

Understanding the Depth of Joblessness in Communities of Color

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Statement for the Record

on

The Silent Depression
How Are Minorities Faring In the Economic Downturn?

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The United States is in the 21st month of the most severe economic downturn since the Great Depression. All groups are experiencing a great deal of economic distress. Unfortunately, America's racial and ethnic minorities are hurting more than average.

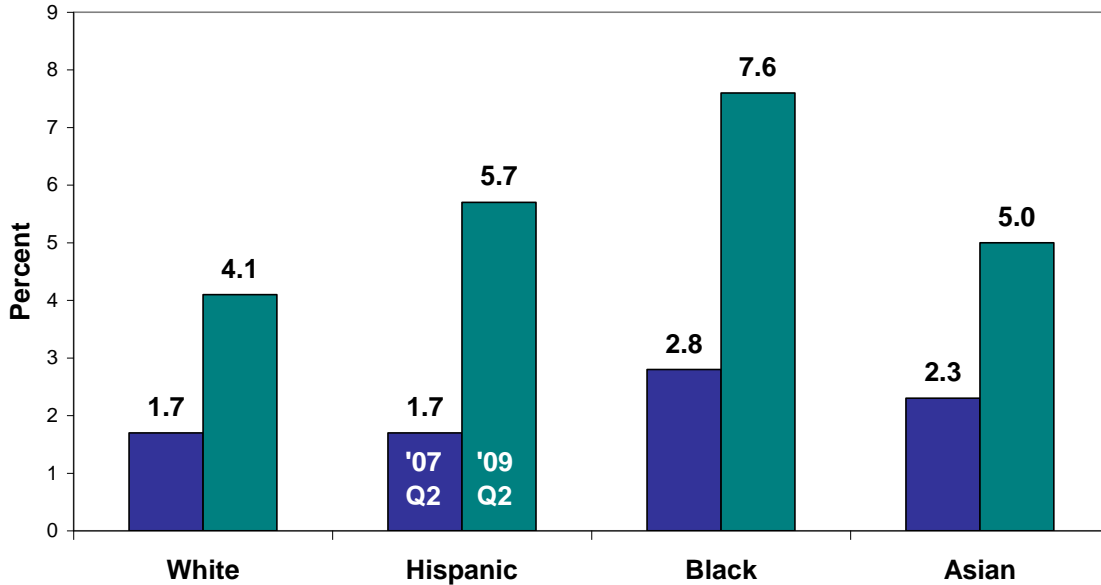
In August of this year, the white unemployment rate reached a high of 8.9 percent. However, in December of 2007, the very first month of the current recession, the African American unemployment rate was already at 8.9 percent. For the 11 months prior to the start of the recession in December 2007, the black unemployment rate averaged 8.2 percent. It was not until April of this year that the white unemployment rate reached 8 percent.

The 8.9 percent unemployment rate for whites is a very high unemployment rate. By acknowledging this fact, we are also acknowledging that even in "good" economic times, minority communities—and African-Americans in particular—suffer from a very high rate of unemployment.

While African Americans had the highest unemployment rate of 15.1 percent in August of this year, Hispanic Americans have experienced the greatest percentage-point increase in their unemployment rate. The Hispanic unemployment rate was 6.2 percent in December of 2007. It increased 6.8 percentage points to reach 13 percent in August of this year.

Typically, individuals with a bachelor's degree or higher education are fairly well insulated from the effects of a recession. In this recession, however, even the college-educated population has experienced a significant increase in their unemployment rate. In the second quarter of 2007, the unemployment rate for college-educated whites was 1.7 percent. In the second quarter of this year, it had risen to 4.1 percent. While 4.1 percent is a high rate for the college-educated in general, college-educated Hispanics, blacks and Asians all had higher second quarter unemployment rates this year. See Figure 1.

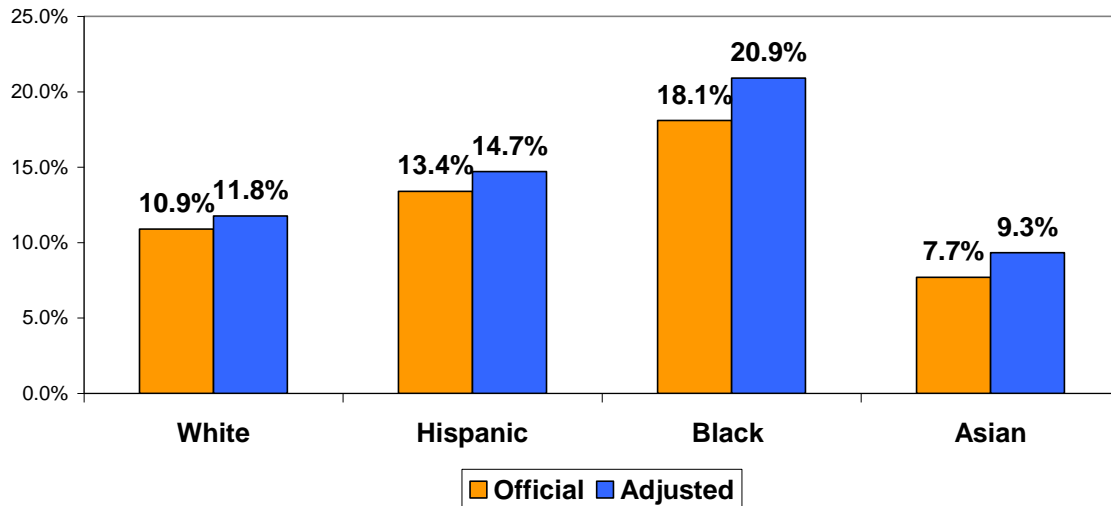
Figure 1. Quarter 2 College-Educated Unemployment Rates, 2007 and 2009



The official unemployment rates are useful for getting a general sense of how groups are faring, but in a variety of ways the official unemployment rates sometimes paint too rosy a picture. Only individuals who are actively looking for work in the four weeks prior to being surveyed are counted as unemployed. Individuals who are jobless but have temporarily given up hope of finding work are not counted as unemployed. These individuals are defined as not being in the labor force because they are not actively looking for work, even if they eventually seek work once the job market improves.

For men, who have been hit hard by this recession, and for minority men in particular, the official unemployment numbers underestimate the severity of their unemployment situation. Figure 2 presents August unemployment rate estimates that have been adjusted for the recent decline in labor force participation. Specifically, I apply the labor force participation rate from August 2007—before the recession began—to the August 2009 data. This adjustment attempts to correct for the decline in the labor participation rate that is a result of discouragement due to bad job prospects caused by the recession.

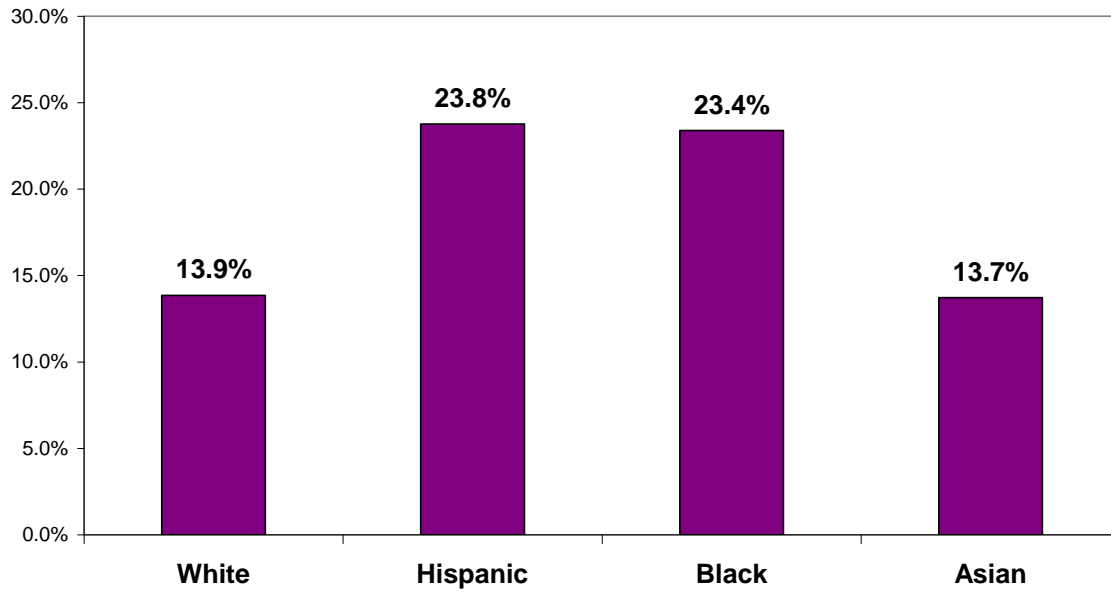
**Figure 2. August 2009
Male Unemployment Rates
Adjusted for the Decline in Labor Force
Participation from 2007 to 2009**



The adjusted unemployment rates are about 1 percentage point higher for white men, about 1.5 percentage points higher for Hispanic and Asian men, and about 3 percentage points higher for black men. The adjusted unemployment rates suggest that one-in-five black men who would like to work are not able to find work.

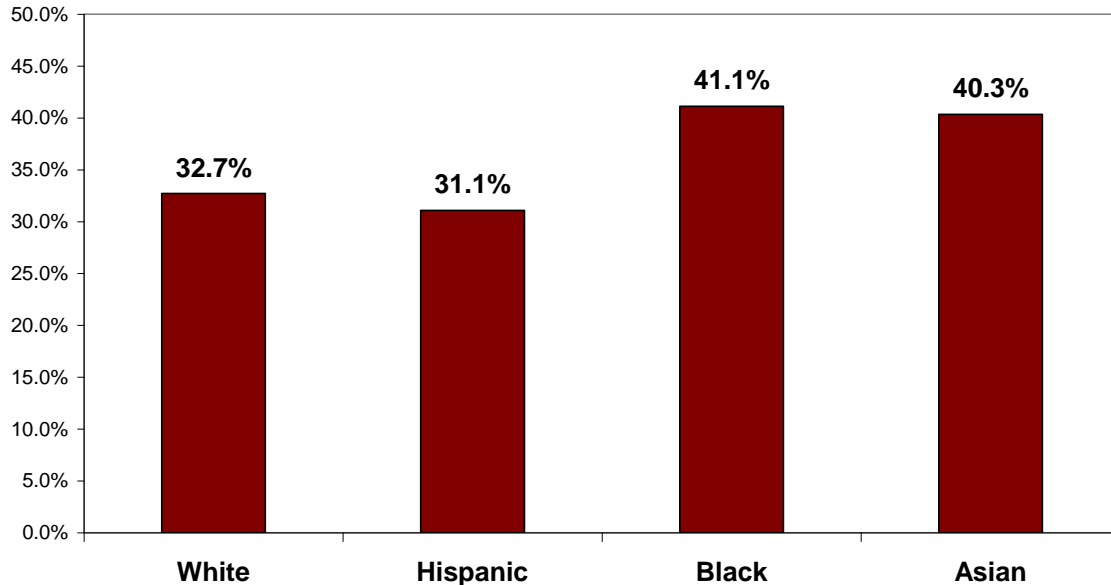
An alternative measure to the unemployment rate is the *underemployment* rate. The underemployment rate adds to the unemployed those who want a job but have recently given up looking for work and those who would like to work full-time but only have part-time work. Figure 3 shows the August underemployment rates by race. Understandably, these rates are all much higher than the unemployment rates. In underemployment, Hispanics and African Americans both exceed a rate of 20 percent. See Figure 3.

Figure 3. August 2009 Underemployment Rates



Another useful measure of the current economic hardship is the long-term unemployment rate. This rate is the percent of the unemployed who have been unemployed for more than six months. About 30 percent of white and Hispanic unemployed have been unemployed for more than six months. More that 40 percent of black and Asian unemployed are in this situation. See Figure 4.

Figure 4. August 2009 Long-Term Unemployment Rates



On nearly all of the measures reviewed, America’s communities of color are significantly worse off than the white population. While everyone is suffering during this Great Recession, even in the Great Recession some communities face more acute hardships.

The truly sad part is that some communities face high unemployment and high rates of general economic distress even in “good” economic times. In the second part of this statement, I will offer an outline of policy ideas to address the short-term and long-term economic needs of communities of color.

Addressing the Short-Term Economic Needs of Communities of Color

All Americans are experiencing severe economic hardship that requires government intervention. As Figure 4 shows, a large portion of those unemployed have been unemployed for a long period of time. Many of the unemployed will lose their unemployment insurance soon without an additional extension of unemployment benefits. Unemployment insurance needs to be extended again, and the unemployment provisions in the American Recovery and Reinvestment Act should also be renewed.

From 2007 to 2008, the median household income fell for all racial groups. Again, the hardship was not equally felt. In percentage terms, Hispanic and Asian households showed the largest income losses, 5.6 percent and 4.4 percent respectively (see Table 1). Household incomes will likely fall an even greater amount from 2008 to 2009, since the recession has been much worse in 2009.

To address the immediate distress of declining household incomes, there should be continued increases in the minimum wage. Hispanic and African-American workers are disproportionately low-wage workers as is suggested by their low median household incomes (see Table 1). These workers also disproportionately benefit from increases in the minimum wage.

Table 1. Median Household Income 2007 and 2008 (2008 dollars)

	White	Hispanic	Black	Asian
2007	\$57,030	\$40,165	\$35,219	\$68,643
2008	\$55,530	\$37,913	\$34,218	\$65,637
Percent Change	-2.6%	-5.6%	-2.8%	-4.4%

Some argue that increases to the minimum wage hurt low-wage workers by making it too expensive for employers to keep them employed. A number of recent studies, however, have failed to find any significant negative effect. This non-effect is likely due to the fact that low-income households spend any additional income they receive. This increased spending also increases the demand for labor thereby counteracting any decreases in demand for labor caused by increased wages (Filion 2009).

The Temporary Assistance for Needy Families (TANF) policies and procedures need to be revised. A recent *New York Times* analysis (DeParle 2009) showed that states were reducing the number of families receiving TANF while their unemployment rates and their enrollment numbers for the Supplemental Nutrition Assistance Program both increased. TANF enrollment should expand during recessions, not contract.

Addressing the Long-Term Economic Needs of Communities of Color

Even in “good” economic times, minority communities suffer from high unemployment rates. There should be a national goal to have the African-American and Hispanic-American unemployment rates equal the white rate. To accomplish this goal, job creation efforts need to be more effectively targeted to communities experiencing high unemployment.

Just as the national unemployment rate varies by racial and ethnic group, so does the state and local unemployment rates. For example, in 2006 before the recession, the unemployment rate for blacks (16-64 years old) in Chicago was 18.5 percent, but it was only 5 percent for whites. Job creation efforts should target residents of communities with persistently high unemployment rates. On job creation projects, a percent of the total work hours should be provided by individuals in high-unemployment communities. If there are skill deficiencies among individuals in these high-unemployment communities,

projects should provide pre-apprenticeship and Registered Apprenticeship programs for these individuals.

“Green jobs” are a potentially promising strategy to address the long-term job needs in communities of color. The Green Construction Careers Demonstration Project and the Green Jobs Act should be supported to assess the potential benefits of the “green economy” to communities of color.

Greater investment in maintaining, expanding and modernizing urban public transportation systems will provide broad social benefits. Public transportation is an old “green” investment because it reduces the consumption of fossil fuels. Well-designed, modern public transportation systems also improve air quality and reduce traffic congestion. Good public transportation systems have two important additional benefits. They increase poor, urban minorities’ access to jobs, and they provide jobs as transportation service providers to urban minority residents. This type of infrastructure investment is especially beneficial to communities of color.

Research shows that racial and ethnic minorities continue to face discrimination in the labor market. Audit or paired-tester studies where white and nonwhite “testers” present similar job qualifications in similar ways to employers consistently show an employer preference for white job applicants (Austin 2009). This year Steve Vogel of the *Washington Post* reported that the “U.S. Equal Employment Opportunity Commission...is facing its largest caseload in at least a quarter-century with sharply diminished staffing and resources” and “morale problems and an overwhelmed workforce.”

To address the racial and ethnic discrimination in the labor market the EEOC and the Office of Federal Contract Compliance Programs should be adequately staffed to address their caseloads. The agencies should also be encouraged to seek new and creative ways to address discrimination in the post-Civil-Rights era which tends to be subtle and hidden.

Data Sources

National unemployment, underemployment and long-term unemployment rates are derived from the author's analysis of Bureau of Labor Statistics' Current Population Survey data. Median household income figures are from the Census Bureau. Chicago unemployment rates are derived from the author's analysis of the Census Bureau's American Community Survey data. For additional details, contact Dr. Algernon Austin at aaustin@epi.org.

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