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Committee on Oversight and Government Reform

Leveling the Playing Field

How to Ensure Minorities Share Equitably
in the Economic Recovery and Beyond

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Introduction and summary

Thank you Chairman Towns, Ranking Member Issa, and members of the Committee for this opportunity to speak to you today. It is a pleasure to address you about minorities' experience in the recession, an issue that policymakers must pay special attention to as we move into a recovery. In my testimony today, I would like to focus on the lessons that can be learned from the recession for minorities' economic security, with particular attention paid to the labor market.

The Great Recession, now in its 21st month, has affected many people and many sectors of the economy. Businesses are hurting and laying off workers, who in turn are having a harder time finding a new job than at any point since 1948 due to this being the longest recession since the Great Depression. The very weak labor market thus feeds troubles elsewhere: Foreclosures and credit card defaults are at record highs, while the personal bankruptcy rate—the number of bankruptcies per 1,000 households—has risen by 64.5 percent since the end of 2007 when the U.S. economy entered the recession.

Some groups have felt more economic pain than others. The past 21 months are not much different in this regard than prior recessions, except that the length of the economic pain is lasting longer than before. African Americans and Hispanics have lost more economic ground and done so more quickly than their white counterparts from the end of 2007 to the summer of 2009, and the economic fortunes of minorities have fallen from lower levels than those of whites to begin with. This means that the gap in the economic security between minorities and whites is widening in this recession, as it has in previous ones.

The following pages examine annual, quarterly, and monthly data on the different economic experiences of whites, African Americans, and Hispanics during this recession and prior ones, where appropriate comparisons can be made.¹ The data show that there are apparent structural problems such as labor market segmentation, credit market steering, and discrimination in the U.S. economy and particularly in the labor market that present an unlevel playing field for minorities. Policymakers need to pay closer attention to these problems.

We cannot simply rest our hopes on an eventual economic recovery. Concrete policy steps must be taken to make sure that the U.S. economy can finally erase the gulf in economic security and economic opportunities between whites and minorities. These concrete steps

start with the continuation of a substantial economic stimulus to get the U.S. economy out of its worst recession since the Great Depression, but they also require energy security and health care reform. These additional steps can both enhance long-run economic growth and immediately buffer the economic security of society's most vulnerable. Only with the help of such supporting policies can the country truly move forward into a strong and sustained expansion that will benefit all Americans.

Eight years into the 21st century we've seen little progress in reducing economic disparities between minorities and whites

It's clear that minorities' economic experience continues to notably differ from whites'. Their economic security lags behind whites' in good times and often falls faster than whites' in bad times,² regardless of whether we consider data on employment, wages, income, health insurance coverage, retirement plan participation, homeownership, or poverty rates.

For this report we analyzed annual data from the Bureau of Labor Statistics and the Census to examine the different experiences of whites, African Americans, and Hispanics in both the previous business cycle, which lasted from 2000 to 2007, and the current recession, for which we compared data for 2008 to data for 2007. We also supplemented our analysis of annual data with quarterly data, where available, which allowed us to extend our analysis into 2009. Our analysis of quarterly data also used the quarterly start and end points of the past business cycle—from March 2001 to December 2007—and of the current recession, from December 2007 to June 2009.

Almost without exception the data show two clear trends. First, the severity of the recession has erased most of the modest gains that families experienced in a few areas during the past business cycle from 2000 to 2007, such as homeownership. And second, the decline in economic security during the recession is much sharper for minorities than for whites.

The previous business cycle featured few gains and lost ground for minorities

Unemployment³

The unemployment rate fell for all groups during the last business cycle, but the unemployment rates for minorities remained substantially higher than that of whites (Figure 1). The unemployment rate for whites stood at a healthy 3.7 percent at the start of the business cycle in the first quarter of 2001. Meanwhile, the unemployment rate for African-American workers was more than two times as high as that of whites at 8.1 percent, and the unemployment rate for Hispanic workers was also much higher than that of whites at 6.0 percent.

The differences in unemployment rates by race persisted for the entire previous business cycle. The unemployment rate for both white and African-American workers grew at an average annualized rate of 0.07 percentage points each quarter throughout the cycle. This means that in December 2007 African Americans' unemployment rate was still more than twice as high at 8.6 percent as the unemployment rate of whites, which was 4.2 percent.

The experience of Hispanic workers differed from African Americans and whites. The unemployment rate of Hispanics was actually lower in December 2007, at 5.8 percent, than in March 2001, because of the construction boom and expanding employment in hotels and restaurants during the last business cycle. However, since the current crisis started in the construction sector, Hispanics have quickly lost ground and their labor market experience once again resembles that of African Americans, as we discuss below.

Employment growth⁴

The flip side of the rising unemployment rates of the last business cycle was the meager employment growth. The average monthly job growth rate (on an annual basis) from March 2001 to December 2007 totaled 0.6 percent, less than one-third of its historical average in the business cycles before the last business cycle. Both African Americans and whites saw comparatively weak job growth during this period. White employment grew on average by 0.6 percent per quarter from March 2001 to December 2007 and African Americans' employment grew by 0.9 percent.

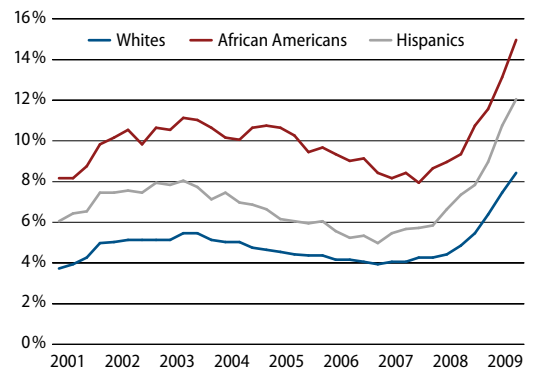
Hispanics' employment experience differed markedly due to the aforementioned construction boom and the expansions of hotels and restaurants. The job growth rate of Hispanics from March 2001 to December 2007 totaled 3.6 percent. But the fact that the fate of Hispanics was tied so closely to the construction boom also meant that they were particularly vulnerable to the fallout of the bursting housing bubble.

Earnings⁵

Vast earnings gaps between whites and minorities also persisted over the entire previous business cycle. Whites' usual weekly earnings were flat between March 2001 and December 2007. African Americans' earnings, however, declined at an average annualized rate of 0.03 percent per quarter during this period. Their usual median weekly earnings were \$150.51 (2008 dollars) lower than whites' at the start of the business cycle in March 2001, and by the close of the business cycle in December 2007, this disparity had grown by \$1.24 (2008 dollars). As a result the usual median weekly earnings of African Americans workers only amounted to 79.5 percent of whites' earnings at the end of 2007.

Figure 1: Unemployment rates for whites, African Americans, and Hispanics for the previous business cycle

The differences in unemployment rates persisted throughout the cycle



Notes: All unemployment rates are seasonally adjusted. Authors' calculations based on Bureau of Labor Statistics, "Current Population Survey" (Washington, 2009).

In comparison, in the fourth quarter of 2007 the usual median weekly earnings of Hispanic workers were \$220.46 (2008 dollars) lower than whites' earnings, even though this gap had shrunk by \$20.61 (in 2008 dollars) since the first quarter of 2001. By December 2007 the usual median weekly earnings of Hispanic workers equaled only 70.2 percent of whites' earnings.

Income⁶

Minorities' incomes lagged considerably behind whites' during the last business cycle as Figure 2 shows. The gap between whites' and minorities' incomes actually widened from 2000 to 2007. In 2000 African Americans' median family income was already less than two-thirds (65.0 percent) the level of whites' while Hispanics' was less than three-quarters (72.7 percent) of whites'.

Median family incomes fell in inflation-adjusted terms between 2000 and 2007 for whites and minorities, but incomes for minorities shrank at a faster pace. African Americans' incomes fell at an average annual rate of 0.7 percent and Hispanics' at 0.5 percent, while whites' income declined at an average annual rate of 0.003 percent throughout the previous business cycle. Consequently, between 2000 and 2007 the income gap between whites and African Americans widened by \$1,862 (2008 dollars) and the gulf between whites' and Hispanics' median family incomes grew by \$1,293 (2008 dollars).

Health insurance coverage⁷

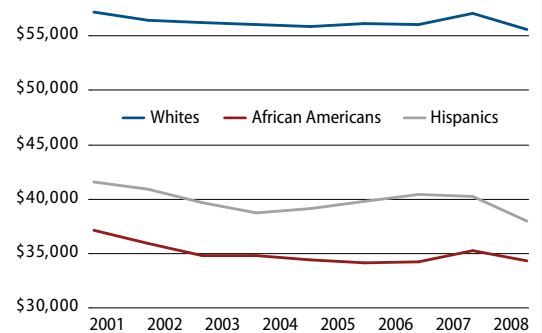
Differences in health insurance coverage by race and ethnicity are similar to the differences in employment trends among these groups. The health insurance coverage for minorities tends to be substantially lower than that of whites. This was unchanged during the past business cycle, even though Hispanics saw some gains in health insurance coverage, while both African Americans and whites lost ground between 2000 and 2007.

The share of both whites and African Americans with any type of health insurance coverage declined at an average annual rate of 0.2 percentage points between 2000 and 2007, while Hispanics' coverage increased at an average rate of 0.1 percentage points per year. Approximately one in five (19.5 percent) African Americans and just under one-third of Hispanics (32.1 percent) lacked health insurance at the end of the previous business cycle in December 2007, compared to roughly 1 in 10 (10.4 percent) whites.

What seems at first like good news for Hispanics turns out to be bad news in disguise. Health insurance coverage through an employer dropped for Hispanics, just as it did for

Figure 2: Median family income, 2000-2008

Median family incomes for all groups fell in inflation-adjusted terms between 2000 and 2007, but minorities' incomes fell faster.



Notes: Authors' calculations based on DeNavas-Walt, Carmen, Bernadette D. Proctor, and Jessica C. Smith, "Poverty, Income, and Health Insurance Coverage in the United States: 2008" (Washington: U.S. Bureau of the Census, 2009).

whites and African Americans. The health insurance coverage rate for whites who had employer-provided insurance declined annually from 2000 to 2007 by 0.6 percent, compared to 0.7 percent for African Americans and 0.6 percent for Hispanics. The fact that the share of Hispanics with health insurance fell slightly, even though employers cut back on their health insurance coverage of minorities and whites, is likely a result of comparatively low earnings for Hispanics. These lower earnings made it easier for Hispanic families to qualify for Medicaid—the share of Hispanics with Medicaid coverage increased from 18.2 percent in 2000 to 22.5 percent in 2007⁸—but it also highlights the continued economic insecurity for Hispanic families compared to that of whites.

Retirement savings plans⁹

Access to employer-sponsored retirement savings plans is uneven in the United States, with minorities' participation rates significantly less whites'. Minorities were already less likely than whites to participate in an employer-sponsored retirement plan in 2002, the earliest year for which data are available, when only 31.1 percent of Hispanic workers and 47.5 percent of African-American workers participated in a plan compared to 58.8 percent of white workers.

As of 2007, all three groups had lower participation rates than they did in 2002, even though slight gains were made for several years during the previous business cycle. Between 2002 and 2007, whites' participation rates in employee-sponsored retirement plans declined at an average rate of 0.2 percentage points each year while African Americans' and Hispanics' declined at an average rate of 0.1 percentage points each year. Consequently, in 2007, 57.6 percent of whites participated in an employer-sponsored retirement savings plan, compared to less than half of African Americans (47.1 percent) and less than one-third (30.6 percent) of Hispanics.

Homeownership¹⁰

The homeownership rates for whites, African Americans, and Hispanics increased slightly over the course of the previous business cycle, but by 2007, all groups' homeownership rates had begun to fall from their peaks in this cycle.

In 2000 nearly three quarters (73.8 percent) of whites could call themselves homeowners, while less than half of African Americans (47.2 percent) and Hispanics (46.3 percent) could do the same. Homeownership rates began to decline after making modest gains in the early to mid-2000s, leaving whites and Hispanics with slightly higher rates than at the start of the business cycle while African Americans' rate returned to the same level as in 2000. Whites' homeownership continued to dwarf minorities' rates in 2007, standing at 75.2 percent, compared to 47.2 percent for African Americans and 49.7 percent for Hispanics.

African-American and white homeownership rates in 2007 were down from highs recorded in earlier years. African Americans were the first to see their homeownership rate decline after reaching a peak of 49.1 percent in 2004. The homeownership rate of whites peaked in 2006 at 75.8 percent. In comparison, the homeownership rate for Hispanics did not start to decline until 2008, as we discuss below.

Poverty¹¹

The previous business cycle did not end on a high note for poverty. At the start of the previous business cycle in 2000, just 9.1 percent of whites were below the poverty line compared to nearly one-third (31.2 percent) of African Americans and more than one-quarter (28.4 percent) of Hispanics.

Poverty rates increased for both whites and minorities over the course of the previous business cycle, even though all three groups also made modest employment gains during this period.¹² The poverty rate for whites increased at an average annual rate of 0.1 percentage points between 2000 and 2007, while the rate for African Americans grew at an average rate of 0.3 percentage points each year and Hispanics' rate increased at an average of 0.003 percentage points each year. Consequently, the poverty rate for African Americans (24.5 percent) was more than three times that of whites (8.2 percent) in 2007 and Hispanic's poverty rate (21.5 percent) was nearly three times larger than whites'.

Table 1: Average annualized changes in quarterly employment and earnings data for whites, African Americans, and Hispanics

Minorities continue to struggle in the labor market when compared to whites

	Employed			Unemployment rate			Median usual weekly earnings (2008 \$)		
	Whites	African Americans	Hispanics	Whites	African Americans	Hispanics	Whites	African Americans	Hispanics
2001-I to 2007-IV	0.6%	0.9%	3.6%	0.07	0.07	-0.03	0.00%	-0.03%	0.6%
2007-IV to 2008-IV	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.9%	1.7%	3.8%
2007-IV to 2009-II	-2.5%	-3.8%	-2.9%	2.8	4.2	4.1	n.a.	n.a.	n.a.

Notes: All data are average annualized percent or percentage point changes. All data except earnings are seasonally adjusted. Authors' calculations based on Bureau of Labor Statistics, "Current Population Survey" (Washington, 2009) and U.S. Department of Labor, Bureau of Labor Statistics, "Updated CPI-U-RS, All Items and All Items less food and energy, 1978-2008" (Washington, 2009).

Table 2: Average changes in annual data on health insurance, homeownership, poverty, retirement, and income for whites, African Americans, and Hispanics

Minorities continue to trail whites in all areas

	Health insurance coverage			Homeownership rate			Percent below the poverty line			Participation in Retirement Plans			Median Family Income (2008 \$)		
	Whites	African Americans	Hispanics	Whites	African Americans	Hispanics	Whites	African Americans	Hispanics	Whites	African Americans	Hispanics	Whites	African Americans	Hispanics
2000 to 2007	-0.2	-0.2	0.1	0.2	0.00	0.5	0.1	0.3	0.00	n.a.	n.a.	n.a.	-0.003%	-0.7%	-0.5%
2002 to 2007	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-0.2	-0.1	-0.1	n.a.	n.a.	n.a.
2007 to 2008	-0.4	0.4	1.4	-0.2	0.2	-0.6	0.4	0.2	1.7	-1.0	-1.7	-1.5	-2.7%	-2.9%	-5.8%

Notes: All data except earnings are seasonally adjusted. Authors' calculations based on U.S. Department of Labor, Bureau of Labor Statistics, "Current Employment Statistics" (Washington, 2009). U.S. Department of Labor, Bureau of Labor Statistics, "Current Population Survey" (Washington, 2009). U.S. Bureau of the Census, "Housing Vacancies and Homeownership (CPS/HVS)" (Washington, 2009), and DeNavas-Walt, Carmen, Bernadette D. Proctor, and Jessica C. Smith, "Poverty, Income, and Health Insurance Coverage in the United States: 2008" (Washington: U.S. Bureau of the Census, 2009).

The recession has heightened losses and widened gaps between minorities and whites

Unemployment¹³

Overall unemployment was at its highest level in 26 years as of August 2009 after growing by 4.5 percentage points between the fourth quarter of 2007 and the second quarter of 2009. The unemployment rates for minorities, however, have grown faster and to higher levels than those of whites during the current recession. The unemployment rate for white workers doubled between the fourth quarter of 2007 and the second quarter of 2009, rising from 4.2 percent to 8.4 percent at an average annualized rate of 2.8 percentage points each quarter.

Despite this marked increase, the climb for the African-American rate has been steeper, increasing at an average annualized rate of 4.2 percentage points each quarter, from 8.6 percent at the end of 2007 to 14.9 percent in the second quarter of 2009. The unemployment rate for Hispanic workers has climbed nearly as fast, averaging an annualized growth of 4.1 percentage points each quarter in the recession. Twelve percent of Hispanic workers were unemployed in the second quarter of 2009, an increase of 6.2 percentage points since the fourth quarter of 2007 and 3.6 percentage points higher than whites (Figure 1).

Importantly, these jarring differences by race and ethnicity are not unique to this recession but occur every time the labor market plunges.

Employment losses¹⁴

The flip side of rising unemployment is falling employment. Nonfarm payrolls have declined in the United States every month since the end of 2007, with more than 6.4 million jobs lost between the fourth quarter of 2007 and the second quarter of 2009 alone. Yet again, minorities have been disproportionately affected by the labor market's downturn, with their employment levels falling at a faster pace than the level for whites. The white employment level declined at an average annualized rate of 2.5 percent each quarter between the fourth quarter of 2007 and the second quarter of 2008, but African-American employment has fallen at an average annualized rate of 3.8 percent each quarter and Hispanic employment by 2.9 percent over the same period.

Earnings¹⁵

Companies haven't just laid off workers during the recession—they have also instituted furloughs, reduced employees' hours, and given across-the-board pay cuts. While we only examined inflation-adjusted earnings data through the end of 2008, it is reasonable to

assume that 2009 earnings data will further reflect the impact of measures employers have taken to deal with the recession.

The usual median weekly earnings of all three groups increased between the fourth quarter of 2007 and the fourth quarter of 2008, but minorities' earnings have a long way to go before they catch up to whites'. African Americans' usual weekly earnings increased at a slower rate (1.7 percent) than whites' (1.9 percent) during this period, leaving a gap of \$156.43 between the two in the fourth quarter of 2008. Hispanics' usual median weekly earnings actually increased at a faster pace (3.8 percent) than whites' between the fourth quarter of 2007 and the fourth quarter of 2008. Nevertheless, Hispanics' usual median weekly earnings were \$214.96 less than whites' at the close of 2008.

Income¹⁶

Incomes, which had already declined in the previous business cycle, took a beating in the first year of the recession. Families overall experienced a larger one-year percent decline in their incomes than any year since 1947.¹⁷ This decline should come as no surprise given the dramatic downturn in the labor market. Yet again, minorities' incomes declined at a faster rate than whites' and fell from lower levels to begin with.

The median income for white families declined by 2.7 percent between 2007 and 2008, while African-American families' incomes fell by 2.9 percent and Hispanic families incomes dropped by 5.8 percent during the same period. The gap between the median income for white families and African-American families had increased by \$499 just one year into the recession, to nearly \$22,000 (2008 dollars) and African-American families totaled less than two-thirds (61.6 percent) of whites' income. While the difference between the median income of white families and Hispanic families was not as large, this gap also increased during the first year of the recession, growing by \$752 to \$17,617, meaning that the median income for Hispanic families comprised just over two-thirds (68.3 percent) of the median income for white families in 2008.

Health insurance coverage¹⁸

The already large disparities between racial groups in health insurance coverage persisted in the first year of the recession. Health insurance coverage for African Americans and Hispanics increased somewhat between 2007 and 2008 at an average annualized rate of 0.4 and 1.4 percentage points, respectively. Whites' coverage declined by 0.4 percentage points, but they continued to have markedly higher insurance rates than minorities. Nearly 90 percent (89.2) of whites were covered by either private or government-provided health insurance in 2008 compared to just over 80 percent (80.9) of African Americans and slightly less than 70 percent (69.3) of Hispanics.

Retirement savings plans¹⁹

Not surprisingly, participation in employer-sponsored retirement savings plans declined in the first year of the recession. Minorities remained far less likely to participate in an employer-sponsored retirement savings plan than whites, even though Hispanics' participation rates declined at a slower rate than whites—by 0.3 percentage points and 1.0 percentage points, respectively between 2007 and 2008—while African Americans' participation rate declined at a faster pace than whites'—by 1.5 percentage points between 2007 and 2008. But less than half (45.6 percent) of African Americans and less than one-third (30.3 percent) of Hispanics participated in an employer-sponsored retirement savings plan in 2008, compared to more than half (56.6 percent) of whites.

Poverty²⁰

The percentage of Americans living in poverty increased in the first year of the recession. Although the percentage of African Americans living below the poverty rate increased less than the rate for whites—climbing by 0.2 and 0.4 percentage points, respectively—the poverty rate for African Americans (24.7 percent) remained nearly three times as large as that of whites (8.6 percent) in 2008. Meanwhile, the share of Hispanics living in poverty jumped by 1.7 percentage points in the first year of the recession, resulting in a poverty rate of 23.2 percent.

Discrepancies in the labor market remain even when controlling for gender, age, and education²¹

The economic security of different demographic groups is closely related to their experience in the labor market. Anybody will struggle to find economic security for a prolonged period if they don't have or can't hold a good job with good benefits—or any job for that matter.

As previously mentioned, minorities' unemployment rates are persistently higher than whites' and begin to rise more quickly in a recession.²² This is true even if we control for educational achievement, gender, and age. The data thus indicate that the differences in the employment security of minorities compared to that of whites cannot be fully explained by differences in demographic characteristics, such as age, gender, and education.

Minorities' unemployment rates were already higher than whites at the start of the recession, regardless of gender, age, or educational attainment. The overall unemployment rate for African-American workers stood at 8.4 percent in the fourth quarter of 2007 and Hispanics' at 5.8 percent, while whites' was merely 4.0 percent. The unemployment rate for white workers increased 4.3 percentage points between the fourth quarter of 2007 and the second quarter of 2009. However, minorities' rates grew more, with Hispanics' rising 5.8

percentage points and African Americans' growing 6.4 percentage points. This means that while whites' unemployment rate remained in the single digits (8.3 percent) in the second quarter of 2009, minorities' unemployment levels had jumped to double digits—11.6 percent and 14.8 percent for Hispanics and African Americans, respectively (Table 3).

When we control for gender we see that like the overall workforce, the unemployment rate for minority men has risen much more than that of minority women.²³ But both minority men and minority women have continued to have higher unemployment rates than whites and their rates have increased more than white men's and women's rates. The unemployment rate for white men was just 4.1 percent in the fourth quarter of 2007, while the rate for African-American men stood at 9.2 percent and for Hispanic men at 5.5 percent (Table 3).

The unemployment rate for African-American men has increased 3.7 percentage points more than the rate for white men since the recession began, standing at an astonishing 18.0 percent in the middle of 2009. The unemployment rate for Hispanic men rose 1.1 percentage points more than that of whites during the same period, to stand at 11.7 percent in the fourth quarter of 2009. White men have certainly been affected by the recession, reaching a 9.2 percent unemployment rate in the second quarter of 2009, but minority men continue to struggle more in the labor market (Table 3).

Even among women, who have fared better than male workers in the recession,²⁴ the unemployment rates for minorities are higher and have increased more than the unemployment rate for white women. The unemployment rate for white women was just 3.9 percent in the fourth quarter of 2007, while 7.6 percent of African-American women were unemployed along with 6.1 percent of Hispanic women. And between the fourth quarter of 2007 and the second quarter of 2009, the unemployment rate for African-American women grew 1.2 percentage points more than that of white women while the share of unemployed Hispanic women increased 2.0 percentage points more than that of white women. Unemployment rates for minority women were therefore in the double digits in the second quarter of 2009—12.1 percent for African Americans and 11.4 percent for Hispanics—while the unemployment rate for white women remained a single digit (7.2 percent) (Table 3).

Older workers enjoy lower unemployment rates than older younger workers in both good times and bad and this is true among whites, African Americans, and Hispanics. It also holds that regardless of age, minorities' unemployment rates are higher than whites' and have grown by a larger amount in the current recession. For example, among workers ages 35 to 44, African Americans' unemployment has increased by 2.0 percentage points more than whites' and Hispanics' unemployment has increased 0.6 percentage points more than whites' (Table 3).

Perhaps the most telling indication of the difference between minorities' and whites' experiences in the labor market is that the gap persists regardless of educational achievement. Generally speaking, the higher one's level of educational attainment is in the United States,

the greater one's sense of security in the labor market will be. Even though the unemployment rate for college graduates, for instance, has increased during the recession, it has remained lower than for workers lacking a high school diploma (Table 3).

Yet even among more highly educated workers, unemployment rates have generally risen faster and reached higher levels for minorities than for whites. For example, the unemployment rate for African-American college graduates grew by 2.3 percentage points more than it did for white college graduates between the fourth quarter of 2007 and the second quarter of 2009. The unemployment rate for Hispanic college graduates grew by 0.4 percentage points more than white college graduates during the same period (Table 3).

On the opposite end of the spectrum, the unemployment rate of minority workers lacking a high school diploma has also grown faster than that of their white counterparts during the recession. The unemployment rate of African-American workers lacking a high school diploma increased by 0.3 percentage points more than that of their white counterparts between the fourth quarter of 2007 and the second quarter of 2009. During the same period, the unemployment rate of Hispanic workers who did not graduate from high school increased by 0.2 percentage points more than the unemployment rate of white workers who did not graduate from high school. And even though the unemployment rate for Hispanic workers who attended college but did not graduate has actually increased less than that of their white counterparts, their unemployment rate still remains higher than their white counterparts, standing at 8.8 percent and 7.5 percent, respectively, in the second quarter of 2008 (Table 3).

While we are only midway through the third quarter of 2009, it's reasonable to assume that minorities' unemployment rates will remain higher and grow faster than whites' in this quarter as well. The most recent monthly data available from the Bureau of Labor Statistics supports this prediction. The unemployment rate for white workers stood at 8.8 percent in August 2009, well below the unemployment rate for the overall workforce (9.6 percent). The rates for African Americans and Hispanics, on the other hand, were considerably higher, standing at 15.0 percent and 13.0 percent, respectively (Table 3).

Again, minorities' unemployment rates remained notably higher than whites' in August, regardless of gender, age, or educational achievement. For example, the unemployment rate for white high school graduates who hadn't attended college was 8.6 percent in August, well below both the 13.5 percent unemployment rate of their African-American peers and the 10.4 percent for their Hispanic counterparts (Table 3).

Table 3: Changes in unemployment rates by race and ethnicity, gender, and educational achievement in the recession

Minorities still have higher unemployment rates when controlling for these factors

	2009-II unemployment rate	2007-IV unemployment rate	Percentage point differ- ence between 2007-IV unemployment rate and whites' 2007-IV rate	Percentage point change in unemployment rate between 2007-IV and 2009-II	Percentage point difference of the group's unemployment rate between 2007-IV and 2009-II and that of the same subgroup of whites
OVERALL					
White	8.3	4	n.a.	4.3	n.a.
African American	14.8	8.4	4.4	6.4	2.1
Hispanic	11.6	5.8	1.8	5.8	1.5
GENDER					
White					
Male	9.2	4.1	n.a.	5.1	n.a.
Female	7.2	3.9	n.a.	3.3	n.a.
African American					
Male	18	9.2	5.1	8.8	3.7
Female	12.1	7.6	3.7	4.5	1.2
Hispanic					
Male	11.7	5.5	1.4	6.2	1.1
Female	11.4	6.1	2.2	5.3	2.0
AGE					
White					
16-19	21.9	13.7	n.a.	8.2	n.a.
35-44	6.9	3.1	n.a.	3.8	n.a.
45-54	6.3	3.0	n.a.	3.3	n.a.
African American					
16-19	39.9	27.3	13.6	12.6	4.4
35-44	12.2	6.4	3.3	5.8	2.0
45-54	9.6	4.8	1.8	4.8	1.5
Hispanic					
16-19	29.6	16.3	2.6	13.3	5.1
35-44	9.0	4.6	1.5	4.4	0.6
45-54	8.5	5.1	2.1	3.4	0.1
EDUCATION					
White					
Less than a high school diploma	13.6	6.8	n.a.	6.8	n.a.
High school graduates, no college	8.5	3.9	n.a.	4.6	n.a.
Some college, no degree	7.5	3.3	n.a.	4.2	n.a.
College graduates	4.1	1.8	n.a.	2.3	n.a.
African American					
Less than a high school diploma	20.7	13.6	6.8	7.1	0.3
High school graduates, no college	13.9	7.3	3.4	6.6	2.0
Some college, no degree	11.7	5.9	2.6	5.8	1.6
College graduates	7.6	3.0	1.2	4.6	2.3
Hispanic					
Less than a high school diploma	13.3	6.3	-0.5	7.0	0.2
High school graduates, no college	9.7	4.6	0.7	5.1	0.5
Some college, no degree	8.8	5.9	2.6	2.9	-1.3
College graduates	5.7	3.0	1.2	2.7	0.4

Notes: Unemployment rates are non-seasonally adjusted. Authors' calculations based on U.S. Department of Labor, Bureau of Labor Statistics, "Current Population Survey" (Washington, 2009).

The discrepancies in employment experiences by race and ethnicity during the recession persist even when we account for demographic factors, such as age, gender, and education. Structural obstacles contribute to the differential labor market experiences of minorities and whites. The beginning of an economic recovery alone will not necessarily create a level playing field of economic security and economic opportunities for minorities. A strong and sustained recovery is the first condition to create the resources necessary to build such a level playing field. But additional policy measures, such as minority contracting requirements for government contracts, among others, may be necessary to give all families of similar background the same economic security and economic opportunities.

Minorities are the last to be hired during recoveries and the first to be fired in recessions²⁵

Economics literature has long documented that the employment and earnings histories of minorities and whites vary over the course of a business cycle.²⁶ Specifically, minorities tend to experience greater volatility in their employment than whites. We have already shown that this is the case in the current recession as well.²⁷ The unemployment rates for minorities have risen faster than for whites. This is the case for almost all subsamples of minorities and whites and thus is not just a result of the individual characteristics of whites and minorities.

The other part of the story is that these differences in job fluctuations are tied to swings in the economy: When the economy turns south, minorities regularly experience larger increases in unemployment rates than whites.

And finally, the evidence also suggests that minorities experience the pain of a recession a little longer than whites. Their unemployment rates may rise earlier, their incomes fall sooner, and their benefits disappear more quickly than whites. The opposite is also true when the economy improves again. Minorities typically have to wait longer than whites to share the benefits of an expanding economy.

Consider the last recession, for instance, which lasted from March 2001 to November 2001. The unemployment rate for African Americans hit its lowest point before the recession in September 2000 at 7.3 percent. The unemployment rates for Hispanics and whites hit their lowest points one month later in October with 5.1 percent and 3.4 percent, respectively.

By the end of the recession in November 2001, the unemployment rate for minorities had risen more sharply than for whites. The unemployment rate for African Americans had grown to 9.8 percent, an increase of 2.5 percentage points; the Hispanic unemployment rate had grown by 2.3 percentage points to 7.3 percent; and the white unemployment rate had increased by 1.5 percentage points to 4.9 percent.

The unemployment rate for minorities also stayed high longer than it did for whites. The last recession was particularly noteworthy since the unemployment rate continued to rise after the recession had ended. Whites and Hispanics finally saw their unemployment rate fall after June 2003. In comparison, African Americans had to wait until October 2003 before their unemployment rate started to drop.

Hispanics saw stronger gains in employment than African Americans after the last recession because much of the job growth during the last recovery was driven by a construction boom, a sector where Hispanics are disproportionately employed. The construction boom has clearly come to an end and the fate of Hispanics in the labor market is thus much more uncertain than after the past recession.

The data for the current recession, which started in January 2008, highlights this particular challenge that Hispanics share with other minorities. The unemployment rate for Hispanics started to rise in April 2007 from a low of 5.2 percent in March 2007 and that of African Americans from a low of 8.0 percent in January 2007.²⁸ Minorities, especially Hispanics, experienced labor market troubles earlier than whites in this recession.

The positive effect of the construction boom for Hispanics is also reflected in the data on family income. Income for the typical white, African-American, and Hispanic family declined after 2000. For Hispanics, this slide ended in 2003, after the median family income had decreased by 6.8 percent in inflation-adjusted terms since 2000. The income slide lasted an additional year for white families, although their total income loss for the period from 2000 to 2004 amounted to only 1.1 percent. The median income for African-American families continued to fall for another year until 2005 for a total loss of 7.1 percent since 2000.

The end of the construction boom, however, put these trends in reverse. The median income of Hispanic families began to fall after 2006, while white and African-American family incomes started to fall a year later in 2007.

The bottom line is that income declines in a recession tend to last longer and be deeper for minorities than for whites. There can be extenuating circumstances, such as an unprecedented construction boom, that can occasionally dampen these trends. But public policy cannot rely on the luck of unprecedented booms to level the playing field for minorities.

Policy recommendations and conclusion

Significant discrepancies persist between the economic experiences of whites and minorities in the United States. The last business cycle and the current recession are no exception. These disparities between minorities and whites have been exacerbated since the start of the recession at the end of 2007 after little to no headway was made in the previous business cycle.

Policymakers have focused on moving the United States out of the recession throughout 2009, addressing the plight of families who have lost their jobs, incomes, and homes—and they are also dealing with health care and energy policy reform. This attention is certainly warranted considering the severity of the economic crisis, but policymakers need to also concentrate on the larger economic insecurity of minorities, who have been disproportionately affected by the recession.

But first things first. The economy is still officially in a recession and efforts to end the economic decline will especially help minorities since they have been disproportionately impacted by it. The American Recovery and Reinvestment Act continues to pour billions of dollars into communities across the country to spur employment and economic growth. Policymakers should continue putting an end to massive job losses, creating new jobs for America’s unemployed and underemployed workers, and ultimately reducing unemployment to put the country securely on its way to long-term, broadly shared economic growth. Ending the stimulus now would particularly hurt minorities since the economy will likely shrink further and unemployment rise faster than otherwise would be the case.

An economic recovery will take time, and millions of workers, especially minorities, will be out of a job for a substantial period. The median duration of unemployment was 15.4 weeks in August 2009, which is more than three weeks longer than the previous peak in the 1980s recession, and last month one-third of unemployed workers had been out of work and looking for a new job for at least six months.²⁹ The National Employment Law Project estimates that at the end of September 2009, nearly half a million Americans will exhaust their unemployment benefits, and by the end of 2009 that number will skyrocket to 1.5 million.³⁰

The American Recovery and Reinvestment Act extended unemployment insurance benefits for workers who had been out of work longer than 26 weeks to up to 50 weeks.

An additional extension of benefits this fall would go far to help those hardest hit by the recession.³¹ Bills have been introduced in both the House of Representatives (H.R. 3404) and the Senate (S. 1647) that would extend the key provisions from the Recovery Act and add 13 more weeks of benefits on top of the weeks added in the act.³² Minorities could be greatly affected by such a measure, especially as their unemployment rates continue to stand head and shoulders above those of whites.

But addressing the short-term challenges of the Great Recession's fallout is only the first step in a sustained and strong recovery. The experience of the last decade makes clear that structural issues, including labor market segmentation and discrimination, among others, remain in the labor market and must be addressed in order for minorities to begin catching up to whites—especially in terms of employment levels. African Americans' employment levels have fallen at an average annualized rate of 3.8 percent each quarter during the current recession and Hispanics' have declined by 2.9 percent each quarter and whites' by 2.5 percent.³³ We must reverse this trend and see minorities' employment gains at least match if not exceed whites' as we move forward in the recovery.

One step to support this goal would be for policymakers to support the creation of “green jobs” in low-income communities since many of these jobs don't require a college degree but still provide opportunities for advancement and pay good wages.³⁴ To help combat discrimination that may be placing obstacles in the way of minority workers, active protections for equal opportunity, including antidiscrimination laws, should be in place and enforced in the workplace.³⁵ Additionally, policymakers should work to improve education from early childhood through high school and strengthen mentoring and high-school based programs that encourage young adults to pursue higher education.³⁶

Policymakers also need to create a level playing field on wages and benefits and not just with respect to employment. Minorities' median family incomes and weekly earnings have always lagged behind whites', and they've equaled between just under two-thirds to just over three-quarters of whites' in the recession.³⁷ Congress could pass the Employee Free Choice Act to give workers more bargaining power with employers by making it easier to join a union. Doing so would also encourage stronger income and earnings growth as well as increased access to and more generous benefits. And Congress could expand the Earned Income Tax Credit, a measure that would directly boost the incomes of lower-income families.

More jobs, better wages, and higher benefits won't fall from the sky. A strong and sustained recovery that benefits all groups of society and helps to shrink the gaps in economic security between whites and minorities requires substantial economic resources. These resources will have to be generated through business investments that fuel innovation and economic growth. That's why another integral step is lowering the costs of doing business, which would make the U.S. economy more vibrant and competitive in the global economy, it easier for employers to hire workers, and to offer those workers the wages and benefits they need to maintain and even improve their economic security.

Unpredictable costs, however, discourage businesses from making increased investments in their companies, including human capital.³⁸ These uncertain cost components are especially apparent with energy and health care costs.

Energy reform data from the Bureau of Economic Analysis show that large swings in energy prices have a measurable effect on individuals' and businesses' future consumption and investment choices.³⁹ Policymakers should help create an environment with fewer large fluctuations to help businesses deal with energy price volatility. They can do this by promoting investment in and the use of renewable energy sources—and reducing dependence on imported oil—which could help domestic energy prices become less susceptible to pressures that cause oil prices to spike and plummet.

Similarly, enacting comprehensive health care reform would also lower the cost of doing business. Implementing comprehensive health care reform could both save families money by making the system more efficient and lessen the daunting and potentially crushing strain that rising health care costs places on families, especially the growing share of African Americans and Hispanics—19.1 percent and 30.7 percent, respectively in 2008, along with 10.8 of whites— who lack health insurance coverage.⁴⁰

But economic security is not only tied to income from and benefits at work—it also includes the ability of a family to build wealth. Homeownership remains the most important form of wealth for most American families. A gap of more than 25 percentage points existed between whites' and minorities' homeownership rates as of 2008, and given the ongoing turmoil in the housing market, these level have likely worsened.⁴¹ Additionally, the collapse in home prices and the increasingly stringent lending rules continue to prevent families from accessing credit to the extent they were able to prior to 2007.

As a recent Center for American Progress report pointed out, at the height of the housing boom in 2006 minorities were far more likely to receive a higher-priced mortgage.⁴² This analysis of Home Mortgage Disclosure Act data found that 30.9 percent of Hispanic borrowers and 41.5 percent of African-American borrowers were given higher-priced mortgages when borrowing from large banks in 2006, compared to just 17.8 percent of white borrowers.⁴³

Further, the report found that among borrowers who earned at least twice their area's median income in 2006, "African Americans were three times as likely as whites to pay higher prices for mortgages—32.1 percent compared to 10.5 percent [and] Hispanics were nearly as likely as African Americans to pay higher prices for their mortgages at 29.1 percent."⁴⁴

Additional examination of lending practices for minority borrowers is more than warranted as we continue to restructure and make changes to the regulation of our financial, mortgage, and credit markets in the coming months and years—particularly as much of their current lending is being financed with public funding. For example, the Center

for American Progress recommends that Congress “establish an independent regulator focused on consumer protections such as the independent Consumer Financial Protection Agency the Obama administration has recommended to prevent recurrence of banking regulators’ failures to protect consumers from unfair lending practices.”⁴⁵

Families build wealth through employer-provided retirement savings plans, too. But there are large discrepancies in the participation rates in employment-based retirement savings vehicles by race and ethnicity.

Policymakers can take several steps to make it easier for workers to save, including automatically enrolling all eligible workers and letting them decide to opt out of a savings plan if they choose. Another step would be adding progressive savings incentives, so that workers who have the hardest time saving on their own due to low incomes get the most public help in saving for retirement.⁴⁶ Finally, policymakers can help to lower the costs of saving for retirement, which can add up to substantial amounts over a career, by increasing competition in the market for retirement savings plans.⁴⁷

As we approach the end of 2009 many areas of the economy continue to be vastly different—and commonly worse off—than they were at the start of the recession nearly two years ago. The recession that began in December 2007 followed a business cycle of lackluster employment, income and earnings growth, and declining benefits coverage and homeownership for many Americans.

Policymakers’ to do list is long and growing as the nation attempts to move beyond this economic low point. However, addressing the disparities between minorities’ and whites’ economic experiences should be added to that list. Without making a renewed and committed effort to address these disparities African Americans and Hispanics will continue to have less economic security than whites and be more susceptible to fluctuations in the economy. In short, policymakers must do more than simply hope that minorities rise alongside whites in the coming years. For the benefit of minorities and the overall economy, a prosperous expansion should include all Americans and ensure everyone reaps the benefits equitably.

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Endnotes

- 1 The data sources used for this paper have here have different categorizations, but the authors did their best to keep the data comparable over the years.
- 2 Arloc Sherman, "African American and Latino Families Face High Rates of Hardship" (Washington: Center on Budget and Policy Priorities, 2006).
- 3 All unemployment rates in this section are seasonally adjusted. Authors' calculations based on U.S. Department of Labor, Bureau of Labor Statistics, "Current Population Survey" (Washington, 2009).
- 4 All employment data in this section are seasonally adjusted, Authors' calculations based on U.S. Department of Labor, Bureau of Labor Statistics, "Current Employment Statistics" (Washington, 2009).
- 5 All earnings data in this section are in non-seasonally adjusted terms. Authors' calculations based on U.S. Department of Labor, Bureau of Labor Statistics, "Current Population Survey" (Washington, 2009); and U.S. Department of Labor, Bureau of Labor Statistics, "Updated CPI-U-RS, All Items and All items less food and energy, 1978-2008" (Washington, 2009).
- 6 Authors' calculations based on Carmen DeNavas-Walt, Bernadette D. Proctor, and Jessica C. Smith, "Poverty, Income, and Health Insurance Coverage in the United States: 2008" (Washington: U.S. Bureau of the Census, 2009).
- 7 Ibid.
- 8 All groups saw increasing Medicaid coverage rates during the last business cycle, highlighting the increasing reliance on public support during times of growing private economic insecurity. The levels of reliance on Medicaid, though, varied sharply between whites and minorities. The Medicaid coverage rate for African Americans rose from 21.7 percent in 2000 to 23.8 percent in 2007, but this increase was not enough to compensate for declining private health insurance coverage for African Americans. In comparison, the Medicaid coverage rate for whites rose from 7.1 percent in 2000 to 9.0 percent in 2007.
- 9 Authors' calculations based on Purcell, Patrick, "Pension Sponsorship and Participation: Summary of Recent Trends" (Washington: Congressional Research Service, 2009).
- 10 Authors' calculations based on DeNa U.S. Bureau of the Census, "Housing Vacancies and Homeownership (CPS/HVS)" (<http://www.census.gov/hhes/www/housing/hvs/hvs.html>) [August 27, 2009]).
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- 12 Authors' calculations based on seasonally adjusted employment data from the U.S. Department of Labor, Bureau of Labor Statistics, "Current Employment Statistics" (Washington, 2009).
- 13 All unemployment rates in this section are seasonally adjusted. Authors' calculations based on U.S. Department of Labor, Bureau of Labor Statistics, "Current Population Survey" (Washington, 2009).
- 14 All employment data in this section are seasonally adjusted, Authors' calculations based on U.S. Department of Labor, Bureau of Labor Statistics, "Current Employment Statistics" (Washington, 2009).
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- 16 Authors' calculations based on Carmen DeNavas-Walt, Bernadette D. Proctor, and Jessica C. Smith, "Poverty, Income, and Health Insurance Coverage in the United States: 2008" (Washington: U.S. Bureau of the Census, 2009).
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- 19 Authors' calculations based on Purcell, Patrick, "Pension Sponsorship and Participation: Summary of Recent Trends" (Washington: Congressional Research Service, 2009).
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- 27 Rakesh Kochhar, "Latino Labor Report, 2008: Construction Reverses Job Growth for Latinos" (Washington: Pew Hispanic Center, 2008).
- 28 Only the 12 months before the start of a recession are considered. The unemployment rate for Hispanics was actually lower in October 2006 with 4.6 percent. The early rise reflects the mounting troubles in the construction sector starting in 2006.
- 29 U.S. Department of Labor, Bureau of Labor Statistics, "Current Population Survey" (Washington, 2009).
- 30 National Employment Law Project, "Talking Points: Immediate Action Needed to Extend Unemployment Benefits" (Washington, 2009).
- 31 Heather Boushey, "A Good Job is Hard to Find" (Washington: Center for American Progress, 2009).
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- 33 All unemployment rates are seasonally adjusted. Authors' calculations based on U.S. Department of Labor, Bureau of Labor Statistics, "Current Population Survey" (Washington, 2009).
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- 37 Authors' calculations based on Carmen DeNavas-Walt, Bernadette D. Proctor, and Jessica C. Smith, "Poverty, Income, and Health Insurance Coverage in the United States: 2008" (Washington: U.S. Bureau of the Census, 2009), seasonally adjusted data from the U.S. Department of Labor, Bureau of Labor Statistics, "Current Population Survey" (Washington, 2009); and U.S. Department of Labor, Bureau of Labor Statistics, 2009. "Updated CPI-U-RS, All Items and All items less food and energy, 1978-2008." Washington.
- 38 Amanda Logan and Christian E. Weller, "Signals on the Fritz: Energy Price Volatility Impedes Investment by Creating Uncertainty" (Washington: Center for American Progress, 2009).
- 39 Ibid.
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- 43 Ibid.
- 44 Ibid.
- 45 Ibid.
- 46 Gene Sperling, "A Progressive Framework for Social Security Reform" (Washington: Center for American Progress, 2005).
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