costs can place on a family. The percentage of those with health insurance varies widely between African Americans, Hispanics, and white Americans. Hispanics have consistently had far lower levels of health coverage than African Americans and whites throughout the decade. In 2008, 30.7 percent of Hispanics did not have health insurance compared to 10.8 percent of whites. This is an improvement from 2007, when 32.1 percent of Hispanics were uninsured.

African Americans' insurance levels aren't as dramatically low as Hispanics, but the number of uninsured is still 8.1 percentage points higher than white Americans. In 2008, 18.9 percent of African Americans lacked health insurance.

Retirement

Similarly, planning and saving for retirement can place financial burdens on families. The percentage of individuals with employer-based retirement plans from the private sector declined across the board in 2008. Less than half of African Americans—45.6 percent—had access to employer-based retirement savings, down 1.5 percentage points from 2007. Less than a third of Hispanics—30.3 percent—had employer-based retirement plans, down 0.3 percentage points from 2007. Whites also saw a decline, with only 56.6 percent having employer-based retirement plans, down one percentage point from the year before.

Access to employer-based retirement plans has slowly declined since 2002, the earliest this data is available. The percentage of African Americans with these plans has declined 0.3 percentage points annually, while the percentage of whites with these plans has declined 0.2 percent annually. Hispanics have the lowest of access to such plans, but their decline since 2002 has been slower—0.1 percentage points a year.

Homeownership

Income is only one side of economic wellbeing; homeownership, as the biggest and most widely used assets, is a good place to start in understanding the effects of the recession on families' the economic security.

The rate of homeownership declined in 2009, and the large disparities that have persisted throughout the decade continued. The homeownership rate was 46.4 percent for African Americans as of the third quarter of 2009, 48.7 percent for Hispanics, and 75.0 percent for white Americans.

The newest data shows a lost decade for homeownership for African Americans. Since the start of the recession in 2007, their homeownership rate has declined by 0.7 percentage points annually. Homeownership for African Americans is now lower than it was at the start of the decade. In 2000, 47.2 percent of African Americans owned homes—eight years later, only 46.4 percent owned homes.

Sources

Unemployment: U.S. Department of Labor, Bureau of Labor Statistics, “Current Population Survey.” African American refers to blacks and African Americans, and Hispanic refers to Hispanics and Latinos. All data is quarterly.

Employment growth: U.S. Department of Labor, Bureau of Labor Statistics, “Current Population Survey.” African American refers to blacks and African Americans, and Hispanic refers to Hispanics and Latinos. All data is quarterly.

Employment to population level: U.S. Department of Labor, Bureau of Labor Statistics, “Current Population Survey.” African American refers to blacks and African Americans, and Hispanic refers to Hispanics and Latinos. All data is quarterly.

Part time work: U.S. Department of Labor, Bureau of Labor Statistics, “Current Population Survey.” African American refers to blacks and African Americans, and Hispanic refers to Hispanics and Latinos. All data is quarterly.

Usual median weekly earnings: U.S. Department of Labor, Bureau of Labor Statistics, “Current Population Survey.” African American refers to blacks and African Americans, and Hispanic refers to Hispanics and Latinos. Usual median weekly earnings refer to the median weekly earnings of a full-time, nonself-employed wage and salary earner before taxes, including overtime pay, commissions, and tips earned from a primary job. All data is quarterly.

Household income: U.S. Bureau of the Census, Historical Income Tables. White refers to white non-Hispanic. Beginning with 2002, data represent white non-Hispanic alone, which includes people who reported white alone or in combination. Beginning with 2005, data represent black alone or in combination. People of Hispanic origin may be of any race.

Poverty: U.S. Bureau of the Census, 2009, Income, Poverty, and Health Insurance Coverage in the United States 2008. White refers to white non-Hispanic. Beginning with 2002, data represent white non-Hispanic alone, which includes people who reported white alone or in combination. Beginning with 2005, data represent black alone or in combination. People of Hispanic origin may be of any race.

Health care: U.S. Bureau of the Census, 2009, Income, Poverty, and Health Insurance Coverage in the United States 2008. White refers to white non-Hispanic. Beginning with 2002, data represent white non-Hispanic alone, which includes people who reported white alone or in combination. Beginning with 2005, data represent black alone or in combination. People of Hispanic origin may be of any race.

Homeownership rate: Bureau of the Census, Housing Vacancies, and Homeownership. White refers to white non-Hispanic. Beginning with 2002, data represent white non-Hispanic alone, which includes people who reported white alone or in combination. African American refers to African American only. People of Hispanic origin may be of any race.

Retirement savings: Patrick Purcell, “Pension Sponsorship and Participation: Summary of Recent Trends.” (Washington: Congressional Research Service, 2009). White refers to white non-Hispanic and African American refers to black non-Hispanic. 2002 was the first year the “Current Population Survey,” the survey Purcell analyzed, used expanded categories of race and ethnicity, making comparisons with earlier years problematic.

Endnotes

1 Data available for Hispanics are not seasonally adjusted, so nonseasonally adjusted data is used throughout this fact sheet.

2 Data available for Asian Americans are not seasonally adjusted, so nonseasonally adjusted data is used throughout this fact sheet.

3 Usual median weekly earnings are adjusted to 2008 dollars for comparison with median household income data, which is in 2008 dollars as released by Census.