



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



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

Contents

- 1 Introduction and summary**
- 6 Fallout of the Great Recession**
- 23 Trends: The 'rules of the game' are stacked against communities of color**
- 27 Conclusion**
- 29 About the authors**
- 30 Endnotes**

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.