



The Great Recession, Jobless Recoveries and Black Workers

Sylvia Allegretto, Ph.D. and Steven Pitts, Ph.D.

The economic downturn, which began in December 2007, aptly has been called the Great Recession. The trough of job losses occurred in December 2009, by which time 8.4 million or 6.1 percent of all non-farm jobs were lost. This represented the largest decline of jobs (in either absolute numbers or percentage terms) since the Great Depression of the 1930s.

In response to this ongoing crisis, Congress passed the *American Recovery and Reinvestment Act of 2009*—a spending and tax relief package that totaled \$787 billion. While the ARRA provided much needed relief and stimulus, the size and scope of the package was not in proportion to the enormity of the crisis. Too much of it was geared to ineffective tax cuts instead of direct job creation, and the crisis proved to be much worse than originally thought. Today the

unemployment rate remains elevated at 9.5 percent and many economists worry that the country is, at best, in a jobless recovery similar to what occurred after the 1990 and 2001 recessions. At worst, we may be heading into a dreaded double-dip. For the black community, the Great Recession has been catastrophic, and the prospect of a jobless recovery or further recession will extend the widespread economic and social woes in which much of the community is now mired.

The State of Black Workers since the Beginning of the Great Recession

The most oft-cited measure of labor market distress is the official unemployment rate. While this figure captures the proportion of the labor force which is officially out of work, it is lacking as a measure of labor market distress because marginally attached and discouraged workers who have stopped looking for work due to their inability to find employment are not counted.¹ Recently, two other key labor market indicators have gained prominence: the long-term unemployed and the broader measure of under-utilized labor we call the underemployment rate. The former is expressed as the share of the unemployed who have been out of work

for at least six months. The latter is a more expansive measure that includes officially unemployed workers, discouraged workers who have stopped looking for work and those working part-time who are unable to find full-time employment.

Using these three measures, a portrait of the current state of black workers can be drawn. In July 2010, the official unemployment rate for black workers was 15.6 percent. When disaggregated by gender, one finds that 17.8 percent of black men were unemployed and 13.7 percent of black women were unemployed. For black youth (ages 16-19), unemployment stood at 40.6 percent. (Comparable figures for whites were 8.6 percent, 9.4 percent, 7.6 percent and 23.5 percent, respectively.) One disturbing feature of this recession is the increasing number of long-term unemployed. During the first half of 2010, 49.1 percent of the black unemployed were jobless for at least six months. The comparable figure for whites was 42.4 percent. The broader measure of under-utilized labor during the first quarter of 2010 showed that approximately one in four blacks, compared to one in seven whites was underemployed. The recession continues to be especially hard on the black community.

1. The Bureau of Labor Statistics calculates unemployment from Current Population Survey data. Persons are classified as unemployed if they do not have a job, have actively looked for work in the four weeks prior to the survey, and are currently available for work. Receiving benefits from the Unemployment Insurance (UI) Program has no bearing on whether a person is classified as unemployed.

The State of Black Workers before the Great Recession

As the nation continues to grapple with persistently high levels of unemployment—levels that were unexpected by most economists when the Obama Administration began—it is important to realize that for the black community, simply returning to the pre-recessionary labor market outcomes is insufficient. Even before the Great Recession, racial inequalities were a key feature of the economy. In 2007, the height of the last economic expansion, black unemployment rates averaged 8.2 percent compared to 3.9 percent for whites. Approximately one in four unemployed blacks was jobless for at least six months, and that rate was considerably higher than the long-term unemployment rate for whites, which was one in six. The broader measure of economic stress captured by underemployment rates—13.4 percent of blacks and 6.8 percent of whites—also indicated substantial racial disparity during good economic times.

These disparities in joblessness only partially capture the racial inequities in the labor market. Among jobholders, significant racial wage inequalities exist in good as well as in

bad economic times. Examining the period from 2005 through 2007, the median wage for black men was 74.3 percent of that for white men, while black women earned 85.4 percent of what white women earned.² Five industries employed 70.6 percent of all black workers: Public Administration; Education and Health Services; Wholesale and Retail Trade; Manufacturing; and Professional and Business Services. Table 1 presents a comparison of median wages in these industries.

Examining the distribution of black workers within industries reinforces this picture of racial inequality. In our research, we segmented wages into thirds (wage terciles) for each industry, identifying wage cutoffs for the determination of the highest paid third, the middle third and the lowest paid third. Next, we calculated the proportion of black workers in each industry wage tercile. In a world of racial parity, one third of black workers would be in each wage tercile. What we found was that blacks were disproportionately represented in the lowest paid segments of each industry. Table 2 presents data for the five principal industries where blacks are employed.

Prospects for Black Workers during a Jobless Recovery

Current sluggish economic activity has raised the specter of a jobless recovery: prolonged anemic economic growth that won't produce sufficient jobs to re-employ unemployed workers or satisfy the needs of a growing workforce. One way to measure the duration of a jobless recovery is to examine how long it takes for employment levels to return to what existed prior to the recession. It took 30 months after the 1990 recession and 46 months after the 2001 recession to return to pre-recessionary job levels. July 2010 marked the 32nd month since the beginning of the Great Recession. Early in 2010, there was some positive job growth, (much due to temporary Census hires), but job declines resumed in June and July leaving the level of employment 7.7 million jobs below what they were in December 2007.

It is difficult to precisely predict how black workers would fare during a jobless recovery. What is known is how black unemployment rates changed during the previous jobless recovery. We present data on the 2001 recession and subsequent jobless recovery to provide some insight and expectation should another ensue. There are four key dates in this period: the beginning of the recession (March 2001), the official end of the recession (November 2001), the month that job growth became positive (September 2003), and the month that employment levels returned to their November 2001 levels (January 2005). Table 3 presents data on black and white unemployment rates at each date.

What is clear is that black and white unemployment continued to rise even after the official end of the recession and even when job growth became positive. In January 2005, when recessionary jobs were finally recouped, the black unemployment rate (10.7 percent) was still greater than what it was at the official end of the recession in November 2001 (9.5 percent)—this was not the case for whites. If this pattern is replicated now, black unemployment will remain at catastrophic levels for the foreseeable future. Chart "Black and White Unemployment Rates" presents

2. The 2005-2007 timeframe captures the last economic expansion as the onset of recession was in December 2007.

Table 1
Black Median Wages as a Proportion of White Median Wages

Industry	Men	Women
Public Administration	80.0%	89.1%
Education & Health Services	68.1%	77.9%
Wholesale and Retail Trade	74.0%	91.2%
Manufacturing	72.0%	79.7%
Professional & Business Services	56.9%	79.2%

Table 2
Proportion of Black Workers in the Lowest Wage Terciles

(parity would be represented by a figure of 33.3%)

Industry	Men	Women
Public Administration	40.5%	46.5%
Education & Health Services	40.2%	51.0%
Wholesale and Retail Trade	39.5%	54.6%
Manufacturing	46.3%	60.1%
Professional & Business Services	51.1%	53.3%

data on black and white unemployment rates during this decade with markers for dates of significance.

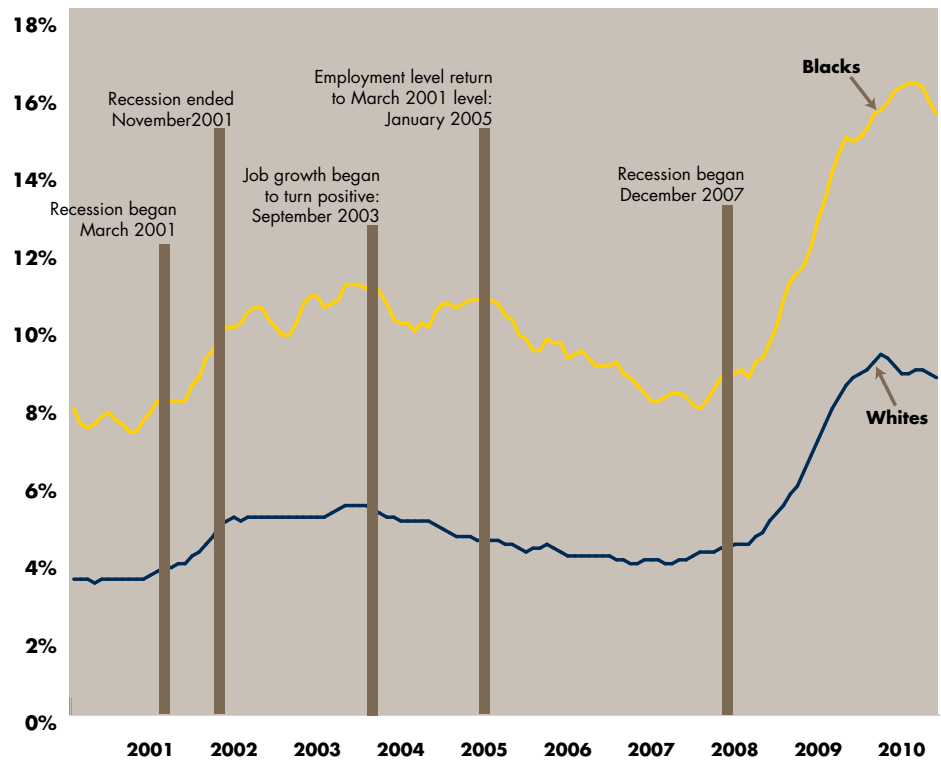
Policy Recommendations

In the face of the persistent reality of racial inequalities in labor market outcomes and the prospects of a jobless recovery that would perpetuate these disparate outcomes, what are potential steps that policymakers can take to address this problem? Below is a brief sketch of a broad set of possible solutions. We view them as a package that needs to be enacted together in much the same way that a three-legged stool needs all of its legs to remain upright.

- Macro economic growth. The black community cannot prosper if the national economy is weak. Therefore, an aggressive complement to the *American Recovery and Reinvestment Act of 2009* should be passed including: a public jobs program, continued aid for the unemployed and substantive aid for state and local governments.
- Aid for disadvantaged communities. Because of the disproportionate burden that blacks and other workers of color face in today's labor markets, it is important that measures target those communities to ensure that any economic recovery reaches all segments of our society.
- Aggressive anti-discrimination measures. The data presented above documents the continued importance of race in determining economic prospects, while other research has established racial discrimination in hiring practices. Government at all levels must take explicit steps to address this problem.
- Establish sturdy pipelines into industries that pay well. Workforce development efforts must be linked with economic development efforts to ensure that job training programs put persons on pathways into industries that pay family-sustaining wages.
- Expand workplace rights and protections. In a racialized society, the arbitrary exercise of power by employers will have a disproportionately negative impact on black workers and other workers of

Table 3
Unemployment Rates during Key Months from the 2001 Recession and Subsequent Jobless Recovery

Month - Importance	Black	White
March 2001 – recession officially begins	8.0%	3.8%
November 2001 – recession officially ends	9.8%	4.9%
September 2003 – job growth trends positive	11.1%	5.3%
January 2005 – employment returns to 3/2001 level	10.7%	4.5%



Black and White Unemployment Rates

Source: Authors' analysis of Current Population Survey. Data are three month moving averages

color. Aggressive enforcement of current workplace laws, expanding the realm of worker rights, and supporting the rights of workers to form unions and collectively bargain will aid black workers.

- Attainment of a full-employment economy. Strengthen the *Humphrey-Hawkins Full Employment Act* and ensure the Federal Reserve is pursuing policies to achieve this goal as declared in its mission statement.

The problems of racialized economic disparities that persist in good and tough economic times are complex. There is no one solution to remedy the many insufficient and often oppressive labor market outcomes

experienced by black workers. Thus, approaches to attack such problems need to be diverse, long-sighted and rigorously pursued. We view the policy prescriptions from above as part of a multipronged package which begins to address the plight of black workers on a myriad of fronts with the hope that serious dialogue and action will follow.

Sylvia A. Allegretto, Ph.D., is an economist and deputy chair of the Center on Wage and Employment Dynamics at the Institute for Research on Labor and Employment.

Steven Pitts, Ph.D., is a Labor Policy Specialist at the Center for Labor Research and Education. Both are at the University of California, Berkeley and may be reached at: allegretto@berkeley.edu.