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## REVERSAL OF FORTUNE

### Economic gains of 1990s overturned for African Americans from 2000-07

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**O**n all major economic indicators—income, wages, employment, and poverty—African Americans were worse off in 2007 than they were in 2000. Although the American economy has grown significantly since 2000, African Americans have not shared in America’s prosperity. The current economic downturn and the subprime mortgage crisis bode ill for the immediate future for African Americans.

The overall social well-being of African American communities depends upon strong job growth. The historical evidence shows clearly that strong job and wage growth are the keys to reducing black poverty. Without reductions in child poverty, we can expect continued lower educational achievement, higher rates of teen pregnancy, and a higher than average rate of crime in black communities.

All Americans are hurting from the failure of recent strong productivity growth to translate into wage growth for average workers. All Americans will benefit from a more equitable distribution of the wealth of American society. African Americans, in particular, need policies that will attend to their low employment rates, low wages, and high poverty rates.

A decade ago, the economic outlook for African Americans was quite different. In 1999, the journalist Ellis Cose wrote, “It’s the best time ever to be black in America. Crime is down; jobs and income are up” (Cose 1999). The tight labor market of the 1990s produced increasing employment, higher wages, and a historic drop in the poverty rate for blacks. Home ownership, the major source of wealth for most Americans, was on the rise for African Americans. By 2000, the median black household income had climbed to its highest level ever, while black unemployment and poverty rates had declined to their lowest levels on record. If these trends had continued, African Americans would have made significant advances in closing economic gaps with whites.

#### **EPI’s program on Race, Ethnicity, and the Economy**

This program conducts research and crafts policies to see that people of color fully contribute to and share in America’s prosperity.

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These trends did not continue, however. The recession of 2001 brought African American progress to a halt and reversed the gains blacks made over the 1990s. The jobless recovery that followed brought no significant economic progress for African Americans.

The U.S. economy regularly goes through cycles of upswings and downswings, but the recent cycle—including the expansion—has been a particularly bad one for the country (Bivens and Irons 2008) and especially so for African Americans. Job growth since the 2001 recession has been extremely weak. In the 2000s business cycle, employment increased at one-third of the pace of the 1990s cycle (Shierholz 2008).

For most of the 20th century, increased productivity led to increased wages. Since the 1970s, with the exception of the 1990s, increased productivity has not been matched by comparable increases in wages (Mishel et al. 2008). From 2000 to 2007, although American workers were 19.2% more productive on average, the weekly wages for prime-aged workers *declined* by \$1. The weekly wages for prime-aged African American workers declined by \$3. The wealth created by the American economy has been going overwhelmingly to the richest Americans.

Overall, the economic condition of African Americans has worsened since 2000. Wage growth for the median black worker has stagnated, incomes and employment have declined, and poverty has increased. This Briefing Paper shows:

- African American median family income declined by \$404 or 1% between 2000 and 2007. This is the first decline in black median family income in a business cycle of this length since World War II. Single, African American, male-headed families saw the largest percentage decline—9.1%—in median family income.
- Worker productivity grew 19.2% between 2000 and 2007, but wage growth for American workers generally and African American workers specifically has stagnated. For black workers 25 to 54 years old, the median black weekly wage fell 0.6% from 2000 to 2007.
- The African American unemployment rate increased by 0.7 percentage points between 2000 and 2007, while the *employment* rate shows a 2.4 percentage-point decline, or three times the number not working indicated by the change in the unemployment rate.
- The black home ownership rate, after increasing to 49.1% in 2004, dropped to 47.2% in 2007. Because the foreclosures from the housing crisis have continued into 2008 and will likely continue into 2009, the African American home ownership rate is also likely to decline into 2009.
- The tight labor market of the late 1990s led to the largest decline in African American poverty since the 1960s. From 1989 to 2000, the black family poverty rate fell by 8.5 percentage points. In contrast, from 2000 to 2007, the African American family poverty rate *increased* 2.8 percentage points.
- Crime and criminal justice policies are increasingly entangled with the economic outcomes of African Americans and particularly of black men. If one adjusts the employment rate of African American men by counting men in prison as non-working, the already low African American male employment rate drops by about 3 percentage points.

## Family incomes saw losses or only mild increases

Historically, African American incomes have grown at a faster rate in tight labor markets than slack ones. For example, from 1995 to 2000, a period of low unemployment nationally, the median black family income grew at an annual rate of 2.9% , the fastest since the tight labor markets of the 1950s and 1960s (Mishel et al. 2008). Since 2000, the country experienced a recession, which was followed by slow job growth. How have these changes affected black family incomes?

Between 2000 and 2007, the African American median family income declined by 1%. This is the first decline in black median family income in a business cycle of this length since World War II (Mishel et al. 2008; Bivens and Irons 2008). The bursting of the housing bubble and the continued weakness of the American economy means that we may see even further declines.

Median family income shows the average of all African American families, but what are the trends by family type? Married-couple families have fared the best over the 2000s. However, in the dismal 2000s economy, “best” only means that

**TABLE 1**  
**Median black family incomes in 2000 and 2007 (2007 dollars)**

Year	All families	Married couple	Single male-headed	Single female-headed
2000	\$40,547	\$60,993	\$38,605	\$24,810
2007	40,143	62,163	35,083	24,328
Percent change	-1.0%	1.9%	-9.1%	-1.9%

**SOURCE:** U.S. Census Bureau (2008c).

they did not lose income, not that they made any substantive gains. Between 2000 and 2007, median black family income was up 1.9% for married couples (**Table 1**) or an increase of \$1,170 (from \$60,993 to \$62,163 in real 2007 dollars).

However, all African American single-headed families lost income over this business cycle. From 2000 to 2007, median income for African American single female-headed families decreased by 1.9%, a loss of \$482 over the period. African American single male-headed families saw an even more substantial decline in median family income. From 2000 to 2007, the median income for these families dropped 9.1%, or \$3,522 to \$35,083. African American single male-headed families make up a small but growing share of black families (U.S. Census Bureau 2004). Relative to the 1970s, the wages of men in the lower half of the wage distribution have declined, and black males are disproportionately in the lower half of the wage distribution (Mishel et al. 2008; Scott 2008). Thus, it is likely that families headed by single black males will face increasing hardships over time.

The lack of growth in family incomes has meant that many African American families live paycheck to paycheck. They are unable to save and rely on credit cards for both day-to-day and emergency expenses (Garcia 2007; Silva and Epstein 2005). These families are falling deeper into debt over time (Silva and Epstein 2005). The path out of debt and toward upward mobility for African Americans begins with strong and steady income growth.

## **Weekly and hourly wages stagnated in spite of productivity growth**

The stagnation of family incomes is a result of stagnating wages. In the 2000s business cycle, African American workers experienced no significant increases in weekly or hourly wages. Without annual increases in real wages, families are finding it harder to maintain their overall incomes.

### ***Weekly wages***

From 2000 to 2007, the median weekly wage for all American workers aged 25 to 54 years old declined by 0.2%. The median wage for African American workers in this age range declined by 0.6% (**Table 2**). In dollar terms, the median African American worker earned a \$1 less in 2007 than in 2000, and the median African American worker earned \$3 less.

Weekly wages for African Americans differ sharply by gender. In 2007 dollars, the median African American man's weekly wage declined 3.4% from \$649 to \$627 in this period, while for African American women it *increased* 2.6%, from \$552 to \$566. Hence, the overall decline in wages was due to the decline in African-American men's wages.

**TABLE 2**  
**Median weekly wages for blacks, 25-54 years old, in 2000 and 2007 (2007 dollars)**

Year	All blacks	Men	Women
2000	\$598	\$649	\$552
2007	595	627	566
Percent change	-0.6%	-3.4%	2.6%

**SOURCE:** Author's analysis of CPS data.

### **Hourly wages**

The amount of hours individuals work a week varies due to economic circumstances. People who have low wages may try to compensate by working more hours. In weak economic times, employers may cut back on work hours to reduce expenses. Individuals can earn more or less a week, therefore, without their hourly wage changing. For these and other reasons, trends in weekly wages and hourly wages may differ.

The median hourly wage for African Americans showed no significant improvement between 2000 and 2007. Black men's median hourly wage increased 0.4% or, more concretely, by a nickel. Black women's median hourly wage increased by 20 cents, or 1.7% (**Table 3**).

**TABLE 3**  
**Median hourly wages for blacks by gender in 2000 and 2007 (2007 dollars)**

Year	Male	Female
2000	\$13.42	\$12.03
2007	13.47	12.23
Percent change	0.4%	1.7%

**SOURCE:** Author's analysis of CPS data.

### **Wages versus productivity**

More productive workers mean a larger economy—more goods and services—per hour worked. Prior to the 1970s, productivity increases were closely matched by wage increases. Since then, wealth created by increased productivity is increasingly concentrated among the richest Americans and not distributed to average workers (Mishel et al. 2008).

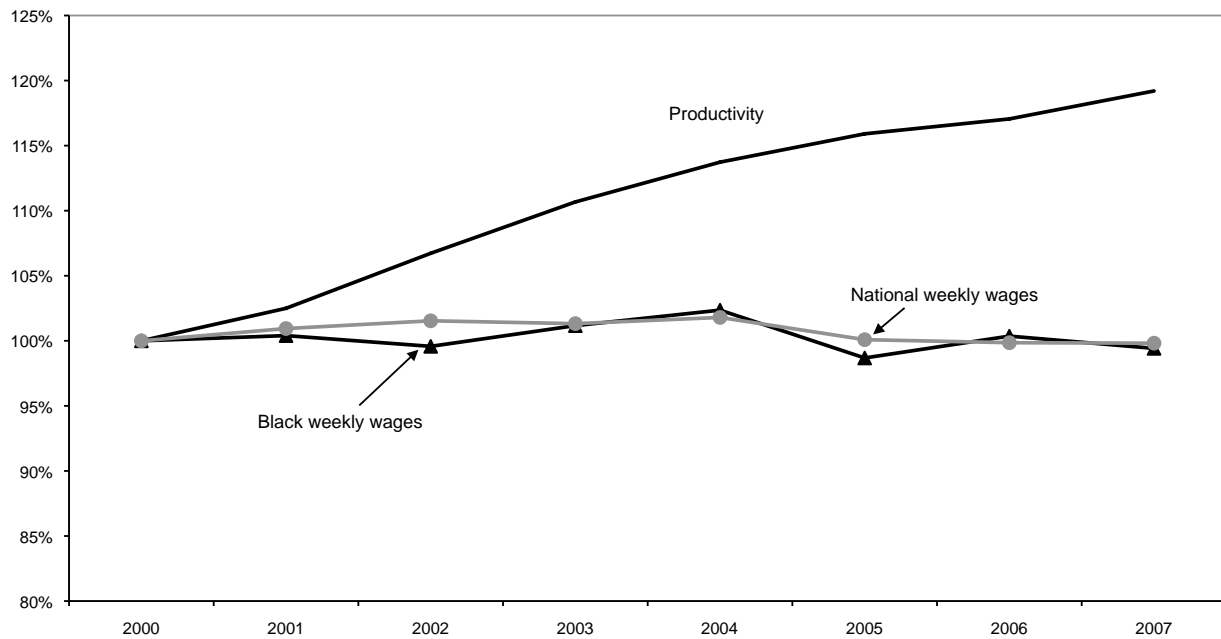
**Figure A** shows that productivity grew 19.2% between 2000 and 2007. During this time, weekly wage growth for American workers generally, and African American workers specifically, stagnated, as discussed above. The picture is slightly better for African American women. Unlike African American men, they have not seen declines in weekly wages. Their weekly wage growth of 2.6%, however, is far below the 19.2% growth in productivity.

### **Employment rates declined**

For a year and a half after the 2001 recession, the economy grew, yet job losses continued. It took almost four years to regain the prior peak in the number of jobs (Shierholz 2008). Weak job growth has persisted and is reflected in the labor force statistics for African Americans.

**FIGURE A**

**Percent increase in productivity and median weekly wages for workers, 25 to 54 years old, 2000-07**



SOURCE: Mishel, Bernstein, and Shierholz (2008).

Although the unemployment rate is the most commonly used indicator of the gap between the number of jobs and the number of workers, it is misleading in the current weak economy. In response to a weak economy, workers withdraw from the labor force. These “discouraged” workers are not counted as unemployed by the Bureau of Labor Statistics, but their absence is reflected in the employment rate.

The African American unemployment rate increased by 0.7 percentage points between 2000 and 2007 (U.S. Department of Labor 2007). While this development is disappointing, the picture looks significantly worse when one examines the employment rate. Between 2000 and 2007, the employment rate for African Americans declined 2.4 percentage points. This drop in the employment rate shows a decline in the number of working African Americans that is more than three times that indicated by the change in the unemployment rate.

Even at the employment rate peak in 2000, African Americans were less likely to be employed than Americans generally. In 2000, the African American employment rate was 60.7%, or 3.7 percentage points lower than the total rate (Table 4). Since the 2001 recession, blacks have suffered more than average from the loss of jobs. The gap between the total employment rate and the rate for African Americans has increased from 3.7 percentage points to 4.7 points in 2007.

African American men’s employment rate has declined more than African American women’s since 2000

**TABLE 4**  
**Total and black employment rates in 2000 and 2007**

Year	Total	Black	Difference
2000	64.5%	60.7%	3.7%
2007	63.0	58.3	4.7

SOURCE: Author’s analysis of CPS data.

(Table 5). The male employment rate was down 2.9 percentage points and the female rate was down 2.1 percentage points.

There are interesting differences by metropolitan status. In 2000 and 2007, the African American employment rate in the suburbs was higher than the rate in cities (Table 6). But the suburban employment rate declined 4.4 percentage points while the city employment rate only declined 1.1 percentage points.

African American teens have the lowest employment rate among African Americans, and they also experienced the largest decline in employment. In 2000, 29.5% of African Americans 16 to 19 years old were employed (Table 7). By 2007, that rate had dropped to just 21.0%.

Lower educational attainment among blacks is one reason for low employment rates among African Americans, but it is not the only factor. Racial discrimination in the labor market and dysfunctional criminal justice policies both seem to play significant roles in preventing blacks from obtaining work (Austin 2008; Pager 2003; Pager and Western 2005). (Criminal justice issues are discussed further below.)

## Home ownership gains reversed

For most Americans, their home is their most important source of wealth. From 2000 to 2004, it appeared that African Americans were making progress in wealth-building. The home ownership rate for African Americans increased from 47.2% in 2000 to 49.1% in 2004 (Figure B). But this increase was short lived. In 2007, the black home ownership rate was back down to its 2000 level of 47.2%.

African Americans were disproportionately involved in the subprime mortgage market and those mortgages have had a high rate of foreclosures (Leigh and Huff 2007). Many subprime mortgages were made to refinance existing loans, and thus it is not only homes purchased during the housing bubble that are at risk. Since the foreclosures have continued

**TABLE 5**  
Black employment rates by gender in 2000 and 2007

	Males	Females
2000	63.3%	58.6%
2007	60.4	56.6
Change 2000-07	-2.9	-2.1

SOURCE: Author's analysis of CPS data.

**TABLE 6**  
Black employment rates by city/suburb in 2000 and 2007

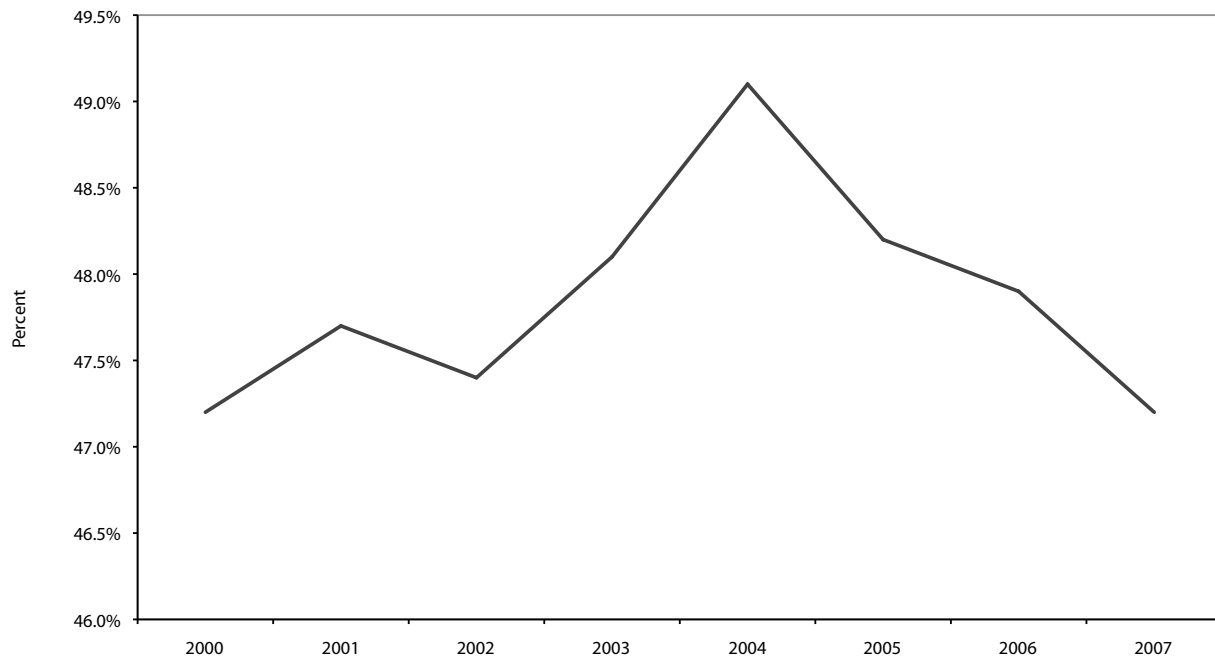
	Central cities	Suburbs
2000	57.1%	68.4%
2007	56.0	64.0
Change 2000-07	-1.1	-4.4

SOURCE: Author's analysis of CPS data.

**TABLE 7**  
Black employment rates by age group in 2000 and 2007

	16-19	20-29	30-39	40-49	50-59	60 +
2000	29.5%	68.2%	79.4%	76.2%	67.6%	18.5%
2007	21.0	65.1	78.1	76.2	64.5	22.2
Change 2000-07	-8.5	-3.1	-1.3	0.0	-3.1	3.7

SOURCE: Author's analysis of CPS data.

**FIGURE B****Black home ownership rate, 2000-07**

SOURCE: Mishel, Bernstein, and Shierholz (2008).

into 2008 and will likely continue into 2009 (Lardner 2008), the African American home ownership rate is also likely to decline into 2009.

The impact of the housing crisis extends to African Americans who were not subprime borrowers. Home owners who merely live in communities with a high rate of foreclosures will likely see the value of their homes decline. High levels of foreclosures lead to increased vandalism and crime and declining tax revenues for communities (Lardner 2008). Renters who are renting a foreclosed property face possible eviction. When one calculates the combined effect of all of these wealth-sapping factors, it is clear that we are witnessing a historic loss of wealth among African Americans (Rivera et al. 2008).

## Poverty rates increased

The United States has the highest poverty rate among developed nations (Mishel et al. 2008), and the African American poverty rate has historically been three to four times the white rate. In the United States, the biggest reductions in black poverty occur during periods of strong job growth. For instance, the tight labor market of the late 1990s, led to the largest decline in African American poverty since the 1960s. From 1989 to 2000, the black family poverty rate fell by 8.5 percentage points (Table 8). African American children experienced a reduction in poverty of 12.5 percentage points. By family type, there were significant differences. Single female-headed families experienced the largest decrease of 12.2 percentage points. Married-couple families had the smallest decline of 5.5 percentage points. Single male-headed families fell in-between with a reduction of 8.4 percentage points.

But the 2001 recession ended with a jobless recovery that led to increases in African-American poverty. For black families overall, poverty increased 2.8 percentage points. Child poverty among African Americans rose by 3.3 percentage



**TABLE 8**  
**Poverty rates for black families and children, 1989-2007**

	All black families	Children	Married couple	Single male-headed	Single female-headed
1989	27.8%	43.7%	11.8%	24.7%	46.5%
2000	19.3	31.2	6.3	16.3	34.3
2007	22.1	34.5	6.8	25.7	37.3
Percentage-point change 1989-2000	-8.5	-12.5	-5.5	-8.4	-12.2
Percentage-point change 2000-07	2.8	3.3	0.5	9.4	3.0

**SOURCE:** U.S. Census Bureau (2008b).

**TABLE 9**  
**Share of black families and children under the 200% poverty rate in 2000 and 2007**

	All families	Children	Married couple	Single male-headed	Single female-headed
2000	45.6%	58.8%	28.8%	40.1%	67.5%
2007	46.5	60.6	26.4	48.9	67.6
Percentage-point change 2000-07	0.9	1.8	-2.4	8.8	0.1

**SOURCE:** U.S. Census Bureau (2008a).

points from 2000 to 2007.

Single-parent families headed by males have had the largest increase in their poverty rate—9.4 percentage points—from 2000 to 2007. The poverty rate of single female-headed families rose by 3.0 percentage points. Poverty in married-couple families was up 0.5 percentage points. The large increase in the poverty rate of single-parent male-headed black families is likely due to the large decline in the weekly wages and the declining employment rate of black men, as discussed above.

### ***Twice the official poverty level***

Many analysts argue that the official poverty rate is too low since it has not been adjusted for changes in standards of living and for costs like health care that have increased at a rate higher than the overall inflation rate. For these reasons, it is standard practice among poverty researchers to examine the percent of families and children who are below *twice* the poverty level (Bernstein 2007). This higher threshold level provides a better estimate of the percent of African Americans who are struggling financially even if they are not officially counted as poor.

In 2007, 46.5% of all African American families had incomes below twice the poverty level, an increase of 0.9 percentage points above the amount in 2000 (**Table 9**). Worse, 60.6% of black children were below twice the poverty level, an increase of 1.8 percentage points over the 2000 poverty rate.

By family type, the largest increase in African American families below twice the poverty level came from single male-headed families. These families saw a rise of 8.8 percentage points from 2000 to 2007. Married-couple families had



a small decrease in their numbers below twice the poverty level, declining 2.4 percentage points over the period. Single female-headed families rose by 0.1 percentage points. Again, we see that single-parent male-headed black families are on a more negative trajectory than other black families. Single black female-headed families, however, remain economically worse off.

The official poverty rate is a minimal measure of the economic well-being of African Americans. By this low bar, a third of black children are facing economic distress. With the higher standard of twice the poverty level, the proportion jumps to nearly two-thirds. Children growing up in poverty have worse educational outcomes and are more likely to be at-risk for criminal behavior, teen pregnancy, and other negative outcomes. The future health of African American communities depends on reducing poverty rates.

## Incarceration, crime, and African American economic outcomes

Crime and criminal justice policies are increasingly entangled with the economic outcomes of African Americans and particularly of black men. Since the 1970s when the U.S. embarked on “tough-on-crime” sentencing policies, the U.S. incarceration rate has skyrocketed. Prior to the 1970s, the U.S. incarceration rate was roughly 100 per 100,000 residents. Today, the U.S. incarceration rate is about 700 per 100,000 residents. Although the United States leads the world in incarceration, it does not have the lowest crime rate. While the U.S. homicide rate is very high, the overall U.S. crime rate is within the range of other developed nations. Other developed nations, however, still have incarceration rates around 100 per 100,000 residents (Mauer 2006).

For a variety of reasons, America’s tough-on-crime policies have been toughest on blacks (Mauer 2006). The rate of African American involvement with the criminal justice system is massive and unprecedented (Western 2007). **Table 10** shows that between 1990 and 2000, the number of black males in state and federal prison increased by 66.4%, and the number of black females increased by 86.1% (Beck and Gillard 1995; Harrison and Beck 2006). It should be noted that these numbers do not include individuals in jail<sup>1</sup> or on parole or probation.

African Americans who are ex-offenders have a very difficult time finding work. **Figure C** shows the results of an employer survey from four major U.S. cities. Researchers found that 19.5% of employers stated that they definitely would not hire ex-offenders. Another 42.1% stated that they probably would not hire ex-offenders (Holzer et al. 2004). These findings paint a bleak picture for the job prospects of ex-offenders, but the situation is even worse for African American ex-offenders.

Researchers find that African American ex-offenders have the added difficulty of racial discrimination on top of the employer biases against people with criminal records. **Figure D** shows that in the low-wage labor market, young African American men *without a criminal record* are treated worse than young white men *who are ex-offenders*.<sup>2</sup> Young black men who are ex-offenders fare even worse than black men without a record (Pager 2003; Pager and Western 2005).

The increase in incarceration over the 1990s occurred during a historic decline in crime in African American communities. From 1990 to 2000, the rate of blacks victimized by violent crime declined by 49.1% (Bureau of Justice Statistics 2006a), and there was also a significant decrease in property crime (Bureau of Justice Statistics 2006b).

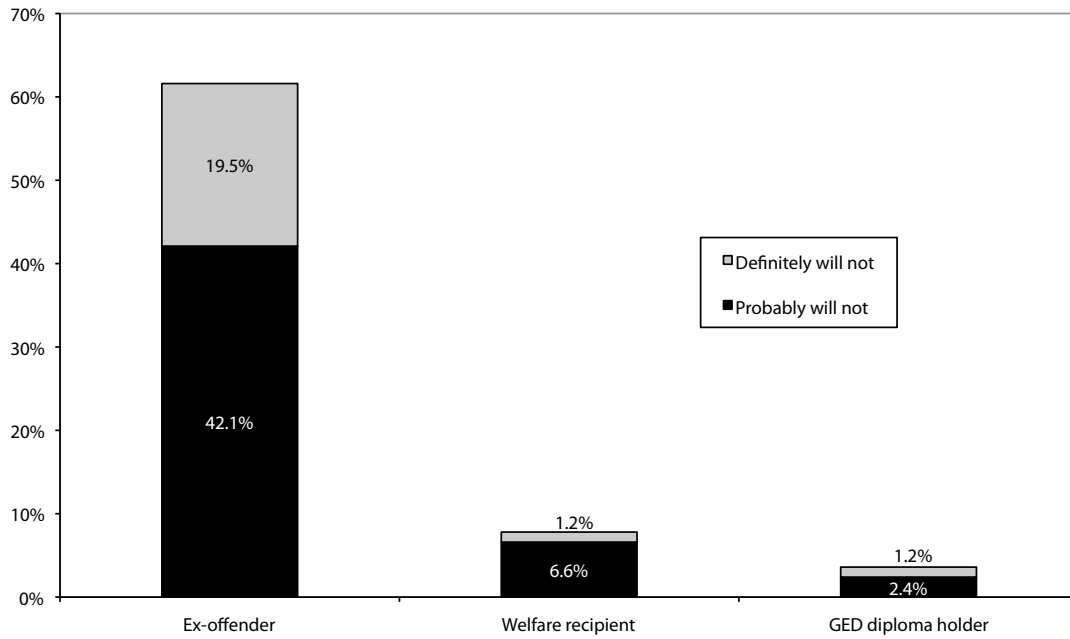
**TABLE 10**  
Number of blacks in prison and black violent crime victimization rate, 1990-2005

Year	Male	Female	Violent crime rate (per 1,000)
1990	344,300	20,100	31.8
2000	572,900	37,400	16.2
2005	547,200	29,900	13.6
Percent change 1990-2000	66.4%	86.1%	-49.1%
Percent change 2000-05	-4.5	-20.1	-16.0

**SOURCE:** Beck and Gillard (1995); Harrison and Beck (2006); BJS (2006a).

**FIGURE C**

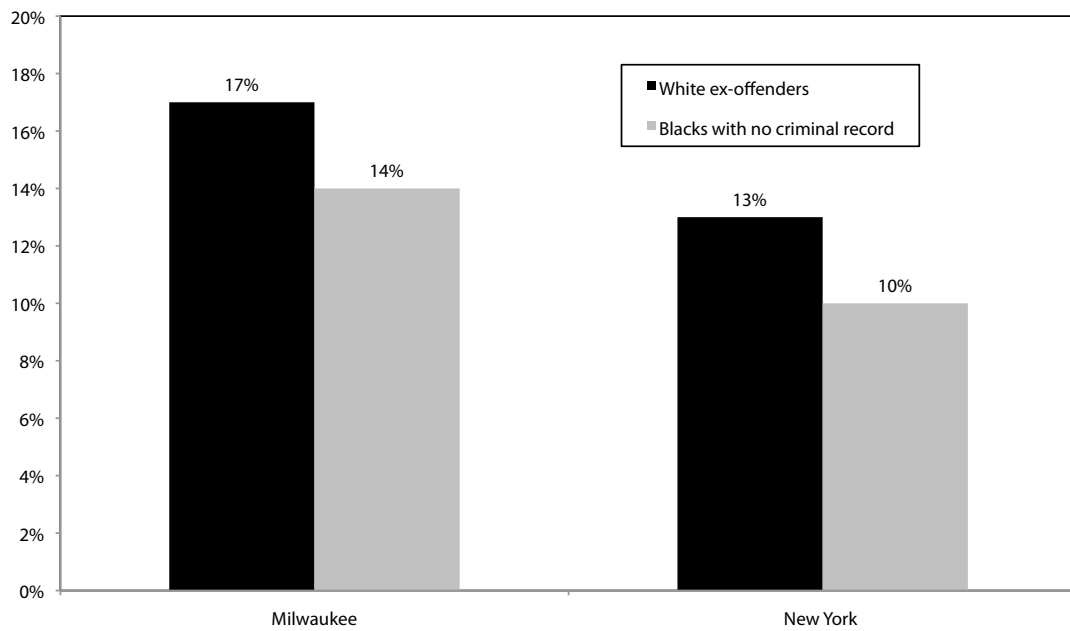
**Percent of employers indicating that they will not hire an ex-offender, welfare recipient, or a GED holder**



SOURCE: Holzer, Raphael, and Stoll (2004).

**FIGURE D**

**Percent of call backs or job offers by race and criminal record**



SOURCE: Pager (2003); Pager and Western (2005).

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While incarceration played a role in crime reduction since 1990, most criminologists argue that increased incarceration was responsible for less than half of the decline. In fact, one leading scholar argues that it was responsible for only 10% (Western 2007). There is a growing body of research pointing to the improved economic conditions over the 1990s as playing a significant role in crime reduction (Blumstein and Wallman 2006; Gould et al. 2002; Western 2007).

As already mentioned, the increased incarceration rates of African Americans reduce their likelihood of finding employment upon release. Further, if one adjusts the employment rate of African American men by counting men in prison as non-working and men in the military as working, the African American male employment rate drops by about 3 percentage points, and the female rate is reduced by about 0.1 percentage points.<sup>3</sup> High incarceration rates among blacks mean that official employment rates substantially overstate black male employment levels.

African American men with a criminal record who do find work tend to work less and have lower earnings than similar men without a record. One study finds that black male ex-offenders work 15% fewer weeks a year and earn 12% less than black males who have never been in prison (Western 2007). The upward mobility of black America is impeded by high incarceration rates.

The good news about the historic crime drop since the 1990s is that many African American communities became much safer. The black violent crime victimization rate was down 16% from 2000 to 2005. Furthermore, since 2000, the decline in crime seems to have finally led to some decrease in the numbers of African Americans incarcerated. The number of African American males incarcerated declined by 4.5%, and the number of African American females by 20.1%. This is a hopeful development.

The dark lining of the crime drop is that safer African American communities led to the gentrification of many of these communities. The average black community today is safer than the average white community was in the 1970s and 1980s (Bureau of Labor Statistics 2006). Inexpensive homes and low rents in relatively safe urban communities were very inviting to adventurous non-blacks and to middle-class individuals of all races. Of course, as demand for these homes and apartments increased, so did their prices. In turn, higher prices have displaced lower-income African American residents in longstanding black communities in many cities across the country.

## Conclusion

The economic condition of African Americans is much worse today than in 2000. Family incomes, wages, and employment are down. Home ownership rates are rapidly declining. Poverty is up, and the number of black ex-offenders struggling to find work is constantly rising.

Black America needs a national strategy for *black* full-employment. In other words, our national goal should be to have the black unemployment rate sustained below 5%. When the American economy experiences strong job growth and full-employment like we saw in the late 1990s, average Americans of all races benefit with higher rates of employment, higher wages, and lower poverty rates. But even in the peak year of 2000, when the total unemployment rate was at 4.0%, the black unemployment rate was at 7.6%. The total unemployment rate masks substantial racial disparities.

In the late 1990s, with an unemployment rate considerably above black full-employment, we still saw wide-ranging economic improvements in black communities, a historic decline in the black poverty rate, and a reduction in violent crime in black communities. If we were to reduce the black unemployment rate to below 5%, there would be amazing progress for black America.

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## Endnotes

1. A jail is a facility under city or county jurisdiction to hold individuals for minor offenses or individuals awaiting trial. Prisons are under state or federal jurisdiction.
2. Although whites are preferred percentage-wise in both cities, the differences are not statistically significant.
3. These numbers are estimates based on Current Population Survey data, Bureau of Justice Statistics Data and Department of Defense data. The Bureau of Justice Statistics estimates that there were 814,700 black males and 67,600 black females in jails and prisons in 2007. The most recent military data by race found was for 2005. These numbers were used as estimates for 2007. For active enlisted members, the Department of Defense reported 175,554 black males and 53,177 black females. Additionally, there were 18,232 black officers. Males and females among officers were assumed to be in the same proportions as among the active enlisted members. (Sobol and Couture 2008, 7; Office of the Assistant Secretary of Defense for Personnel and Readiness 2005).