



The State of Communities of Color in the U.S. Economy

Still Feeling the Pain Three Years Into the Recovery

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Introduction and summary

We are currently in the third year of economic recovery following the Great Recession and the financial crisis that upended domestic and world markets and decimated the global economy from December 2007 to June 2009. Three years into the recovery, the economic outlook is improving as economic growth is stabilizing and job creation gradually accelerating. That said, America's families, which have suffered for years from high and long-term unemployment, remain in desperate need of stronger economic growth for a prolonged period in the foreseeable future.

Stable economic growth in the future, however, will depend on having a strong, broad-based middle class. While economic growth in the United States is on the mend, the data show that the benefits of this growth have not been equitably shared. Many middle-class families, regardless of race or ethnicity, do not enjoy the opportunities needed for them and their children to get ahead.

More disturbingly, the data we summarize in this report shows that communities of color are substantially less likely than their white fellow citizens to enjoy the opportunities that come from having a good job, owning a home, and having a financial safety cushion in the form of health insurance, retirement benefits, and private savings.¹ This difference exists because economic opportunities eroded faster for communities of color than for whites during the Great Recession—and those opportunities have been coming back much more slowly for communities of color than for whites during the economic recovery. Our report specifically shows:

- **African Americans and Latinos persistently suffer from high unemployment rates.** The unemployment rate of African Americans is typically twice as high as that of white Americans, while the Latino unemployment rate is about 50 percent greater than the rate for whites.
- **Slower job growth during the recovery leaves communities of color in a deep economic hole.** Employment in the fourth quarter of 2011 was 88.9 percent of African

American employment in December 2007 and 91.4 percent of Latino employment, compared to 93.6 percent for whites and 92.9 percent for Asian Americans.

- **African Americans enjoy fewer job opportunities than other groups.** The employed share of the population was 52.1 percent for African Americans and 59.3 percent for Latinos, compared to 59.4 percent for whites and 59.9 percent for Asian Americans in the fourth quarter of 2011.
- **African Americans and Latinos earn less than others.** African Americans' median weekly earnings were \$674 (in constant 2011 dollars), and Latinos' earnings were \$549. In comparison, whites earned \$744 each week, and Asian Americans earned \$866 in the fourth quarter of 2011.
- **African Americans and Latinos swell the ranks of minimum wage earners.** From 2009 to 2011—two years into the recovery—the number of African American minimum wage workers increased by 16.6 percent, and that of Latino minimum wage workers increased by 15.8 percent, while Asian Americans in minimum wage positions decreased by 15.4 percent, and whites only increased by 5.2 percent.
- **Household incomes have fallen drastically for African Americans since the recession.** Inflation-adjusted median incomes for African Americans fell by 7.1 percent from 2007 to 2009, faster than for any other population group. Further, inflation-adjusted median household incomes dropped another 3.2 percent from 2009 to 2010, which was as fast or faster than comparable income drops for any other population group.
- **Poverty rates, already much higher for communities of color, rose faster in recession and recovery than for whites.** African Americans and Latinos showed poverty rates of 24.2 percent and 24 percent, respectively, in 2010, compared to poverty rates of 9.3 percent for Asian Americans and 7.3 percent for whites. Poverty rates rose faster from 2007 to 2009 for African Americans—by 2.4 percentage points— for Latinos by 3.5 percentage points, and for Asian Americans by 2.2 percentage points, compared to whites, whose poverty rate increased by 1.6 percentage points during the same time period.
- **Communities of color have substantially less health insurance coverage than whites.** The share of African Americans without health insurance in 2010 was 20.8 percent, and the respective share of Latinos without insurance coverage was 30.7

percent. This compares to 18.1 percent of Asian Americans without health insurance and 11.7 percent of whites without health insurance at the same time.

- **The wealth gap between communities of color and whites widened sharply due to housing market weaknesses.** The median nonwhite or Latino household had \$23,300 in wealth in 2009 dollars, less than one-sixth of the wealth of white non-Latino households, which had \$149,900 in wealth. This reflects a substantial widening of an already very large wealth gap between communities of color and whites at the start of the recession in 2007, when nonwhites or Latino households owned about one-fifth of the typical wealth of white non-Latino households.
- **Homeownership disappears fastest for African Americans during the recession and recovery.** At the beginning of the recession in 2007, the African American homeownership rate was 47.7 percent, Latino homeownership was 48.5 percent, and the homeownership rate for other races was 58.6 percent, compared to the white homeownership rate of 74.9 percent. By the end of 2011, 45.1 percent of African Americans owned their homes, 46.6 percent of Latinos owned their homes, and 56.5 percent of all other races owned homes, compared to a homeownership rate of 73.7 percent for whites.
- **Communities of color are at a higher risk of losing their homes to foreclosure than whites.** In 2011 the foreclosure rate for African Americans was 9.8 percent, for Latinos was 11.9 percent, and for Asians was 6.6 percent, while the foreclosure rate for whites was 5.0 percent in 2011.
- **Retirement plan coverage is lower for communities of color than it is for whites and continues to decline for African Americans.** In 2010—one year into the recovery—the percentage of African American private-sector workers who had a retirement plan at work was 34.4—for Latinos that number was 21.4 percent, while it was 44.3 percent for whites.

According to all these indicators, the economic recovery is well into its third year. Parsing the data along racial and ethnic lines, however, shows that varying storylines are emerging for different population groups. African Americans and Latinos, for example, typically have substantially fewer economic opportunities than whites. The same can be said for Asian Americans, who also show higher poverty rates along with lower rates of health insurance coverage when compared to whites. This suggests that Asian Americans also have less access to well-paying jobs than whites.

Moreover, while economic opportunities are beginning to improve somewhat for Latinos, Asian Americans, and whites, African Americans are the clear exception—their economic fortunes continued to decline in 2011. The fact that the benefits of the economic recovery are slowly spreading to all groups except to African Americans, at least through the end of 2011, is reminiscent of the African American experience following the previous recession in 2001. During that time period African Americans’ economic fortunes—employment, income, wealth, and homeownership—grew much slower than those of Latinos and declined in relation to those of Asian Americans and whites.

This is why it is important for policymakers to take notice of the disparities and start to undertake serious efforts to both close the economic opportunity gaps between communities of color and whites and to address in a substantive way the lagging experience of African Americans.

Focusing on these concerns, we lay out a series of policy recommendations at the end of this paper that we believe will go a long way in addressing some of the fallout of the Great Recession on communities of color. Specifically, we recommend the following:

- Accelerate job creation
- Expand, extend, and improve unemployment insurance
- Raise the federal minimum wage
- Increase access to affordable health insurance
- Implement comprehensive immigration reform to protect workers’ rights

We see these recommendations as important steps to ensure that communities of color can also enjoy the benefits of the recovery and begin to regain some of the economic security that they lost during the Great Recession.

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