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Understanding the Economy: Long-Term Unemployment in the African American Community

Joint Economic Committee

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Understanding the Economy: Long-Term Unemployment in the African American Community

Abstract

[Excerpt] This report provides an in--depth look at unemployment, including long--term unemployment, among African American or black workers. Since 1972, when the Bureau of Labor Statistics started tracking unemployment rates by race, it has become clear that the overall unemployment rate for the United States has masked the depth of the unemployment problem within the African American community.

This report is the first in a series of Joint Economic Committee reports examining the unemployment situation among different demographic groups. It shows that while African American workers have historically faced rates of unemployment and long--term unemployment higher than the overall rate, the unemployment problems in the African American community were exacerbated during the Great Recession. Additionally, a larger percentage of African Americans are currently "marginally attached" or have dropped out of the work force, relative to the population as a whole.

Understanding the employment challenges facing the African American community is just one important part of the process of devising effective policies to reduce unemployment for workers in all demographic groups. Longer durations of unemployment and higher unemployment rates could be symptomatic of a mismatch between skills and available jobs and may require more targeted policy actions to correct. Unemployment among teenagers is especially troubling, as economists have found that spells of unemployment among youth may lead to lower future wages and poorer career trajectories. Thus, in addition to reducing the unemployment rate, policymakers must also consider ways of limiting the long--term impact of the recession on workers who have been unemployed for extended periods of time to make sure that these workers can move into employment.

Keywords

Unemployment, African Americans, race, development, economic growth, labor market

Comments

Suggested Citation

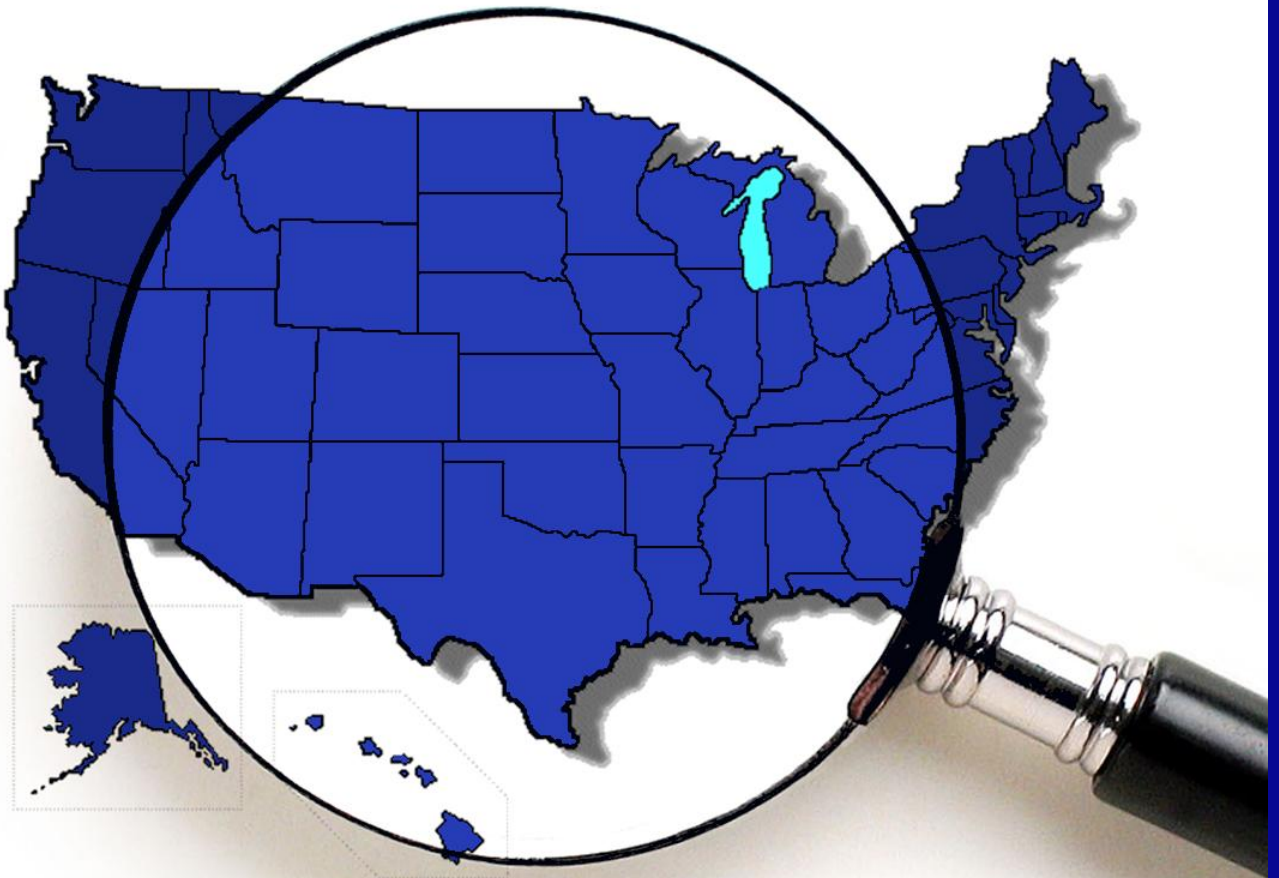
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March 2010

**UNDERSTANDING
THE ECONOMY**

**LONG-TERM UNEMPLOYMENT IN THE
AFRICAN AMERICAN COMMUNITY**



**A REPORT BY THE JOINT ECONOMIC COMMITTEE
REPRESENTATIVE CAROLYN B. MALONEY (D-NY), CHAIR**

Executive Summary

This report provides an in-depth look at unemployment, including long-term unemployment, among African American or black workers. Since 1972, when the Bureau of Labor Statistics started tracking unemployment rates by race, it has become clear that the overall unemployment rate for the United States has masked the depth of the unemployment problem within the African American community.

This report is the first in a series of Joint Economic Committee reports examining the unemployment situation among different demographic groups. It shows that while African American workers have historically faced rates of unemployment and long-term unemployment higher than the overall rate, the unemployment problems in the African American community were exacerbated during the Great Recession. Additionally, a larger percentage of African Americans are currently “marginally attached” or have dropped out of the work force, relative to the population as a whole.¹

Specifically, this report shows that:

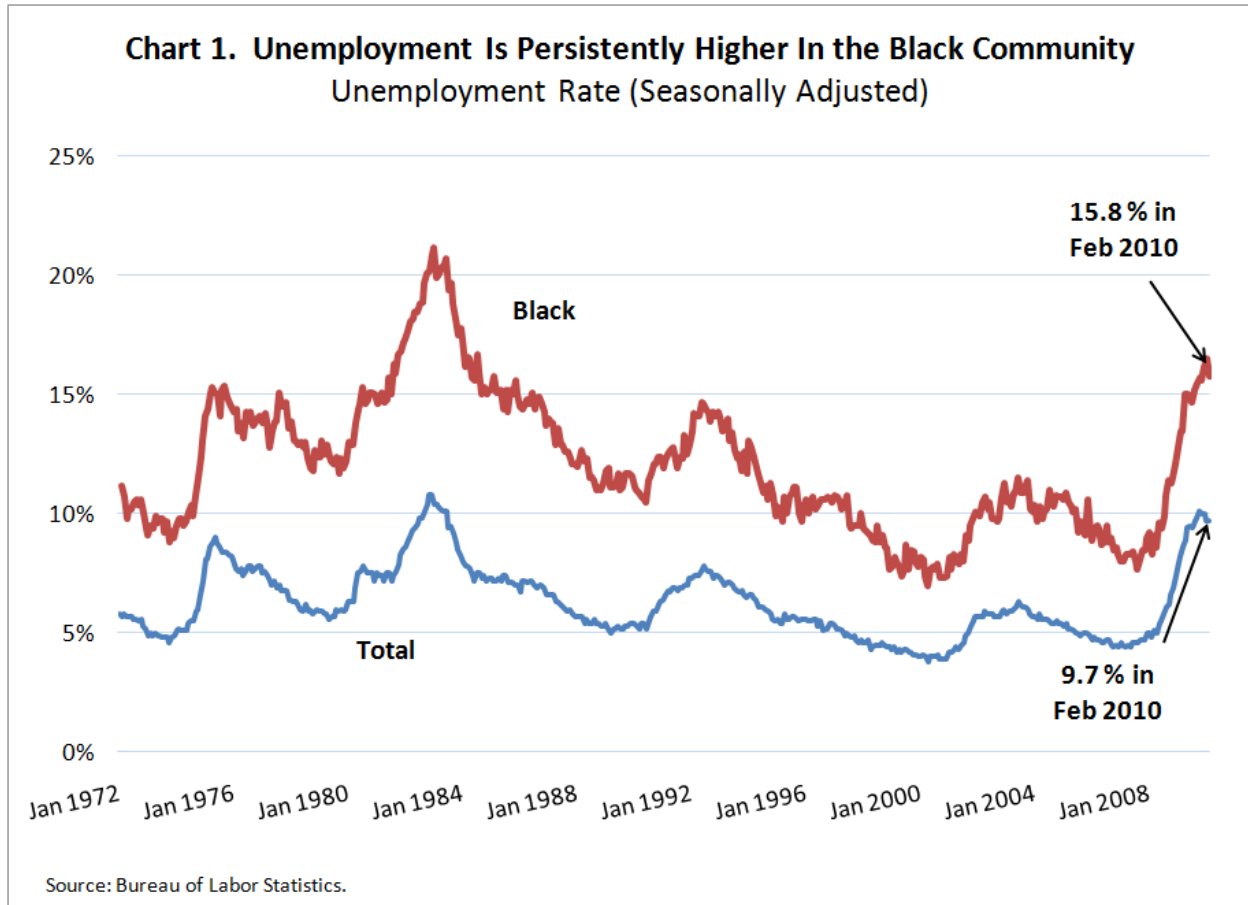
- The current unemployment rate for African Americans is over 6 percentage points higher than the overall unemployment rate.
- African American men have been especially hit during this recession, with nearly 1 in 5 facing unemployment.
- African American women have seen their unemployment rate jump from 7.1 percent in February 2007 to 13.1 percent in February 2010. Moreover, African American female heads of household, who bear the sole financial responsibility for their families, have an even higher unemployment rate of 15.0 percent.
- African American workers of all ages are experiencing higher unemployment rates than the overall population, but younger workers have been especially hard hit during this recession. More than 2 out of 5 African American teenagers are unemployed, compared to an overall teen unemployment rate of slightly over 25 percent.
- While having at least a college degree has usually been an effective shield against unemployment, African Americans with a 4-year college degree have an unemployment rate of 8.2 percent, almost double the unemployment rate for white workers (4.5 percent) with a similar level of education.
- African Americans have experienced longer stretches of unemployment than the general population. Although African American workers make up only 11.5 percent of the labor force, they account for more than 20 percent of the long-term unemployed, and make up 22 percent of workers who have been unemployed for over a year. The

median duration of unemployment for African American workers has risen from less than 3 months before the recession began to almost six months.

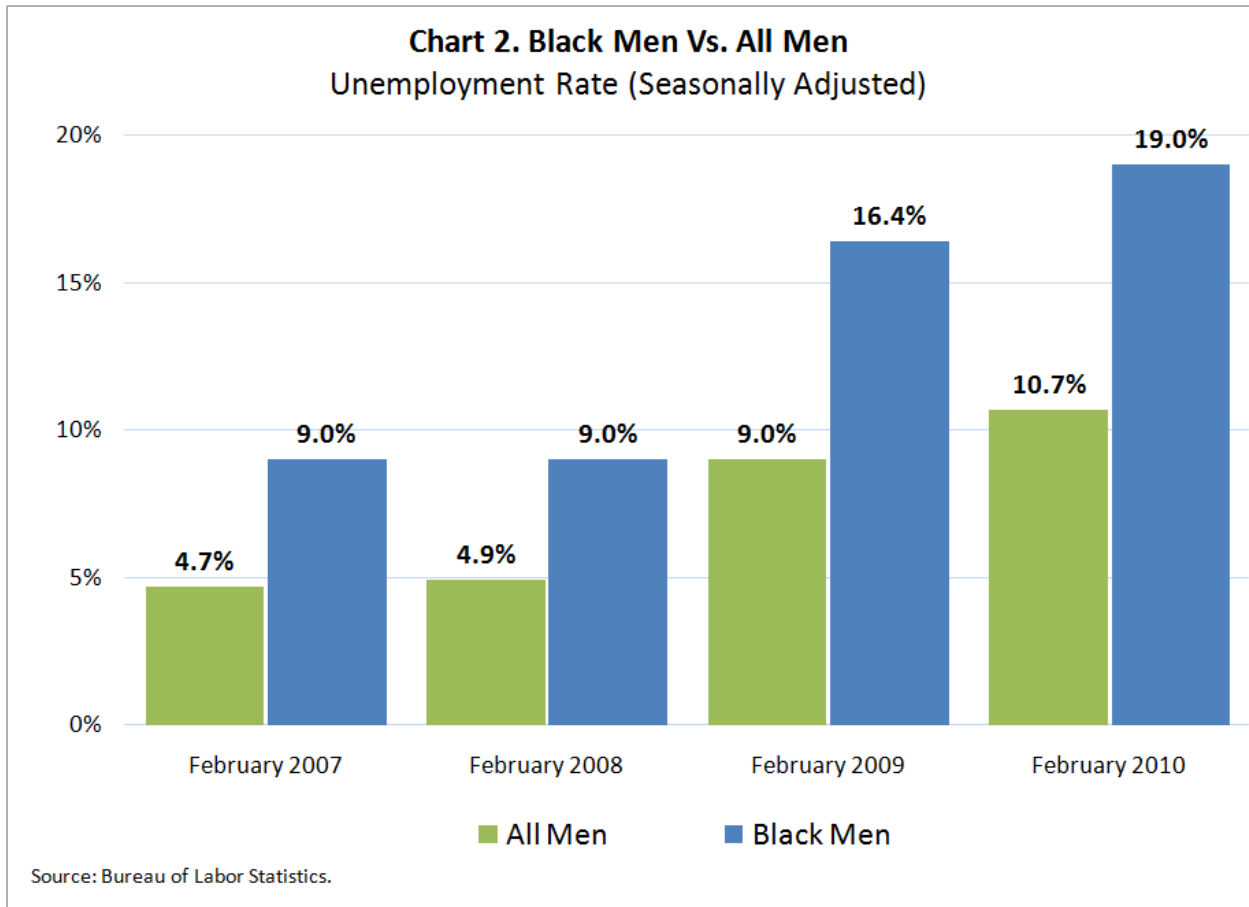
- Finally, using an alternative measure of unemployment and underemployment, this report shows that one in four African Americans faces underemployment or unemployment.

Understanding the employment challenges facing the African American community is just one important part of the process of devising effective policies to reduce unemployment for workers in all demographic groups. Longer durations of unemployment and higher unemployment rates could be symptomatic of a mismatch between skills and available jobs and may require more targeted policy actions to correct. Unemployment among teenagers is especially troubling, as economists have found that spells of unemployment among youth may lead to lower future wages and poorer career trajectories.² Thus, in addition to reducing the unemployment rate, policymakers must also consider ways of limiting the long-term impact of the recession on workers who have been unemployed for extended periods of time to make sure that these workers can move into employment.

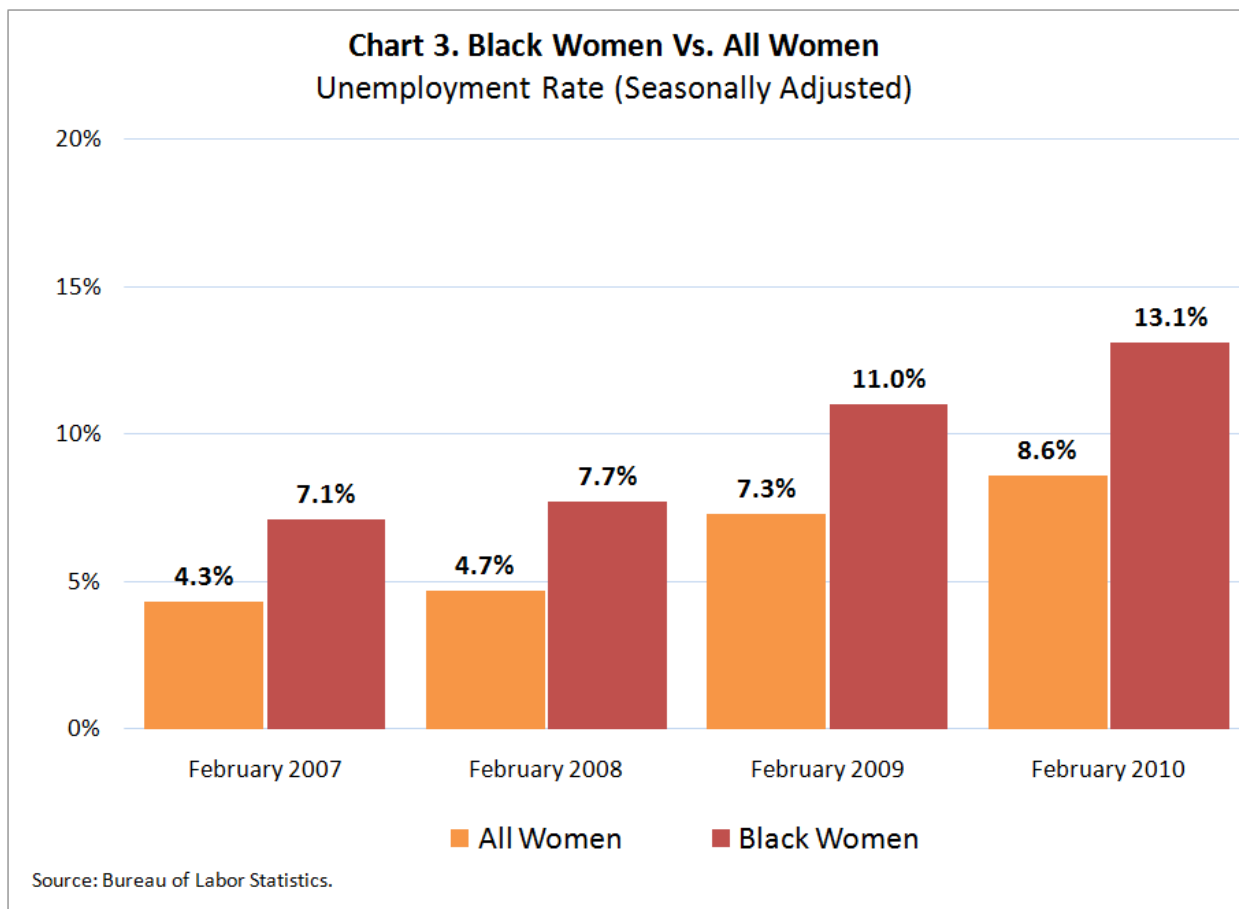
The following charts show that blacks or African Americans have historically faced rates of unemployment higher than the overall rate, regardless of age, sex, or education. While workers across the United States were hard hit during the Great Recession, the problems facing black or African American workers have been even greater, especially among the long-term unemployed.



A higher-than-average rate of unemployment has been a persistent problem within the black or African American community. Going back as far as 1972, when the Bureau of Labor Statistics began keeping track of unemployment rates by race, the unemployment rate of African Americans aged 16 and over has consistently been at least 50 percent higher than the overall unemployment rate. At times, it has been more than double. During the most recent recession, which began in December 2007, the unemployment rate of African Americans climbed from 9.0 percent to a quarter-century high of 16.5 percent. While the unemployment rate edged down to 15.8 in February 2010, the unemployment rate for African Americans is still over 6 percentage points higher than the general population, the largest gap since February 1994 (excluding the Great Recession).

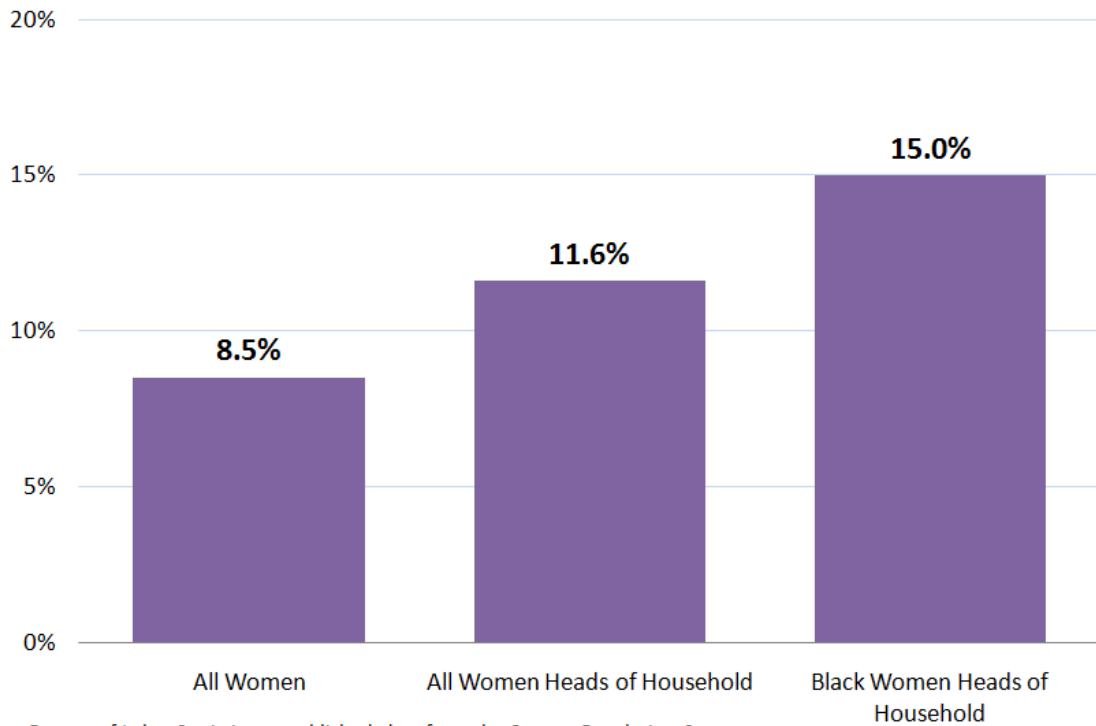


Unemployment rates are traditionally higher among men than among women. Since the recession began, African American men have seen their rate of unemployment rise to startling levels. The disparity between this rate and the overall unemployment rate of men has grown substantially as well. While the unemployment rate for all men rose 6 percentage points to 10.7 between February 2007 and February 2010, the jobless rate for African American men climbed a full 10.0 percentage points, reaching 19.0 percent in February 2010.



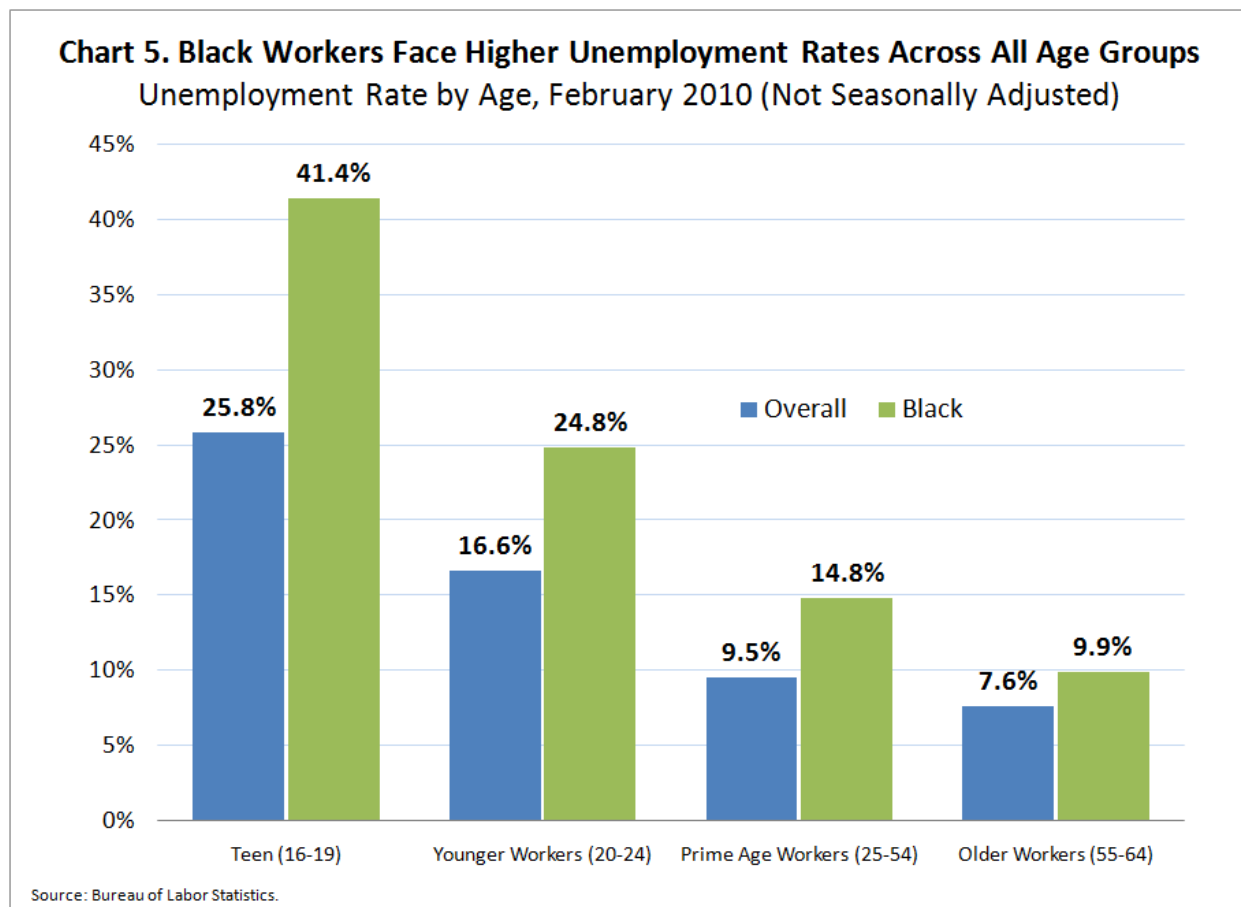
Like African American men, African American women also experienced jobless rates well above those for all women prior to the start of the current recession. In February 2007, the unemployment rate among African American women aged 16 and older was 7.1 percent, compared to 4.3 percent among all women aged 16 and older. Most recently, the jobless rate for African American women of 13.1 percent in February 2010 was 4.5 percentage points higher than the unemployment rate for all women.

Chart 4. All Women Heads of Household Vs. Black Women Heads of Household
Unemployment Rate, February 2010 (Not Seasonally Adjusted)



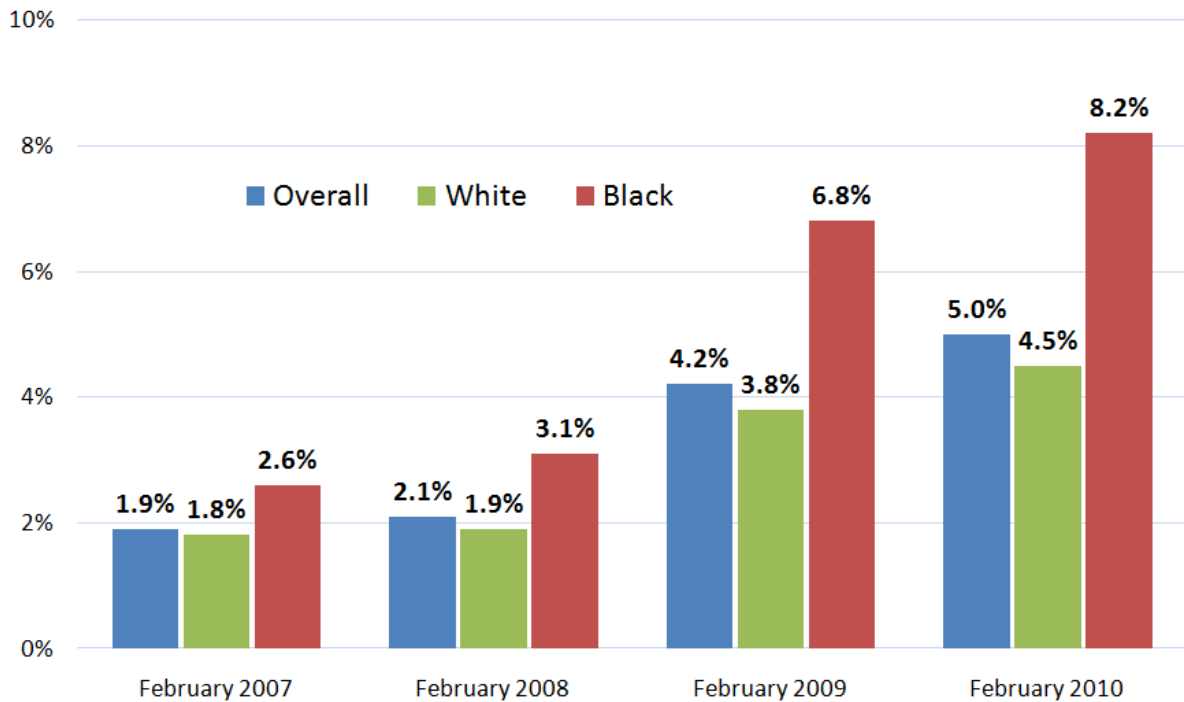
Source: Bureau of Labor Statistics, unpublished data from the Current Population Survey.

Among women workers, African American female heads of household face particularly high rates of unemployment. This high rate is especially troubling because female heads of household bear sole financial responsibility for families. The implications of high unemployment rates among this population may have long-term consequences on the educational attainment of children in these households.



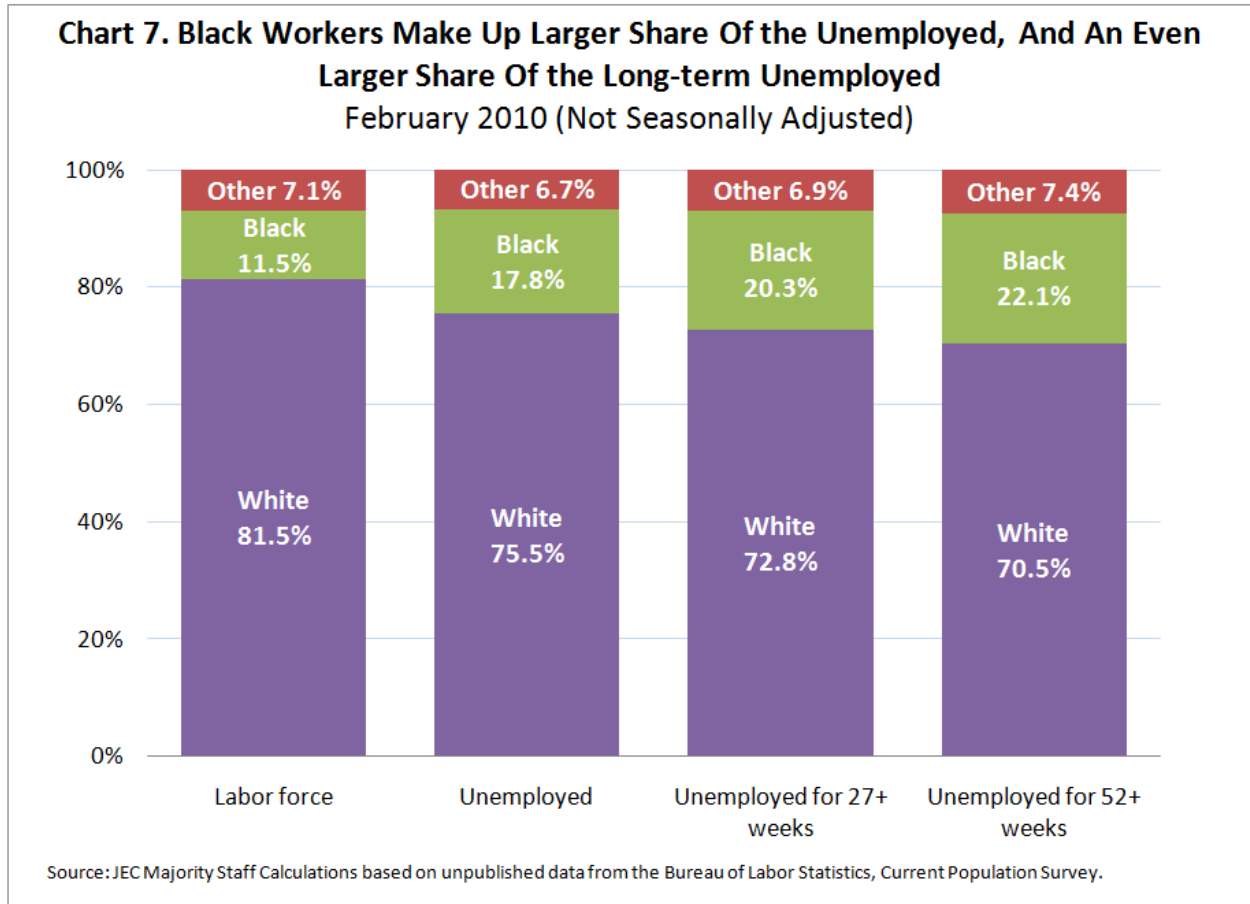
The weak labor market has hit African American workers of all age groups much more heavily than it has hit the overall labor force. In February 2010, a staggering 41.4 percent of African American teens (those between ages 16 to 19) were unemployed, 15.6 percent higher than the overall teen unemployment rate of 25.8 percent. A similar pattern emerges when comparing African American and overall unemployment rates across various age groups. Among younger African American workers (those between ages 20 and 24), 24.8 percent were unemployed, compared to the overall unemployment rate of younger workers, 16.6 percent. Prime age African American workers (those between the ages of 25 and 54) had an unemployment rate of 14.8 percent, 5.3 percent higher than the overall unemployment rate of prime age workers, which was 9.5 percent. Older workers (those between the ages of 55 and 64) had an unemployment rate of 9.9 percent, slightly higher than the overall unemployment rate of older workers, which was 7.6 percent.

Chart 6. Unemployment Rate of Black College Graduates Exceeds Other Races
Unemployment Rate of College Graduates by Race (Not Seasonally Adjusted)



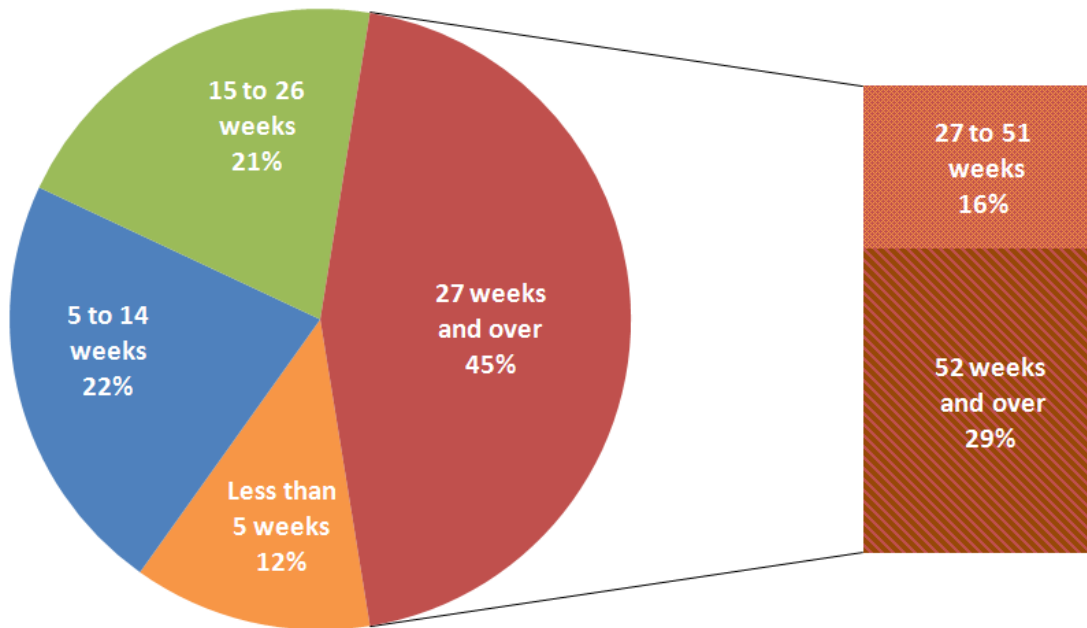
Source: Bureau of Labor Statistics.

While having at least a college degree has usually been an effective shield against unemployment, African Americans with a 4-year college degree are experiencing unemployment rates of 8.2 percent, almost double the unemployment rate for white workers (4.5 percent) with a similar level of education. Between February 2007 and February 2010, the unemployment rate for African American workers with a 4-year college degree increased 263 percent, compared to 150 percent for white workers with a 4-year degree.



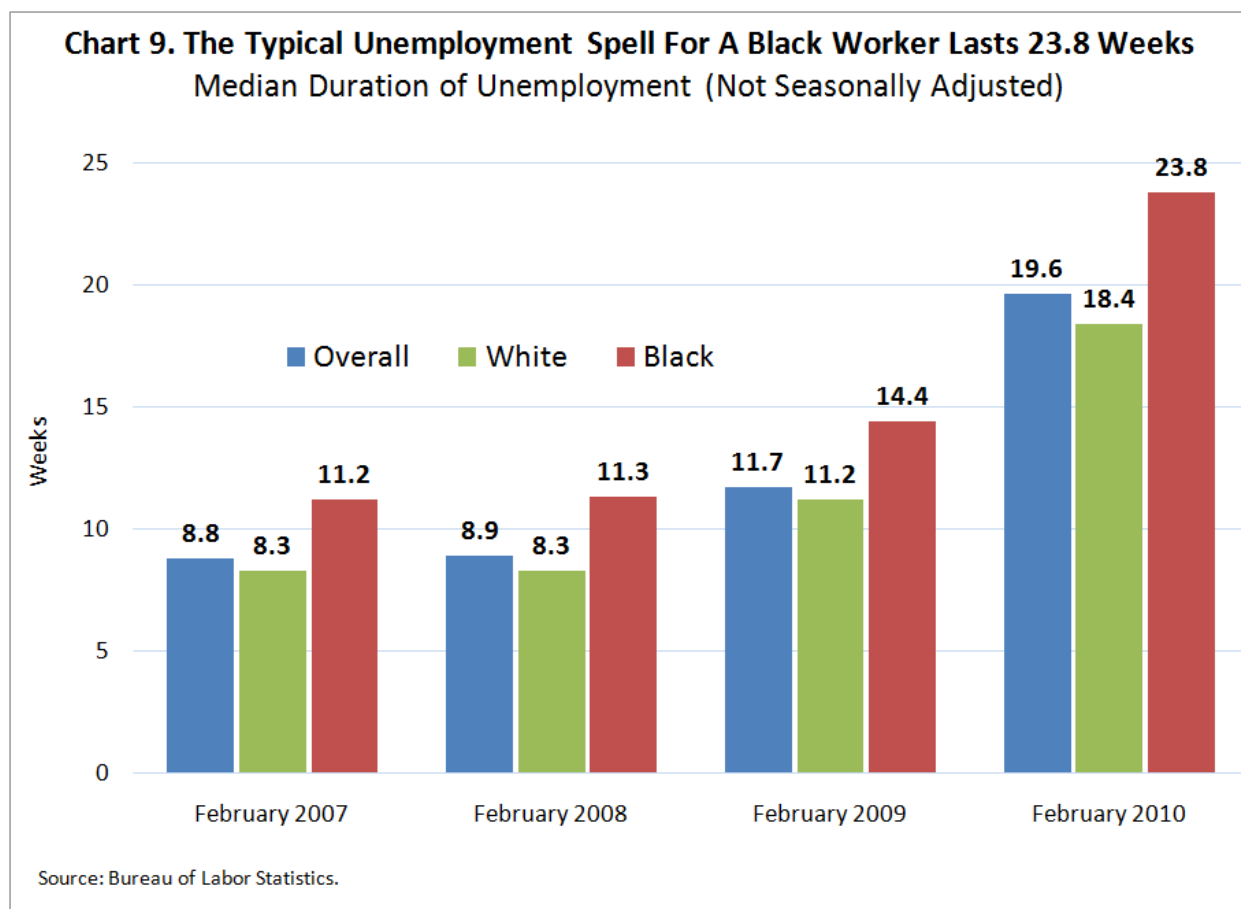
Although African American workers make up 11.5 percent of the total civilian labor force, they are overrepresented among the unemployed and made up 17.8 percent of the total number of unemployed workers as of February 2010. When one examines the composition of long-term unemployed workers, however, the picture is even more troubling. African Americans make up one-fifth (20.3 percent) of long-term unemployed workers, which means they have been jobless for 27 or more weeks. In addition, they account for 22.1 percent of workers who have been unemployed for 52 or more weeks. These numbers underscore the disproportionate impact of the recession on African American workers and the need for job creation policies that target the long-term unemployed. There are a number of reasons why unemployment may elude a substantial number of long-term unemployed workers. Workers who lost their jobs at the start of the recession may be the least skilled and any skills they had may have deteriorated during a long spell of unemployment. Or, these workers may have been employed in shrinking sectors of the economy – such as construction or manufacturing – and may not have the skills needed to move to the expanding sectors of the economy, such as the healthcare sector.

Chart 8. 45% of Jobless Black Workers Have Been Unemployed For 27 Weeks Or Longer
Distribution of Duration of Unemployment for Black Workers
February 2010 (Not Seasonally Adjusted)



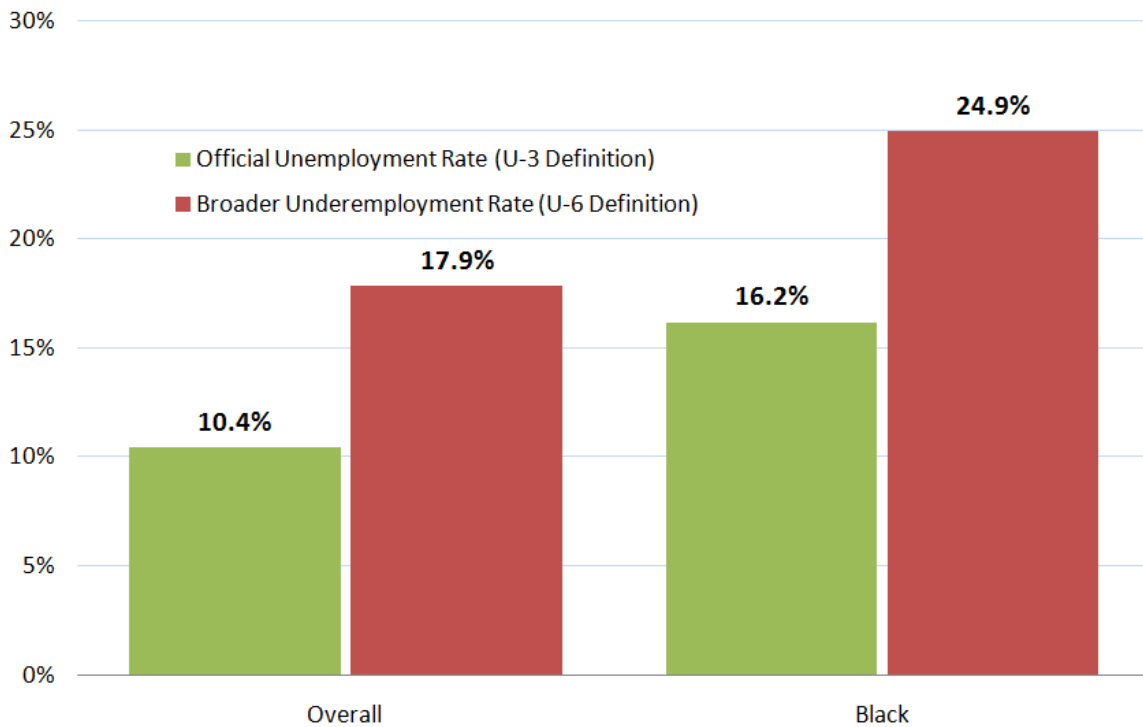
Source: JEC Majority Staff Calculations based on unpublished data from the Bureau of Labor Statistics, Current Population Survey.

In February 2010, a substantial fraction—45 percent—of unemployed African American workers had been unemployed for 27 or more weeks. In contrast, 39.3 percent of all unemployed workers had been unemployed for 27 or more weeks. Looking deeper, 16 percent of unemployed African American workers had been jobless for between 27 and 51 weeks, and 29 percent had been without work for 52 or more weeks. This highlights the fact that most long-term unemployed workers—over 60 percent—had been unemployed for more than a year.



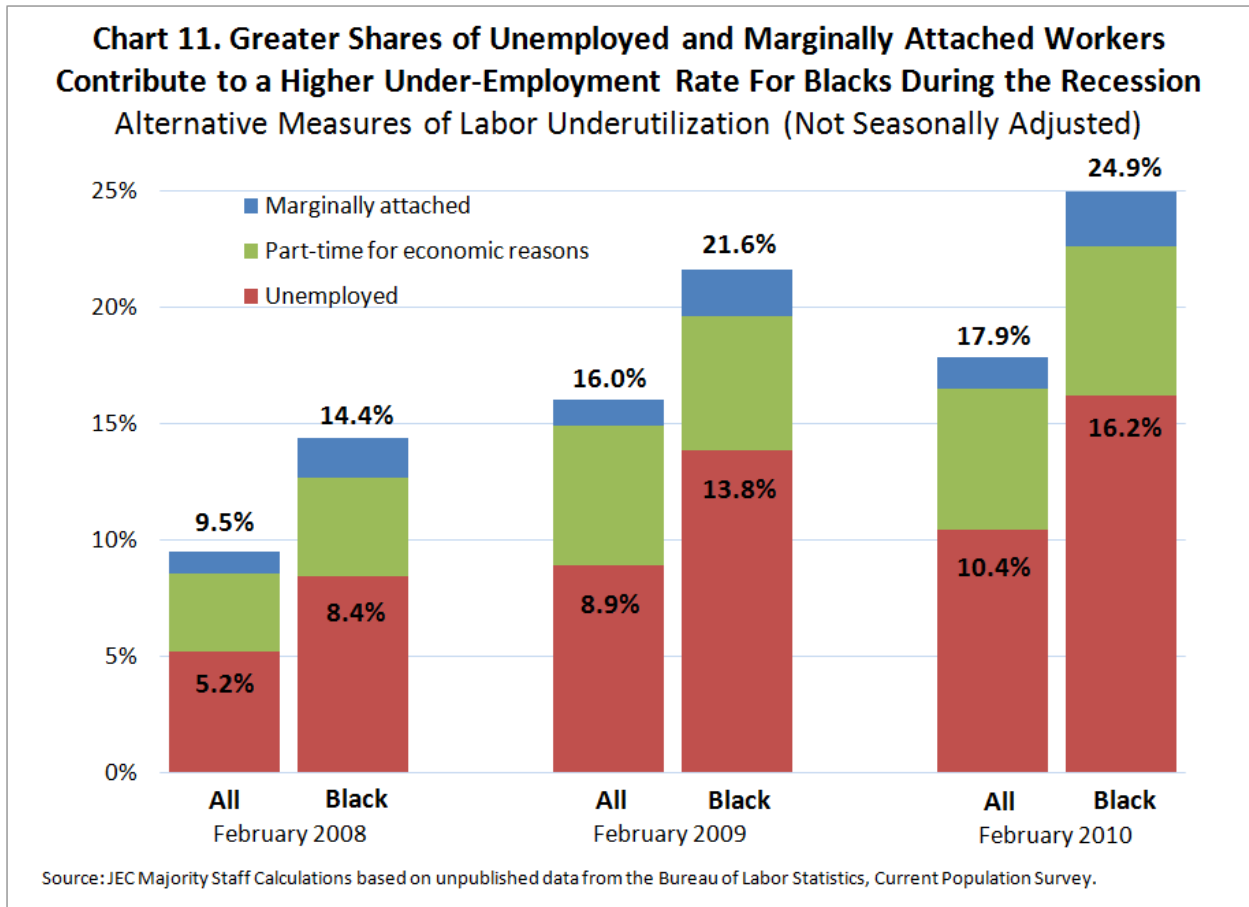
For the month of February 2007—before the Great Recession began—the median duration of unemployment among jobless African American workers (11.2 weeks) was already higher than the median duration of unemployment for the overall population of unemployed workers (8.8 weeks). Since then, the median duration of unemployment for African Americans has climbed, as has the disparity. In a span of three years—from February 2007 to February 2010—the median duration of unemployed African American workers more than doubled to 23.8 weeks. During the same time span, the gap in median unemployment duration between unemployed African American workers and all unemployed workers also rose, from 2.4 weeks to 4.2 weeks; the gap between unemployed African American and white workers, 5.4 weeks, is even higher.

Chart 10. Un- and Underemployment Rates Are Higher For Black Workers
Measures of Labor Underutilization, February 2010 (Not Seasonally Adjusted)



Source: JEC Majority Staff Calculations based on unpublished data from the Bureau of Labor Statistics, Current Population Survey.

Although the unemployment rate is the most common measure of the state of the labor market, a broader measure is the U-6 rate, which includes the underemployed. It takes into account people who are marginally attached—those not included in the labor force who want a job, are available to work, and have looked for a job at some point in the past twelve months (but not the past four weeks)—and workers who are part-time for economic reasons, meaning that they have part-time jobs but would like full-time work. The graph above shows that African Americans have had a U-6 rate significantly higher than the overall population. In February 2008, the U-6 rate for African Americans was 14.4 percent, compared to the overall rate of 9.5 percent. By February 2010, the U-6 rate for African Americans rose by 10.5 percent to 24.9 percent, while the overall U-6 rate rose by 8.4 percent to 17.9 percent. Thus, the U-6 rate for African Americans, which had already been high at the beginning of the recession, rose more than the overall U-6 rate during this time period.



The differences in the U-6 rate between African Americans and the overall population can be attributed to higher shares of marginally attached and unemployed workers in the African American community. However, when it comes to the portion of workers who are part-time for economic reasons, there is no substantial difference between African American workers and the overall population.

Conclusion

This report offers a baseline understanding of the employment challenges facing the African American community, focusing on changes in unemployment and long-term unemployment over the past three years. The unemployment rate statistics are broken down by gender, age, and higher education levels. The report shows that African Americans have experienced higher rates of unemployment and longer stretches of unemployment than the general population. African American men and African American teenagers have been particularly hard hit. Furthermore, a college degree has failed to protect African Americans from unemployment.

In coming months, the JEC will provide similar reports for other demographic groups, including Hispanics, youth, and women. These reports can be a starting point for policymakers working to address the higher unemployment rates and longer durations of unemployment experienced during the Great Recession among different demographic groups. The reports also may provide a reference for further study and analysis as academics, economists, and the JEC work to understand why certain demographic groups were hit hardest in the recession and what can be done to help get them back to work.

¹ According to the Bureau of Labor Statistics, the labor force does not include “persons under 16 years of age, all persons confined to institutions such as nursing homes and prisons, and persons on active duty in the Armed Forces.” The labor force is made up of the employed and the unemployed. The remainder of the population — those who have no job and are not looking for one—are counted as “not in the labor force.” Many who are not in the labor force are in school, have retired from working, or have family responsibilities that keep them out of the labor force.

“Marginally attached” workers are not in the labor force, but would like a job and are available for work. In order to be counting as “marginally attached” to the labor force, a person must also have looked for work in the last 12 months.

² See, eg., Philip Oreopoulos, et al., “The Short- and Long-Term Career Effects of Graduating in a Recession: Hysteresis and Heterogeneity in the Market for College Graduates,” working paper, (updated National Bureau of Economics Working Paper No. 12159), available online at http://www.columbia.edu/~vw2112/papers/cycl_upgr_oreovonwaheisz.pdf, and Thomas A. Mroz and Timothy H. Savage, “The Long-Term Effects of Youth Unemployment,” *The Journal of Human Resources*, Spring 2006, pp. 259-293.