



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

Still Feeling the Pain 4 Years into the Recovery

By Christian E. Weller and Farah Z. Ahmad

October 2013

Center for American Progress



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Introduction and summary

In 2010, communities of color comprised more than 36 percent of the U.S. population, but they are projected to be the majority of the nation's population by 2043.¹ As we rocket toward a more multiracial future, closing racial and ethnic gaps in earnings, education, and other requisite areas is imperative. While making these changes and addressing these issues will be challenging, what we stand to gain, both as individuals and as a nation, is enormous. In the recently published book *All-In Nation: An America that Works for All*, the Center for American Progress and PolicyLink present a road map for this equity-driven growth—a growth model that is inclusive, sustainable, and just and that ensures we grow together as a country, not apart. Analysis in *All-In Nation* shows that had we closed racial and ethnic gaps in 2011, average personal yearly income would have increased by 8.1 percent, tax revenue would have increased by \$192 billion, and \$1.2 trillion in gross domestic product, or GDP, would have been added to the U.S. economy, which would have benefited all Americans. What's more, 13 million people would have been lifted out of poverty.² That we could have—and should have—done so but did not speaks to the pressing need to reshape the conversation around equity in the United States.

Given the scope of what needs to be accomplished, every second counts. The economic downturn and financial crisis that occurred from December 2007 to June 2009, known as the Great Recession, upended domestic and world markets and decimated the global economy. Here at home, it negatively impacted the lives of millions of Americans, who saw their jobs disappear and their homes lost to foreclosure. We are currently in the fourth year of an economic recovery following the Great Recession, which began in June 2009, and the outlook continues to gradually improve, as economic growth is stabilizing and moderate job creation persists. That being said, America's families, who have suffered for years from high and long-term unemployment, will remain in desperate need of stronger economic growth for a prolonged period in the foreseeable future.

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

More disturbingly, the data we summarize in this report show that when it comes to holding a good job, owning a home, and having a financial safety cushion—in the form of health insurance, retirement benefits, and private savings—communities of color are substantially less likely than their white fellow citizens to enjoy the opportunities that accrue from having these securities.³ This difference exists because economic opportunities eroded faster for communities of color than for whites during the Great Recession—and those opportunities have been coming back much more slowly for communities of color than for whites during the economic recovery. Our report specifically shows:

- **African Americans and Latinos persistently suffer from high unemployment rates.** The unemployment rate of African Americans is typically twice as high as that of whites, while the Latino unemployment rate is about one-third greater than the rate of whites.⁴
- **It took four years into the recovery for African American employment to reach its prerecession levels.** African American employment in the second quarter of 2013 was 101 percent of its employment at the beginning of the recession in December 2007—that year’s fourth quarter—Latino employment was 109.62 percent, and white employment was 96.2 percent.⁵ These populations, particularly communities of color, have grown at the same time, such that reaching prerecession employment levels masks the real weakness in job growth.
- **African Americans enjoy fewer job opportunities than other groups.** The employed share of African Americans in the second quarter of 2013 was a low 53.3 percent, compared to 60.2 percent for Latinos, 60.9 percent for Asian Americans, and 59.5 percent for whites.⁶
- **African Americans and Latinos earn substantially less than other groups.** Median weekly earnings—the point where half of people earn less and the other half earn more—in the second quarter of 2013 were \$272 for African Americans, in constant dollars, and \$245 for Latinos, compared to Asian Americans and whites, who made \$418 and \$343 each week, respectively.⁷

- **African Americans and Latinos swell the ranks of minimum-wage earners.** From 2009 through the end of 2012, into the fourth year of the recovery, the number of African American minimum-wage workers increased by 7.7 percent, and the number of Latino minimum-wage workers rose by 15.4 percent.⁸ The number of Asian American minimum-wage workers did not change, while the number of white minimum-wage workers actually decreased by 3.4 percent during that time period.⁹
- **Household incomes have fallen drastically for African Americans since the recession.** Inflation-adjusted median incomes for African Americans fell by 7.1 percent from 2007 to 2009, faster than for any other population group.¹⁰ Furthermore, inflation-adjusted median household incomes dropped another 4.68 percent from 2010 to 2012, which was faster than comparable income drops for any other population group.¹¹
- **Poverty rates, already much higher for communities of color, rose faster for them during the recession and recovery than for whites.** African American and Latino families in 2012 showed poverty rates of 23.7 percent and 23.5 percent, respectively, compared to poverty rates of 9.4 percent for Asians Americans and 7.1 percent for whites.¹² The poverty rate rose faster from 2007 to 2009 for African Americans between the ages of 18 and 64 years old, with increases of 2.2 percentage points. The poverty rate for Latinos rose 3.5 percentage points, and Asians Americans saw their poverty rate increase by 2.2 percentage points, compared to whites, whose poverty rate increased by 1.6 percentage points during the same time period.¹³
- **Communities of color have substantially less health insurance coverage than whites.** The share of African Americans without health insurance in 2012 was 19 percent, with Latinos topping that number, with their share of uninsurance at 29.1 percent.¹⁴ This compares to the 15.1 percent of Asians Americans without health insurance and the 11.1 percent of whites without health insurance in 2012.¹⁵
- **The wealth gap between communities of color and whites widened sharply due to housing-market weaknesses.** In 2010, the median nonwhite or Latino household had just \$20,400—in 2010 dollars—in wealth, less than one-sixth of that of white non-Latino households, who had \$130,600 in wealth.¹⁶ In 2007, nonwhite or Hispanic households had a median amount of wealth of \$29,700—in 2010 dollars—compared to \$179,400 for non-Hispanic white households.¹⁷

Thus, at the start of the recession in 2007, nonwhites or Latino households owned 16.56 percent of the typical median wealth of white non-Latino households, compared to 15.62 percent in 2010.¹⁸ This reflects a widening of an already very large wealth gap between communities of color and whites during and immediately after the Great Recession.

- **Homeownership disappears fastest for African Americans during the recession and recovery.** At the beginning of the recession in 2007, the African American homeownership rate was 47.7 percent, the Latino homeownership rate was 48.5 percent, and the homeownership rate for all other nonwhite races was 58.6 percent, compared to the white homeownership rate of 74.9 percent.¹⁹ By the second quarter of 2013, the homeownership rate was much lower for all groups: 42.9 percent of African Americans were homeowners, 45.9 percent of Latinos were homeowners, and 54.5 percent of all other races were homeowners, compared to 73.3 percent of whites.²⁰ These homeownership rates are even lower than the homeownership rates at the end of the recession in June 2009 and are the continuation of a trend that started during the recession. The drop in homeownership affected all groups but has fallen faster for communities of color than for whites.
- **Communities of color are at a higher risk of losing their homes to foreclosure than whites, and their losses are greater than those of whites.** In 2011, the foreclosure rate for African Americans was 9.8 percent; for Latinos, it was 11.9 percent; and for Asian Americans, it was 6.6 percent. The foreclosure rate for whites was 5 percent in 2011.²¹ According to the Alliance for Justice, the average lost wealth per household due to foreclosure in communities where the majority of residents were people of color was \$2,200, whereas the wealth loss in “segregated” white communities—communities where 84 percent of residents identify as “white, non-Hispanic”—was roughly \$1,300 per household.²²
- **Retirement-plan participation is lower for African Americans than it is for whites.** The share of African American private-sector workers participating in a retirement plan at work dropped by 1.4 percentage points, from 35.2 percent in 2009 to 33.8 percent in 2012.²³ Conversely, the number of Latinos participating in a retirement plan at work increased by 1.7 percentage points, from 21.4 percent to 23.1 percent in the same time period, and the white share rose by 0.1 percentage points, from 44 percent to 44.1 percent.²⁴

The economic recovery following the Great Recession is well into its fourth year, but it is clear that some groups are slower than others to experience the benefits of the recovery. Parsing the data along racial and ethnic lines shows that communities of color typically struggle more than whites amid modest economic growth and moderate job creation. African Americans and Latinos, for example, typically have substantially fewer economic opportunities than whites. Asian Americans tend to have higher poverty rates and lower rates of health insurance coverage when compared to whites. The bottom line is that communities of color continue to struggle in this economy more than whites, who are also facing their own economic challenges due to slow job growth and stubbornly high unemployment.

Job growth alone, as these data also suggest, is clearly not enough to close the gap between communities of color and whites. Latinos, for instance, have seen stronger job growth than whites, while Asian Americans have experienced somewhat lower unemployment rates than whites during the economic recovery. But both Latinos and Asian Americans often face less economic security than whites by other measures such as poverty rates and health insurance coverage. This suggests that Latinos and Asian Americans also have less access to good-paying jobs than whites.

A key change for African Americans is highlighted by the most recent data for 2012 and 2013. Since 2011, African Americans have finally seen some improvements during the recovery, which eluded them until recently.²⁵ But that only means that things have no longer been getting worse for African Americans, while other groups have been seeing some improvements. The number of African American minimum-wage workers, for instance, dropped by 7.63 percent from 2011 to 2012, but the number of African American minimum-wage workers still rose overall by 7.7 percent from 2009 to 2012.²⁶ That is to say, African Americans still have a lot of catching up to do now that some of the benefits of an expanding economy are finally reaching them in the fourth year of the economic recovery.

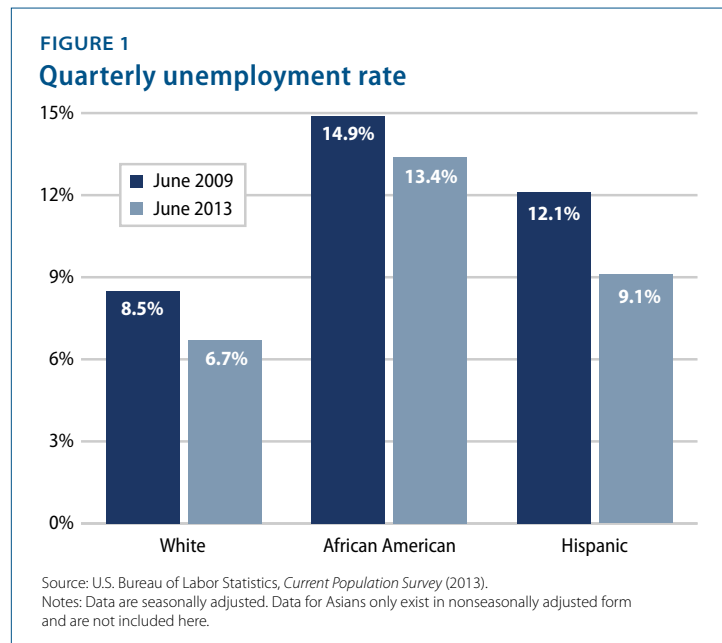
Policymakers need to pursue the dual goals of increasing job growth for all groups and targeting policies to enhance economic security for communities of color. Only then can we achieve equity and fairness in our economy and truly create an America that works for all.

Fallout of the Great Recession

African Americans and Latinos persistently suffer from high unemployment rates

The unemployment rate is one indicator of the labor market's strength. While all groups have struggled through the worst recession since the Great Depression and the ensuing weak recovery since June 2009, the labor market has been substantially weaker for African Americans and Latinos when compared to Asian Americans and whites throughout this business cycle, which started in December 2007. In particular, the unemployment rates of African Americans and Latinos remained considerably higher than those of whites and Asian Americans at the end of the second quarter of 2013. The unemployment rate for African Americans was 13.4 percent, and Latinos had an unemployment rate of 9.1 percent in the second quarter of 2013, compared to an unemployment rate of 6.7 percent for whites.²⁷ The unemployment rate for Asian Americans in the second quarter of 2013—not seasonally adjusted—was 4.8 percent. (see Figure 1)²⁸

Differences in jobless rates by race and ethnicity were close to their highest levels at the start of the recovery in June 2009. During that time period, African Americans had an unemployment rate of 14.9 percent, compared to 12.1 percent for Latinos, 7.2 percent for Asian Americans, and 8.5 percent for whites.²⁹ This means that unemployment rates for Latinos and African Americans have remained persistently higher than rates for whites and Asian Americans throughout the recovery.³⁰ It is worth noting, however, that unemployment rates for subpopulations within the Asian American community are incredibly varied.



Between 2008 and 2010, the last year for which data are available for Asian American subpopulations, the average unemployment rate for Asian Americans was generally lower than those for whites, African Americans, and Latinos. Within the Asian American group, however, the unemployment narrative diverges by ethnicity. The unemployment rate was 5.1 percent for those of Chinese descent, 6.6 percent for Filipinos, 4 percent for the Japanese, 6.3 percent for Koreans, 6.4 percent for the Vietnamese, and 8.5 percent for other Asians.³¹

The persistence of the gap in the unemployment rates between African Americans and Latinos and those of whites and Asian Americans also characterized the Great Recession. The unemployment rate for African Americans at the end of 2007 was 8.7 percent, and Latinos had a rate of 5.9 percent.³² During that same period, however, Asian Americans had an unemployment rate of 3.2 percent, which was actually better than the rate for whites, which was 4.3 percent.³³ While most other communities of color also began the recession at a weaker point than whites, the data make it clear that African Americans started out in a much weaker labor market than other groups when the Great Recession struck at the end of 2007.

African Americans experienced much slower job growth than Latinos during the recovery

Job growth since the start of the recession in December 2007 to 2013 has varied among racial and ethnic groups, even though all population groups have grown in number. Whites saw fewer jobs, and African Americans saw around the same number of jobs at the midpoint of 2013 as they did at the start of the recession. These numbers illustrate that the nation's job growth, even when it recovered the losses after 2007, did not keep pace with population growth during the five years after the start of recession for either whites or African Americans. Employment in the second quarter of 2013 for African Americans was 101 percent of their employment at the beginning of the recession in December 2007—that year's fourth quarter—and 96.2 percent for whites.³⁴

- **Key finding:** The unemployment rates for African Americans tend to be twice as high as those for whites, with Latinos not faring much better. While the Great Recession has affected all groups, these two communities of color have been the most negatively affected.
- **Policy implication:** Persistently high unemployment among some communities of color translates into impediments to economic security and mobility in the longer term. Racial gaps in economic security, reflected in persistently high income inequality, can hurt economic growth over time because many people are excluded from fully contributing to innovation and production.
- **Moving forward:** These multiplying effects necessitate the importance of focusing on racial and ethnic economic disparities. Providing rigorous assistance in times of unemployment, as well as training and education opportunities to re-enter the workforce for the unemployed and underemployed, will help build a strong workforce for the future.

By 2013, Latinos and Asian Americans had recovered from the job losses of the Great Recession. The ratio of Latino employment in the second quarter of 2013 was 109.6 percent, which was the ratio of Latino employment in the fourth quarter of 2007, just as the Great Recession started.³⁵ The ratio of jobs for Asian Americans was 116.1 percent between the first quarter of 2013—the last quarter for which information is available—and the fourth quarter of 2007.³⁶

While some groups fared better in recovering jobs that were lost during the Great Recession than others, it is important to note that the Great Recession was marked by unprecedented job losses for all population groups, especially African Americans and Latinos. Jobs fell by 5.8 percent for African Americans, by 4 percent for Latinos, and by 3.2 percent for Asian Americans from December 2007 to June 2009. They fell by 3.8 percent for whites during the same period.³⁷

The economic recovery that started in June 2009 eventually saw modest job growth for communities of color over four years and very small job gains for whites during the same time period, highlighting the modest labor-market recovery that has characterized the economic recovery. African American job growth from June 2009 to June 2013 was 7.2 percent, and Latino job growth was 14.4 percent.³⁸ Job growth for Asian Americans was 19.9 percent through the first quarter of 2013, the last quarter for which data are available. Whites, in comparison, saw very small job growth of 0.4 percent from June 2009 to June 2013.³⁹

- **Key finding:** While there has been job growth during the economic recovery, it has been very modest, as reflected in persistently high unemployment rates for all population groups.
- **Policy implication:** The benefits of this modest growth have not been equitably shared, and this job growth alone has not been enough to close the racial gaps between communities of color and whites.
- **Moving forward:** Policymakers need to continuously focus on strengthening job growth, especially by targeting high-growth industries and supporting entrepreneurship, not only as a way to increase the supply of jobs but also to provide job opportunities for communities of color.

African Americans enjoy fewer job opportunities than other groups

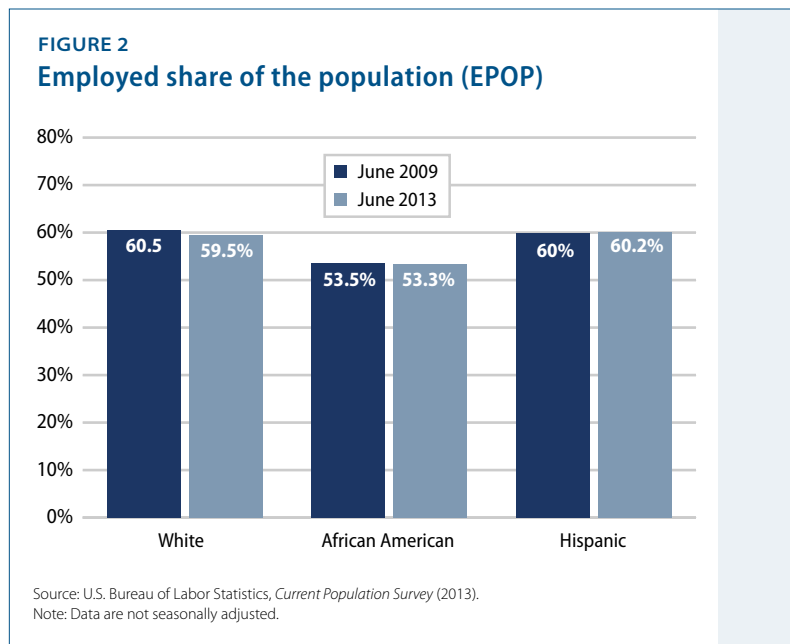
Regardless of their race, people desperately need jobs. The employment-to-population ratio, also known as the employed share, measures the proportion of working-age people in a community who are employed. The employment-to-population ratio is a reasonable indicator of the job opportunities available to each community. A higher number suggests that more job opportunities exist, and a lower number indicates fewer job opportunities. A decline in the employment-to-population ratio therefore means that job growth is not keeping pace with population growth, while an increase in the employment-to-population ratio means that job growth is outpacing population growth.

African Americans as a group had the most difficult time finding job opportunities among all population groups. In the second quarter of 2013, the employment-to-population ratio for African Americans was 53.3 percent, and it was 60.2 percent for Latinos.⁴⁰ For whites, it was 59.5 percent in the second quarter of 2013; for Asian Americans in the first quarter of 2013, it was 60.9 percent. (see Figure 2)⁴¹

Employment opportunities continued to disappear for all population groups throughout the economic recovery. At the start of the recovery in June 2009, the employment-to-population ratio was 53.5 percent for African Americans, 60 percent for Latinos, and 61.7 percent for Asian Americans, compared to 60.5 percent for whites.⁴² These data suggest that job growth did not keep pace with population growth for any population group during the recovery, even though positive job growth returned.

The continued disappearance of job opportunities throughout the economic recovery came on the heels of rapid declines in the employed shares of different population groups during the Great Recession. In December 2007, the onset of the economic downturn, the employed share was 57.8 percent for African Americans, 64.5 percent for Latinos, and 64.3 percent for Asian Americans.⁴³ The employed share for whites, in comparison, was 63.5 percent.⁴⁴

The data suggest that job opportunities disappeared faster from December 2007 to June 2013 for African Americans and Latinos than they did for Asian Americans and whites. The percent of African Americans with a job fell by 4.5 percentage points, while the rate of Latinos with a job declined by 4.3 percentage points.⁴⁵ The percent of Asian Americans with a job fell by 3.4 percentage points during the same time period, compared to a drop of 4 percentage points for whites.⁴⁶



African Americans and Latinos earn substantially less than other groups

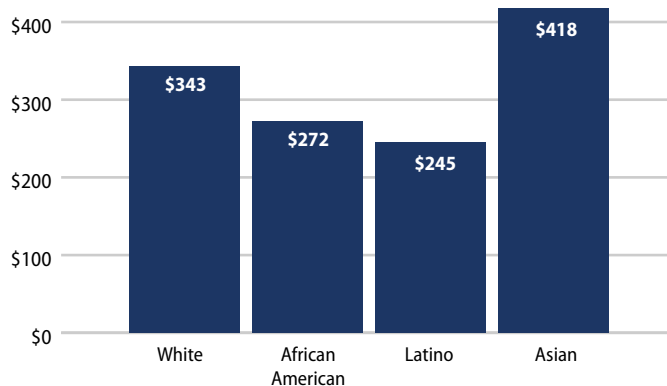
People not only want to work, but they also need jobs that pay well enough to make ends meet. The job growth that has occurred thus far during the recovery is not providing jobs that pay well enough to allow workers to meet realistic living costs. Median weekly earnings—defined as the level of earnings from work that split each population group exactly in half—shed some light on the quality of jobs that Americans hold.

The numbers indicate that African Americans and Latinos continue to hold lower-quality jobs and, as a result, earn significantly less money than their Asian American and white counterparts. As of the second quarter of 2013, median weekly earnings for African Americans were \$272—in constant dollars—and for Latinos, they were \$245.⁴⁷ In comparison, Asian Americans made \$418 each week, while whites earned \$343. (see Figure 3)⁴⁸

This earnings gap is nothing new. It has stayed relatively stable throughout the recession and thus far into the recovery. Wages increased slightly for all groups from 2007 to 2009, just prior to the recession, as is expected during a recession, when more low-wage workers are likely to lose their jobs, driving up the median wage for those who still have a job. Median weekly earnings for African Americans were \$274 in December 2007, and for Latinos during this same time period, they were \$242.⁴⁹ The median weekly earnings for Asian Americans and whites were much higher in December 2007—\$408 and \$344, respectively.⁵⁰

- **Key finding:** Communities of color, in terms of population, have grown faster than the white population. Several of these groups, especially African Americans, already had a deficit in job opportunities—as indicated by a lower employed share—prior to the Great Recession, resulting in low levels of employment per population.
- **Policy implication:** Job creation for all groups with a marginal increase in job opportunities, as highlighted by the data on the employed share of each demographic group, has barely kept pace with population growth. There is a desperate need for faster job creation.
- **Moving forward:** Policymakers need to shape job-growth policies such that there is increased and equitable access to job-training programs and education as a pathway to employment for communities of color, which have struggled to secure jobs. Policies have to create jobs as a corrective measure to meet the demand of the unemployed, but they must also accelerate to meet the demand of the growing population.

FIGURE 3
Median weekly earnings, Q2 2013



Source: U.S. Bureau of Labor Statistics, *Current Population Survey* (2013).
Note: Data are not seasonally adjusted.

During the recovery, however, from the second quarter of 2009 to the second quarter of 2013, wages declined for all groups, indicating that earnings have not kept pace with inflation and that more low-wage workers are now coming into the job market, driving down the median wage. During this period, median weekly earnings fell by 1.47 percent for African Americans, 3.89 percent for Latinos, and 2.51 percent for whites, compared to 1.46 percent for Asian Americans.⁵¹

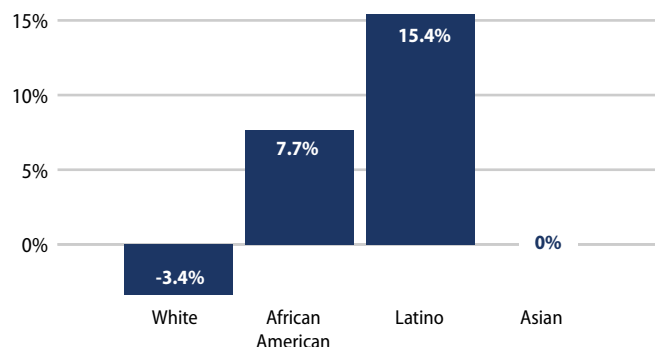
African Americans and Latinos swell the ranks of minimum-wage earners

The lack of good job opportunities for African Americans and Latinos is further underlined by the rapid rise of people working at or below the federal minimum wage, which does not apply to people who collect part of their earnings from tips or to agricultural workers. From 2009 through the end of 2012, fully three years into the recovery, the number of African American minimum-wage workers increased by 7.68 percent, and the number of Latino minimum-wage workers increased by 15.43 percent.⁵² The number of Asian American minimum-wage workers did not change from 2009 to 2012, while the number of white minimum-wage workers actually decreased by a small 3.4 percent. (see Figure 4)⁵³

These changes followed much larger increases in the number of minimum-wage workers among African Americans, Latinos, and Asian Americans compared to whites during the Great Recession. The number of African Americans working at or below the federal minimum wage grew by 141.5 percent from 2007 to 2009, while the number of Latinos working at or below the federal minimum wage increased by 152.8 percent, and the number of Asian Americans at that level increased by 134 percent.⁵⁴ In comparison, the number of white workers being paid the minimum wage or less rose by 101.2 percent.⁵⁵

- **Key finding:** Wages have been failing to increase for all groups, even as the recovery has gained strength.
- **Policy implication:** While more job creation is necessary, low-quality jobs that do not pay workers enough wages to cover realistic living costs do not help strengthen the economy and American families.
- **Moving forward:** Investing in high-quality jobs that pay higher wages will allow families to spend more, repay their debt faster, and save more to invest in their families' future, thereby contributing faster to a self-sustaining economic recovery and a strengthened economy postrecovery. As we invest in quality jobs and career pathways, we are investing in the future of America.

FIGURE 4
Minimum wage workers
 Percent change, 2009–2012



Sources: U.S. Bureau of Labor Statistics, *Current Population Survey* (2009); U.S. Bureau of Labor Statistics, *Current Population Survey* (2012).
 Note: Data reflect annual averages.

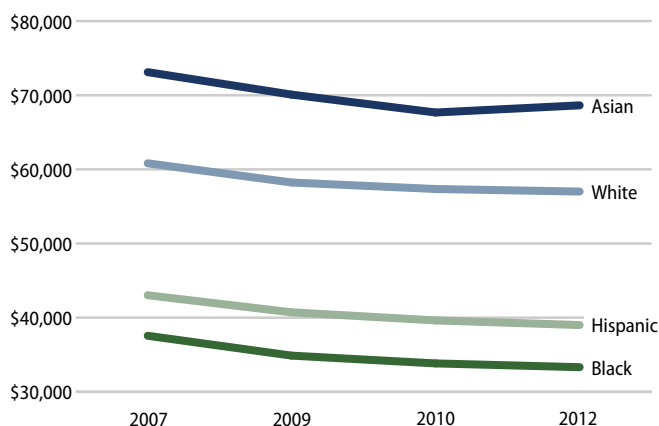
Household incomes have fallen drastically for African Americans since the recession

Household-income statistics provide the most comprehensive measure of the current economic resources that households have available. In addition to wages, household income incorporates other forms of revenue received, such as unemployment insurance, child support, Social Security, and rental income. We report the median household income, which is the income level that splits all households into two equal groups—half of all households have incomes that are above the median, and the other half have incomes below the median.

Not surprisingly, median household incomes were substantially lower for African Americans and Latinos than for Asian Americans and whites in 2012, the last year for which data are available. The median household income for African Americans was \$33,321 in 2012 dollars, and for Latinos, it was \$39,005.⁵⁶ In contrast, the median household income for Asian Americans was \$68,636, and for white households, it was \$57,009. African Americans' median household income was almost 42 percent less than the median household income of whites.⁵⁷ For Latinos, the median household income was about 32 percent less than that of whites, while the Asian American median household income was close to 20 percent greater than that of whites.⁵⁸

- **Key finding:** While the number of minimum-wage workers increased for all groups during the recession, it is still increasing for African American and Latino populations, according to data from 2009 to 2012. Comparatively, the number of Asian American minimum-wage workers was static, and that of white minimum-wage workers declined.
- **Policy implication:** Too many Americans, particularly Latinos and African Americans, cannot earn enough to make ends meet while working, even while working steady or full-time jobs.
- **Moving forward:** There is a need for policymakers to focus on improving the quality of jobs, namely by raising the federal minimum wage. Higher pay means more economic security, more spending within communities of color, and positive ripple effects throughout the economy.

FIGURE 5
Median household income, in 2012 dollars



Source: U.S. Census Bureau, "Historical Income Data," available at <http://www.census.gov/hhes/www/income/data/historical/index.html> (last accessed October 2013).

In fact, median household incomes fell for all groups during the economic recovery—from 2009 to 2012—but the income decreases were generally more pronounced for communities of color than for whites. (see Figure 5)⁵⁹ African American median household income decreased by 4.68 percent from 2009 to 2012.⁶⁰ Latino median household income fell by 4.4 percent from 2009 to 2012.⁶¹ Asian American median household income fell by 2.11 percent, which was similar to a drop of 2.14 percent for whites over those same years.⁶² That is to say, household income growth did not keep pace with inflation in the early stages of the economic recovery, and the median household incomes of African Americans and Latinos fell even further behind those of whites and Asian Americans.

The continued decline of inflation-adjusted household incomes during the recovery is especially worrisome, since household incomes dropped sharply for all groups during the Great Recession. The data show that communities of color suffered greater relative income losses than whites. African Americans experienced a 7.68 percent decrease in the two years from 2007 to 2009, Latinos saw a 5.66 percent decrease, and Asian Americans saw a decline of 4.33 percent.⁶³ This compares to a median household income drop of 4.45 percent for whites.⁶⁴ All groups saw income losses, but the losses were much larger for communities of color than for whites during the recession. (see Figure 5)⁶⁵

- **Key finding:** Incomes have fallen for all groups throughout the Great Recession and its immediate aftermath. These decreases have been especially painful for African Americans and Latinos, who already had substantially lower incomes than Asian Americans and whites at the start of the Great Recession in December 2007.
- **Policy implication:** Income declines make it harder for families to pay for basic needs in the short term, and they make it even harder to save for the future. An expanding economy, as we have experienced during this recovery, should help households gain more income, but it has not done so in an equitable manner so far.
- **Moving forward:** Policymakers need to put policies in place that will help all families gain alongside a growing economy, but this is especially true for communities of color. Such policies could include a higher minimum wage, more opportunities to join a union, and increased access to a quality and affordable college education, among other key steps.

Poverty rates for communities of color rose faster during the recession than for whites and have not returned to prerecession levels

The percentage of U.S. families living below the federal poverty line increased during the recession for all racial groups, but communities of color had much higher poverty rates, often substantially so, than whites.

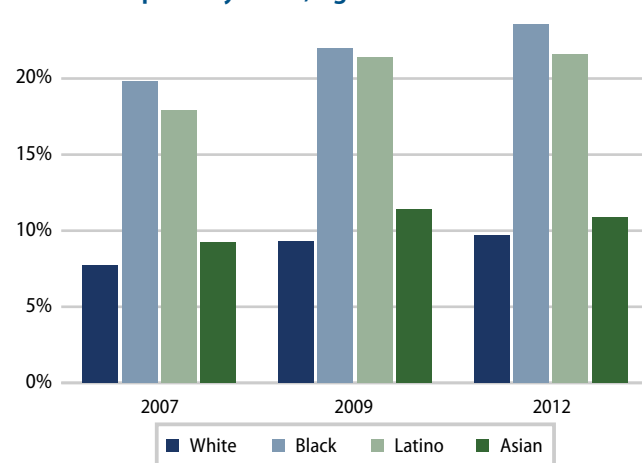
In 2012, the last year with available data, nearly one in four African American families—23.7 percent—and Latino families—23.5 percent—lived below the poverty line.⁶⁶ In comparison, family poverty rates among Asian Americans and white Americans were at 9.4 percent and 7.1 percent, respectively.⁶⁷ Poverty was more widespread for communities of color than for whites.

The family poverty rates in 2012 followed increases in the individual poverty rates. From 2010 to 2012 the individual poverty rates for some communities of color improved. (see Figure 6)⁶⁸ The Asian American poverty rate decreased by 0.2 percentage points, and the Latino poverty rate also decreased by 1 percentage point.⁶⁹ Similarly, the white poverty rate decreased by 0.2 percentage points over this period.⁷⁰ In contrast, the African American poverty rate for individuals between 18 and 64 years of age rose by 0.5 percentage points. Thus, the poverty gap between the African American community and the Asian American, Latino, and white communities widened during the economic recovery.

But today's poverty rates are still worse than their prerecession levels. Although some groups saw marginal improvements in their individual poverty gaps during the recovery, it has not been enough to compensate for the sharp widening of individual poverty rates during the recession. Almost 20 percent—19.8 percent—of African Americans and 17.9 percent of Latinos lived below the poverty line in 2007.⁷¹ This compares to a poverty rate of 9.2 percent for Asian Americans and 7.7 percent for whites in 2007.⁷²

Throughout the recession, from 2007 to 2009, the percentage of U.S. families living below the federal poverty line increased for all racial groups, but communities of color had much higher poverty rates, often substantially so, than whites. Poverty rates rose faster from 2007 to 2009 for African Americans, who experienced a 2.2 percentage-point increase; Latinos, who experienced a 3.5 percentage-point increase; and Asian Americans, who experienced a 2.2 percentage-point increase. During this same timeframe, the poverty rate for whites increased by 1.6 percent.⁷³ (see Figure 6)⁷⁴

FIGURE 6
Individual poverty rates, ages 18–64



Source: U.S. Census Bureau, "Historical Poverty Tables," available at <http://www.census.gov/hhes/www/poverty/data/historical/index.html> (last accessed October 2013).

Communities of color lack health insurance

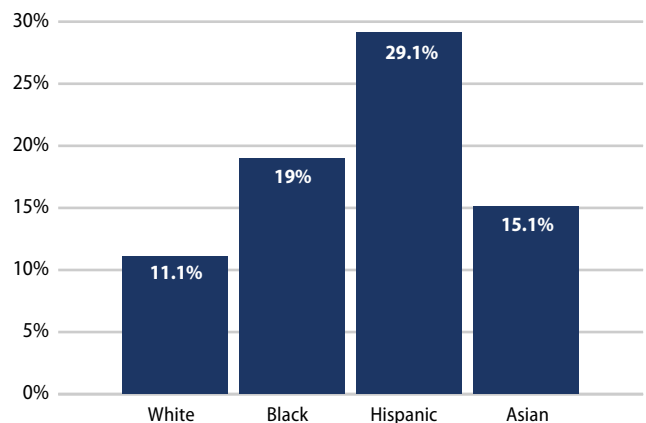
Looking at health insurance coverage rates for communities of color, which is another key indicator of economic security, the obvious conclusion is that it is a bad situation becoming worse. In 2007, as the country entered the Great Recession, nearly one-third—31.5 percent—of Latinos and nearly one-fifth—18.6 percent—of African Americans were uninsured. This compares to the 10 percent of whites without health insurance and the 16.1 percent of Asian Americans who lacked health insurance.

Two years later, in 2009, at the start of the economic recovery, the share of Latinos without health insurance rose to 31.6 percent, and the share of African Americans without health insurance rose to 20.3 percent.⁷⁵ The share of Asian Americans without health insurance in 2009 was 16.5 percent, and the share of whites was 11.5 percent.⁷⁶

Health insurance coverage eventually started to improve again for all groups as the recovery continued. The share of African Americans without health insurance in 2010 stood at 20.8 percent but fell to 19 percent in 2012.⁷⁷ For Latinos, it was 30.7 percent in 2010, a modest decline from 2009, and it continued to fall modestly in 2012 to 29.1 percent, below the very high rate of 31.5 percent, which occurred in 2007, just as the recession got underway.⁷⁸ This compares to the 18.4 percent of Asian Americans without health insurance in 2010, before a steep drop to 15.1 percent in 2012.⁷⁹ The percent of whites without health insurance was 11.7 percent in 2010 and 11.1 percent in 2012.⁸⁰ (see Figure 7)⁸¹

- **Key finding:** Regardless of some modest job growth during the recovery, the poverty rate is still above prerecession levels and is persistent, especially among populations of color, due to inequitable access to employment, disparate wages, and unstable job security, among other factors.
- **Policy implication:** The increasing numbers of people falling into poverty have destabilizing effects not only on individuals and families but also on the economy due to unused human capital, loss of income to stimulate the economy, and increased demand for public supports.
- **Moving forward:** Policymakers should focus on aiding the most-vulnerable families in a modest economic recovery. In the short run, this means reversing some of the blunt across-the-board budget cuts, known as the sequester, to a wide range of programs that target the poor. In the long run, this means policies must make it easier for people to earn a living with good jobs that pay a decent wage and offer health insurance and retirement benefits.

FIGURE 7
Percent uninsured, 2012



Source: U.S. Census Bureau, "Health Insurance Historical Tables - HIB Series," available at http://www.census.gov/hhes/www/hi/thins/data/historical/HIB_tables.html (last accessed October 2013).

From 2010 to 2012, the share of African Americans without health insurance decreased by 1.8 percentage points; the share of Asian Americans without health insurance decreased by 3.3 percentage points.⁸² Whites decreased their number of uninsured by 0.5 percentage points, and Latinos decreased their number by 1.6 percentage points from 2010 to 2012.⁸³ In fact, all groups decreased the number of people without health insurance during this time period—the first time this occurred since before the recession. Consequently, communities of color were in a slightly more secure position because of their health insurance situation as of the second year into the economic recovery, 2011. This continued into 2012 as well. The lack of health insurance coverage, however, was generally still worse for whites and African Americans, but it was slightly better for Latinos and Asian Americans in 2012 than at the start of the Great Recession. While there have been health insurance coverage improvements recently, the vast differences by race and ethnicity persist.

- **Key finding:** Health insurance gaps by race and ethnicity have always been high, and they remained so during the recession, as all groups saw a decrease in health insurance coverage from their employers until the second year of the recovery, when all groups saw increased health insurance coverage, though they did not quite reach their prerecession levels. Even with some postrecession alleviation, African Americans and Latinos consistently face disproportionate uninsured rates compared to their white counterparts.
- **Policy implication:** Policymakers started to address these disparities with the passage of the Affordable Care Act of 2010.
- **Moving forward:** It is now important to fully implement key provisions of this law to provide all people with affordable and adequate health insurance. It is equally important to educate the public and engage communities so they know how to participate in the health care market and utilize the new benefits taking effect through the law.

The wealth gap has widened by race and ethnicity since 2007 due to persistent housing-market weaknesses

Household wealth measures a household's accumulated sum of assets—such as houses, cars, stocks and mutual funds, and retirement accounts—minus a household's sum of debt, such as mortgages and credit card debt. Household wealth indicates how well prepared a household is for the future—to both take advantage of new opportunities, such as sending kids to college or starting a new business, and to weather an economic emergency.

According to Federal Reserve data, there was a substantial gap in household wealth between whites and communities of color from 2007 to 2010. In 2010, about a year after the recession ended, the data show that the wealth gap had expanded throughout the recession. The median nonwhite or Hispanic household had just \$20,400—in 2010 dollars—in wealth, less than one-sixth of that of white

non-Hispanic households, who had \$130,600 in wealth.⁸⁴ In 2007, nonwhite or Hispanic households owned a median amount of wealth of \$29,700, in 2010 dollars. This compares to \$179,400 for non-Hispanic white households.⁸⁵ Thus, at the start of the recession in 2007, nonwhite or Hispanic households owned 16.56 percent of the typical wealth of white non-Hispanic households in 2007, compared to 15.62 percent in 2010.⁸⁶ This reflects a widening of an already very large wealth gap between communities of color and whites.

The widening wealth gap since 2007 is largely a result of the greater risk exposure of communities of color due to the fallout from the housing crisis. The Federal Reserve data do not provide information on home equity, but a related 2005 study conducted by the Pew Hispanic Center also shows a widening wealth gap during the crisis due to greater exposure to the housing market and less home equity for communities of color than whites. These data show that African Americans and Latinos were especially vulnerable to sudden and large price changes in the housing market. They owed larger mortgages relative to the values of their homes, meaning that they held less equity in their homes than whites did before the crisis.

What's more, communities of color typically held fewer assets outside their homes going into the financial crisis, which meant that they had much less of a buffer in case something went wrong. Median inflation-adjusted home equity in 2009 dollars for African Americans dropped by 23.2 percent, from \$76,910 in 2005 to \$59,000 in 2009.⁸⁷ The median home equity adjusted for inflation for Latinos decreased 50.8 percent, from \$99,983 to \$49,145.⁸⁸ In comparison, the median value of home equity for whites fell the least at 17.6 percent, from \$115,364 in 2005 to \$95,000 in 2009.⁸⁹

There is little information on the development of home-equity trends by race and ethnicity available beyond the Great Recession, but it is likely that the large wealth gaps by race and ethnicity recorded in 2010 also persisted in subsequent years. Communities of color have a lot of wealth tied up in housing. They are also

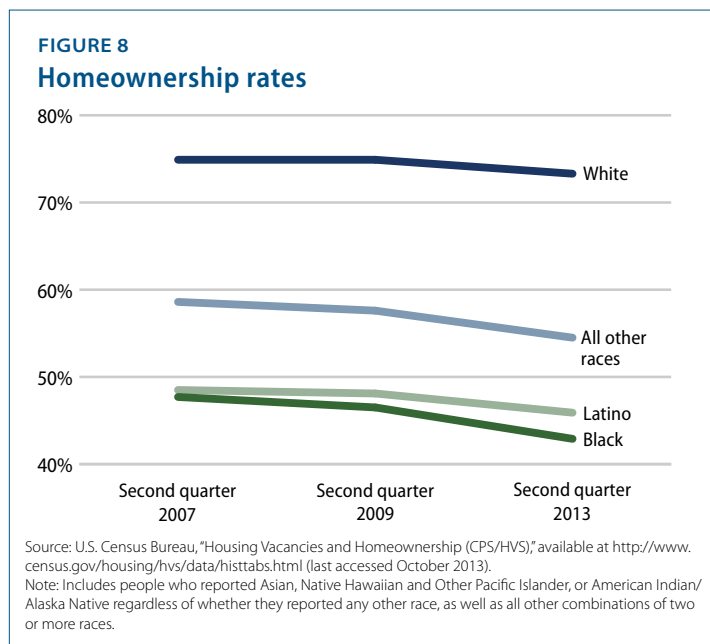
- **Key finding:** The wealth gap between people of color and non-Hispanic whites grew during the Great Recession and its immediate aftermath, particularly for African Americans and Latinos when compared to whites.
- **Policy implication:** These disparities are a direct threat to Americans' economic security, since wealth is a store of future income—something that people can rely on when things go wrong or they want to make major economic changes, such as retiring, starting a business, or sending their children to college.
- **Moving forward:** Closing the wealth gap will depend on closing gaps in income and education but also on creating policies that make it easier for all families to save more and keep more of their savings, rather than lose their wealth due to risky investments and high banking fees.

more likely to have lost a great deal of home equity during the Great Recession due to sharp drops in house prices. The housing market started to recover only in late 2011, after housing prices hit their lowest level toward the end of that year.⁹⁰ The housing recovery only slowly took hold during 2012, and it is thus likely that much of the wealth gap by race and ethnicity persisted.

Homeownership declines fastest for African Americans during the recession and recovery

An owner-occupied house is often the largest asset that a family owns. There are, however, substantial and widening differences in homeownership rates between communities of color and whites. As of the second quarter of 2013, the homeownership rate was 73.3 percent for whites, while only 42.9 percent of African Americans were homeowners. The homeownership rate for Latinos was 45.9 percent, while 54.5 percent of all other races owned their homes. (see Figure 8)⁹¹

These homeownership rates are lower than the homeownership rates at the end of the recession in June 2009. (see Figure 8)⁹² At the end of the recession, 46.5 percent of African Americans, 48.1 percent of Latinos, and 57.6 percent of all other races owned homes.⁹³ This compares to a homeownership rate for whites of 74.9 percent.⁹⁴ In fact, the homeownership gap widened during the economic recovery, as the African American homeownership rate dropped by 3.4 percentage points, the Latino homeownership rate decreased by 2.8 percentage points, the homeownership rate of all other races declined by 3 percentage points, and the white homeownership rate fell by 1.5 percentage points from June 2009 to March 2013.⁹⁵



Declining homeownership rates during the economic recovery continued a trend that marked the recession, albeit at a slower pace. The African American homeownership rate was 47.7 percent in the fourth quarter of 2007, just before the recession got underway.⁹⁶ The Latino homeownership rate during the same time period was 48.5 percent, the homeownership rate for all other nonwhite races

was 58.6 percent, and the white homeownership rate was 74.9 percent.⁹⁷ (see Figure 8)⁹⁸ During the Great Recession, homeownership for African Americans decreased by 1.2 percentage points, for Latinos by 0.4 percentage points, and for all other nonwhite races by 1 percentage point, while the white homeownership rate stayed constant.⁹⁹ While all groups' homeownership rates have fallen from their prerecession peak levels, the African American rate has fallen most sharply.

Communities of color are at greater risk of losing their homes to foreclosure

Similarly, foreclosure rates are a window to how well communities of color fared during the recession and are faring during the recovery. The country's foreclosure crisis has subjected communities of color to greater home-equity losses than has been the case for whites.¹⁰⁰ The

Center for Responsible Lending analyzed housing data extensively and concluded that communities of color have been disproportionately affected by the foreclosure crisis. In 2011, the foreclosure rate for African Americans was 9.8 percent; for Latinos, it was 11.9 percent; and for Asian Americans, it was 6.6 percent.¹⁰¹ While significant, the foreclosure rate for whites was much lower at 5 percent.¹⁰² Adding the share of borrowers who are seriously delinquent—at least 90 days late on their mortgage payments—to the foreclosure rates shows that about one-fourth of African Americans and Latinos, 14 percent of Asian Americans, and 12 percent of whites are in serious danger of ending up in foreclosure in this housing crisis.¹⁰³

The differences in foreclosure rates by race and ethnicity are not the result of income disparities. Disparities persist among these groups even after controlling for income and credit rating. The foreclosure rate was still 1.8 times higher for low- and moderate-income African Americans than for their white counterparts, and the foreclosure rate was 1.2 times higher for low- and moderate-income Latinos than for whites in the same income bracket.¹⁰⁴ There are also significant differences

- **Key finding:** Homeownership rates almost four years into the economic recovery are lower than homeownership rates at the start of the recovery. Additionally, the Great Recession was marked by a sharp downturn in homeownership rates. That is, there has been no marked recovery in homeownership to date. The depressed housing-market trend affected all people but severely widened the gap between homeownership of communities of color and whites, as the declines in homeownership were more pronounced among communities of color than among whites.
- **Policy implication:** These gaps in homeownership by race and ethnicity underscore the vastly different opportunities for building wealth and creating economic security for communities of color and whites.
- **Moving forward:** Closing these racial and ethnic gaps now by making housing finance more affordable, accessible, and sustainable than it is currently, for instance, is a way of investing in a stable and strong economic future where everyone has the opportunity to pursue the American Dream.

in higher-income households.¹⁰⁵ As of 2011, approximately 10 percent of higher-income African Americans, 15 percent of higher-income Latinos, and 7 percent of higher-income Asian Americans who received loans from 2004 to 2008 have lost their homes to foreclosure, compared to 4.6 percent of higher-income whites.¹⁰⁶

A 2012 report by the Center for Responsible Lending posits that the difference in foreclosure rates based along race and ethnicity lines is likely due to the types of loans that communities of color receive. African American, Latino, and Asian borrowers, for example, were 2.8, 2.2, and 0.8 times more likely to receive a higher-rate loan, respectively, than white borrowers.¹⁰⁷ Additionally, these groups were 2, 2.3, and 1.3 times more likely to receive a loan with a prepayment penalty, respectively, compared to white borrowers, regardless of evidence indicating that many of these borrowers qualified for more-affordable and less-risky loans.¹⁰⁸

The foreclosure crisis has lingered well past the end of the Great Recession. A 2011 Center for Responsible Lending report concluded that by 2011, the United States was still in the midst of the foreclosure crisis. In 2012 alone, close to \$193 billion in wealth was lost, according to the Alliance for Justice's May 2013 report, "Wasted Wealth."¹⁰⁹ The wealth losses that have already stemmed from the foreclosure crisis were felt acutely among communities of color. On average, the loss per household in communities where the majority of residents were people of color was \$2,200, whereas the loss in segregated white communities—communities where 84 percent of residents identify as white, non-Hispanic—was \$1,300 per household.¹¹⁰ In large part, this difference follows from the fact that the rates of foreclosure were higher in communities where the majority of residents were people of color compared to segregated white communities, with 17 foreclosures per 1,000 households compared to 10 foreclosures per 1,000 households, respectively.¹¹¹

The loss shown in the foreclosure crisis up to last year has not yet reached its end. A study by the Congressional Budget Office, or CBO, showed a strong correlation between underwater mortgages and foreclosures. The Alliance for Justice reports that today there are at least 13.2 million underwater mortgages that could be heading toward foreclosure and could yield an estimated loss of \$220.7 billion in household wealth.¹¹²

Foreclosure rates in general have remained at high levels, even as the housing market has started to recover after 2011.¹¹³ It is likely that racial and ethnic differences in foreclosure rates have persisted, albeit at lower levels of foreclosure.

Unemployment rates, income growth, and having other savings outside of one's home are key predictors of homeowners entering into foreclosure. Communities of color, especially Latinos and African Americans, tend to have fared worse on all of these key measures during and after the Great Recession through 2012, as discussed above. There is every reason to believe that foreclosure rates stayed much higher for Latinos and African Americans than for whites after 2011. The widening and persistent gap in homeownership rates by race and ethnicity supports this argument, since much of the decline in homeownership rates in recent years has been wrapped up in the massive foreclosure wave since 2007.

- **Key finding:** The wave of foreclosures that has characterized the U.S. housing crisis since 2007 has decimated homeownership rates and wealth for all Americans, particularly for people of color and those residing in communities where the majority of residents are people of color.
- **Policy implication:** The foreclosure crisis has devastated entire towns and regions. The data show that the foreclosure crisis is not yet over, and its full effect on decreasing economic security at the household, community, and national levels has still not been fully realized.
- **Moving forward:** Allowing homeowners to remain in their homes—by, for example, renting back their foreclosed properties or helping struggling homeowners negotiate a deal with their banks—will help stabilize families, communities, and the economy.

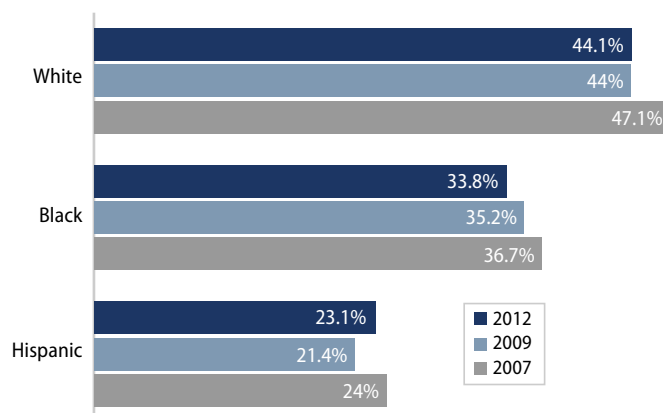
Gaps in retirement-plan participation worsen

Retirement plans at work, either through defined-benefit pensions or defined-contribution retirement-savings plans, are a crucial way for people to achieve future financial security. The percentages of private-sector workers with retirement plans provided through their jobs decreased across all racial groups during the recession.

But during the first two years of the recovery, from 2009 to 2012, the share of private-sector workers participating in an employer-sponsored retirement plan improved somewhat for Latinos and whites, though it worsened for African Americans. The share of African American private-sector workers participating in a retirement plan at work dropped by 1.4 percentage points, from 35.2 percent in 2009 to 33.8 percent in 2012.¹¹⁴ Conversely, the number of Latinos participating in a retirement plan increased by 1.7 percentage points, from 21.4 percent in 2009 to 23.1 percent in 2012, and the white share rose by 0.1 percentage points, from 44 percent to 44.1 percent during the same time period. (see Figure 9)¹¹⁵

The retirement-plan participation rates in 2009, though, were well below the participation rates in 2007, just before the start of the Great Recession. The African American participation rate was 36.7 percent in 2007, 1.5 percentage points higher than in 2009; the Latino participation rate was 24 percent in 2007, 2.6 percentage points higher than in 2009; and the white participation rate was 47.1 percent in 2007, 3.1 percentage points higher than in 2009.¹¹⁶ (see Figure 9)¹¹⁷

FIGURE 9
Private-sector workers participating in a retirement plan at work, ages 21–64



Sources: Craig Copeland, "Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2012" (Washington: Employee Benefit Research Institute, 2013); Craig Copeland, "Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2011" (Washington: Employee Benefit Research Institute, 2012); Craig Copeland, "Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2010" (Washington: Employee Benefit Research Institute, 2011); Craig Copeland, "Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2009" (Washington: Employee Benefit Research Institute, 2010); Craig Copeland, "Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2008" (Washington: Employee Benefit Research Institute, 2009); Craig Copeland, "Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2007" (Washington: Employee Benefit Research Institute, 2008).

- **Key finding:** All groups have seen a decrease in retirement coverage in the private sector during and after the Great Recession, but these trends have stabilized at low levels of retirement-plan participation in the private sector starting in 2011 for all groups except African Americans.
- **Policy implication:** This stabilization is perhaps due to the current economic insecurity, which, during working years, translates into financial struggles in retirement. This is even more noteworthy for communities of color than for whites, since Latinos and African Americans tend to have less coverage at work than whites.
- **Moving forward:** Lowering the costs and risks of saving for retirement and streamlining federal savings incentives will be important steps to make it easier for people in communities of color to build economic security now for their future.

Trends: The ‘rules of the game’ are stacked against communities of color

This report highlights the available data on the economic fate of communities of color since the start of the recovery in June 2009 that followed the worst recession since the Great Depression, which has also become known as the Great Recession. The data, broken down by race and ethnicity for much of the first four years of the recovery—from the middle of 2009 through the middle of 2013—show vast gaps in the economic fortunes between communities of color and whites, with communities of color generally experiencing much lower economic security—fewer jobs, higher unemployment, lower wages, fewer benefits, lower incomes, more poverty, and less wealth—than whites.

Almost all communities of color fare worse than whites on at least one or two key indicators of economic security, if not on all measures. African Americans tend to fare worse than whites in every single instance, Latinos tend to fare worse on all measures except job creation, and Asian Americans still tend to fare worse than whites on poverty and health insurance coverage. That is to say, whites on average have experienced more economic security than communities of color, even though white families also suffered from high unemployment, rising poverty, and decimated wealth during the economic recovery.

The data further show that some economic gaps by race and ethnicity widened during the recovery. This is especially true for the differences between African Americans and whites, as it took much longer for African Americans and some Asian American subpopulations to see any improvements amid moderate economic growth and weak job creation. All groups eventually saw economic improvements in 2012 and thereafter, but the pace of economic growth and job creation remains too low to see substantial improvements in the economic security of any group—white or nonwhite—and there is thus little hope that the racial and ethnic gaps in economic security sharply illustrated by the data in this report will shrink any time soon.

Unfortunately, this is not new but rather reflects long-standing trends. Previous data summaries and reports both from the Center for American Progress and other organizations highlight a few key points that have characterized the gaps in economic security between communities of color and whites for some time. We briefly summarize some of the most pertinent “rules of the game” here, since they not only describe the situation in the years after the Great Recession but also describe the years and decades leading up to it.

Twice-as-high unemployment illustrates structural obstacles for communities of color

A persistent gap in the unemployment rates of African Americans and Latinos on the one hand and whites on the other likely reflects structural obstacles for communities of color to gain more economic security. African Americans, roughly speaking, have about twice the unemployment rate of whites, and much of this gap exists even when researchers separately consider unemployment rates for subpopulations such as women and men, younger and older workers, and workers with and without college degrees.¹¹⁸ Latinos tend to have an unemployment rate that is about one-and-a-half times that of whites, even though larger shares of Latinos than whites are typically employed.¹¹⁹ These differences existed before and after the Great Recession.¹²⁰ A substantial difference in unemployment rates persists even after accounting for the different make-up of the population groups.

The logical interpretation is that factors not captured by personal characteristics other than race and ethnicity account for the different unemployment experiences of African Americans and Latinos compared to whites. These factors can include outright labor-market discrimination but also encompass less access to affordable transportation options, lower-quality education, different access to credit markets,¹²¹ smaller professional social networks, and longer spells of unemployment,¹²² to name some of the most relevant factors that can put African Americans and Latinos at a disadvantage relative to whites in the labor market.

Last hired, first fired

The Great Recession and its aftermath highlighted another economic regularity during economic downturns that drives a wedge in the economic security of communities of color relative to whites. Communities of color, particularly

African Americans and Latinos, tend to see their unemployment rates rise before the white unemployment rate increases, and they experience improvements in their unemployment rates well after the white unemployment rate has started to decrease.¹²³ This phenomenon is occasionally referred to as “last hired, first fired.”

This regularity damages the economic security of communities of color more than that of whites in a number of ways. For one, unemployment spells of African Americans and Latinos tend to be longer than those of whites. Longer unemployment spells in turn make re-employment after unemployment harder, thus prolonging unemployment for communities of color even more. Longer unemployment spells also mean that people in communities of color have to make do for longer periods of time without earnings and access to employer-sponsored retirement and health insurance benefits than whites. Furthermore, less access to earnings and benefits means that the savings of communities of color are damaged more by the fallout of a recession than the savings of white families.¹²⁴

The Great Recession was no exception to the “last hired, first fired” rule. The Latino unemployment rate started to increase a few months before the white unemployment rate in late 2006.¹²⁵ The African American unemployment rate started to rise approximately at the same time as the white unemployment rate in 2007, but this similarity ignores the fact that the African American unemployment rate had declined much later after the preceding recession in 2001 than it did for whites—that is to say, African Americans enjoyed a much shorter period of economic improvements before the Great Recession than whites. And the white unemployment rate started to fall almost consistently from its recession peak at the end of 2009, while the African American unemployment rate stayed near or above its recession peak through the third quarter of 2011. The takeaway is this: The modest economic recovery and weak job-market gains after the Great Recession depressed the economic security of communities of color for much longer than it did for whites, as has been the case in previous recoveries.

Not just any jobs, but good jobs needed

The evidence in this report and previous, similar reports shows that all communities of color tend to have jobs that pay less and offer fewer benefits than jobs held by whites.¹²⁶ The data clearly show that African Americans and Latinos typically earned less than whites after the Great Recession and have fewer retirement benefits and less health insurance coverage from their employers than whites.

Furthermore, Asian Americans have a greater share of their populations employed than whites, but they also have a higher poverty rate and a higher rate of being uninsured, which is a reflection of lower earnings and less health insurance coverage through a job. This discrepancy in job quality has been a constant over time, long before the Great Recession got underway.

Wealth disparity much worse than income gaps

The persistent discrepancies in unemployment, earnings, and benefits by race and ethnicity take their toll on the economic security of communities of color not just in the here and now but also in the future. African Americans and Latinos tend to have much lower incomes than whites. Their incomes tend to be about 60 percent to 70 percent of the incomes of whites.

These income gaps translate into much larger wealth gaps because these income differences persist over time. Consistently less income and worse jobs for African Americans and Latinos than for whites are contributing factors to the wealth disparities by race and ethnicity, though they are not the only factors. Communities of color have fewer opportunities to save than whites do, and, when they have the opportunity to save, they can save only smaller amounts due to lower earnings and fewer incomes. Nonwhite households had about 20 percent of the wealth of whites before the Great Recession and less than 20 percent in the aftermath of the recession.¹²⁷

The inability of communities of color to save as much as whites over time also leaves them vulnerable if something goes wrong in the economy, such as a financial-market crash, a housing-market decline, or a recession. Communities of color have fewer savings outside of the home available to cover emergencies if anything goes wrong if they invest their savings in a house. Put differently, the widening wealth gap during the most recent recession followed a larger share of assets invested in housing by communities of color than by whites. A housing-market crash such as the one that went along with the recession, for instance, destroyed relatively larger shares of wealth in communities of color than among white families.¹²⁸

These economic regularities that characterize the disparate economic experiences of families of color and white families make an even more urgent case for policy interventions to close the racial gaps in the economy than just an overview of the data of the past few years can do.

Conclusion

The economy is almost at the end of its fourth year in the recovery, and the labor market has been adding jobs consistently for more than three years. Many households, as shown by the data, are regaining some of the economic security lost during the Great Recession. The data also show that almost all communities of color fare worse than whites on at least one or two key indicators of economic security—and that when gains in economic security are made, communities of color have seen slower gains than white households. While it is not surprising that people will fare worse during a recession, what's notable is that economic gaps by race and ethnicity widened during the recovery, and some gaps are still growing. This is especially true for African Americans, who have experienced continued declines in economic security well into the economic recovery, while all other groups have seen improvements. Trends in high unemployment rates, poor-quality jobs, low earnings, and compounding wealth gaps project a future of increasing disparities if policies do not change. This is just another way of saying that a return to economic growth is insufficient to lift all boats and that policymakers need to step in to make sure that communities of color equitably benefit from the economic recovery.

Policymakers have rightfully focused on first making sure that the economic recovery translated into a labor-market recovery. Now, the challenge is to institute policies that begin to erase the persistent inequities between communities of color and white households, such as disproportionately slower job growth, low wages, lack of employer-sponsored benefits, and substantially less household wealth. Policymakers can start to reduce the inequities in economic security by race and ethnicity through policies that are targeted both at specific problems and at particular communities. After all, the data show significant variation by economic security indicators and substantial divergence in the economic security of groups of households. This is important not only in the present but also for the future. The United States is rapidly changing and growing, and it is imperative that our policies change and grow with it.

The U.S. Census projections show that people of color are a growing share of the U.S. population—and will continue to grow in number until people of color are the majority of people living in the United States in 2043.¹²⁹ Because of this demographic shift, it is imperative that we start rethinking our policy priorities and investments so that they reflect a changing nation.

Preparing our current and future workforce with better education and training opportunities can help strengthen our nation's economy and sharpen our competitive edge in the global market. Improving public infrastructure, promoting health communities, reforming the criminal justice system, and taking a look through the wide lens of immigration reform are among a few steps that can go a long way toward addressing some of the fallout of the Great Recession on communities of color and ensuring these communities regain some of the economic security they lost in the downturn.

Historically, diversity has also brought immense economic benefits to the United States. To continue to do so and to truly increase future prosperity, we need to eliminate racial disparities and break down barriers to opportunity for communities of color. New analysis featured in the Center for American Progress and PolicyLink's most recent book, *All-In Nation: An America that Works for All*, shows that if we eliminate racial and ethnic gaps in personal income, GDP, and federal, state, and local tax, revenue will grow. What's more, the poverty rate would reduce and the solvency of Social Security would improve and help provide the support that aging Americans need and deserve. The costs are too many and the gains are so much that it is time to implement an equity policy agenda that manifests the potential of our diverse population. The time is now to create an all-in nation—one with the opportunity for success for each and every one of us.

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Endnotes

- 1 U.S. Census Bureau, "Population Projections," available at <http://www.census.gov/population/projections/> (last accessed September 2013).
- 2 Vanessa Cárdenas and Sarah Treuhart, eds., *All-In Nation: An America that Works for All* (Washington; and Oakland, California: Center for American Progress and PolicyLink, 2013), available at <http://allinnation.org/>.
- 3 We acknowledge that serious data limitations exist for communities of color. Asian Americans, for example, are most often amalgamated into one aggregate category, dominated by Chinese and Indian Americans and excluding Southeast Asian; American Indian/Alaska Native, or AI/AN; and Native Hawaiian and Other Pacific Islander, or NHOPI, communities. These groups are often left out of data collection because of complications with sample-size comparisons. But where it has been possible, we have supplemented data from the U.S. Bureau of Labor Statistics with data collected by the U.S. Census Bureau and the American Community Survey's one-year estimates on subpopulations to document the high rates of unemployment and poverty and the lack of health insurance coverage in these groups. Still, we realize that there are serious limitations to our knowledge about the economic insecurity of some communities of color and underline the need for better-disaggregated data collection.
- 4 Authors' calculations based on U.S. Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey: Unemployment, August 2013," available at <http://www.bls.gov/web/empsit/cpseea04.htm> (last accessed September 2013). Data are seasonally adjusted for all groups except Asian Americans. Data for Asian Americans only exist in nonseasonally adjusted form.
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