



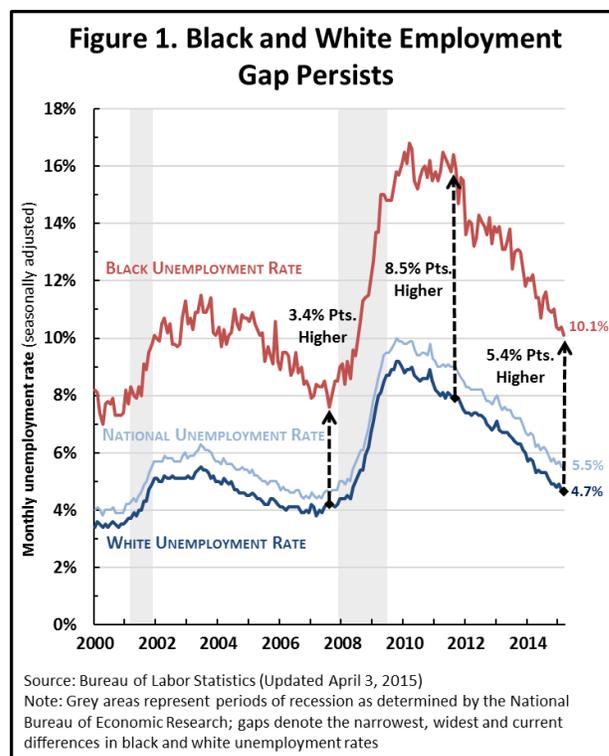
## ECONOMIC CHALLENGES IN THE BLACK COMMUNITY

April 14, 2015

### Overview

Nearly one-in-seven Americans identify themselves as “black or African American,” the third largest racial or ethnic group in the United States.<sup>1</sup> African Americans have made significant social and economic progress since the passage of the Civil Rights Act of 1964. However, the black community continues to face enormous challenges. Economic data reveal startling inequities—by many of the most important measures of economic well-being, black Americans lag far behind the majority white population.

- At 10.1 percent, the current unemployment rate for black Americans is **more than double** the rate of 4.7 percent for white Americans (*see Figure 1*).<sup>2</sup>
- Black Americans currently face an unemployment rate that is almost a full percentage point higher than the highest unemployment rate experienced by white Americans during the recent recession.<sup>3</sup>
- The median income of African American households is just \$34,600—**nearly \$24,000 less** than the median income of white households.<sup>4</sup>
- The median net worth of white households is **13 times** the level for black households.<sup>5</sup>
- Black Americans are **almost three times** more likely to live in poverty than white Americans.<sup>6</sup>

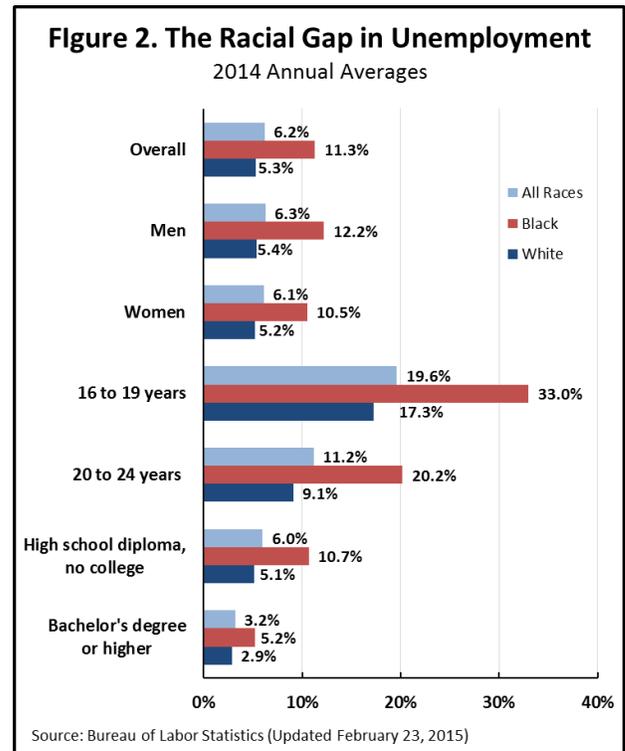


### Employment

Over the past four decades, the jobless rate for blacks has averaged more than twice the rate for whites.<sup>7</sup> More than one-in-ten African Americans are unemployed. Job prospects are especially dire for young African Americans. Higher unemployment rates, particularly among younger African Americans, perpetuate the racial earnings gap.

- At its peak in March 2010, one-in-six (16.8 percent) African Americans were unemployed in the aftermath of the recent recession.<sup>8</sup>

- Recent job growth has lowered the black unemployment rate to 10.1 percent—more than twice the current rate for whites (4.7 percent).<sup>9</sup>
- Blacks are 2.5 times more likely than whites to be long-term unemployed, with two out of every five unemployed blacks searching for work for more than six months.<sup>10</sup>
- African Americans are also more likely to be underemployed. For example, among individuals working part time, one-in-three black workers are doing so because their hours have been cut or they cannot find full-time work. This is true for only one-in-five white workers.<sup>11</sup>
- One-in-three (33.0 percent) blacks in their late teens and one-in-five (20.2 percent) blacks in their early twenties are unemployed (*see Figure 2*).<sup>12</sup> High unemployment rates among young African Americans early in their careers can hurt their long-term employment and earning prospects.<sup>13</sup>
- In 2010, black men were over six times as likely as white men to be incarcerated, and black women were almost three times as likely to be incarcerated as white women.<sup>14</sup> Relatively high incarceration rates mean that blacks are more likely to be absent from the labor force for significant portions of their working careers, and once released they face challenges in securing and maintaining good-paying jobs.<sup>15</sup>



### Income, wealth and poverty

Higher rates of joblessness translate into lower income, higher poverty rates and slower wealth accumulation for African American households. These disparities have contributed to a growing deficit in the economic security of the African American community.

- The median income of African American households is just \$34,600—nearly \$24,000 less than the median income of white households (\$58,300).<sup>16</sup>
- More than one-in-four African Americans live in poverty (27.2 percent)—almost triple the rate for whites (9.6 percent).<sup>17</sup>
- More than half (51.4 percent) of black families with children under 18 are headed by a single mother, compared to one-fifth (19.1 percent) of white families with children, and nearly 47 percent of families headed by a black single mother are in poverty.<sup>18</sup>
- Children in African American households are nearly twice as likely to be raised in the bottom 20 percent of the income distribution as children in white households.<sup>19</sup>

- Research suggests that more than half of black children raised in the bottom 20 percent of the income distribution will remain there as adults, compared to only one-in-three white children who begin there.<sup>20</sup>
- White households typically have 13 times more wealth than black households. In 2013, the median net worth of African American households was only \$11,000 compared to about \$142,000 for white households—a difference of \$131,000.<sup>21</sup>
- The racial disparity in wealth has increased since the Great Recession. Median net worth among black households fell by over 40 percent from 2007 to 2013, compared to drop of 26 percent among white households.<sup>22</sup>

## Housing

The decline in home values during the recent recession was particularly devastating to black households. While home values have rebounded in recent years, the recovery has not kept pace with the returns in the stock market, leading to a slower recovery in black household wealth than for whites. Homeowner equity makes up a higher proportion of overall wealth for black households than for white households, despite the fact that they are much less likely to own their own home than white households.<sup>23</sup>

- Among the customers of mortgage companies that went out of business in 2007, black borrowers were three times more likely than white borrowers to have had a subprime mortgage, the high-cost mortgage that led many homeowners to foreclosure.<sup>24</sup>
- African-American homeowners who took out mortgages between 2004 and 2008 were almost twice as likely as white homeowners to have lost their home to foreclosure by 2011, according to the Center for Responsible Lending.<sup>25</sup>
- One-in-ten black homeowners who took out mortgages at the height of the housing boom eventually lost their home to foreclosure.<sup>26</sup>

## Education

African Americans lag behind whites in educational attainment.<sup>27</sup> Individuals with a college education tend to earn more and have better job prospects than those without a post-secondary education.<sup>28</sup> However, African Americans are less likely to obtain education beyond high school than white students, and they are less likely to earn a college degree.<sup>29</sup>

- One-in-five blacks (21 percent) between the ages of 25 to 29 years old have completed at least four years of college compared to two-in-five whites (41 percent) the same age.<sup>30</sup>
- Even among college graduates, blacks face worse job prospects than whites. For example, the unemployment rate for black workers with at least a bachelor's degree is 5.2 percent compared to just 2.9 percent for white workers (*see Figure 2*).<sup>31</sup>
- Median weekly earnings of full-time black workers with bachelor's degrees are roughly \$900 compared to over \$1,100 for whites—a difference of more than \$12,000 over the course of a year.<sup>32</sup>

Current Measures of Economic Well-Being for the African American Population by State							
State or Region	African American Share of State Population	Unemployment Rate		Median Household Income		Poverty Rate*	
		African American	White	African American	White	African American	White
Alabama	25.8%	12.7%	4.9%	\$29,200	\$49,800	31.1%	13.1%
Alaska	4.4%	10.4%	5.7%	\$51,800	\$79,500	6.4%	5.9%
Arizona	5.1%	7.8% †	5.5%	\$36,500	\$53,900	22.9%	11.6%
Arkansas	14.7%	10.0%	5.5%	\$25,500	\$44,500	35.0%	14.9%
California	7.0%	14.0%	6.1%	\$40,900	\$70,800	26.0%	10.8%
Colorado	4.7%	10.2%	4.1%	\$43,100	\$64,100	23.6%	9.3%
Connecticut	11.1%	12.7%	5.3%	\$41,300	\$76,600	20.0%	6.1%
Delaware	21.7%	9.8%	4.6%	\$52,000	\$62,100	17.5%	8.6%
District of Columbia	48.8%	15.1%	2.8%	\$38,100	\$118,400	28.7%	7.7%
Florida	15.9%	10.8%	4.9%	\$33,000	\$51,100	28.1%	11.9%
Georgia	31.2%	12.2%	4.5%	\$35,300	\$56,300	27.2%	12.6%
Hawaii	2.5%	14.0%	4.5%	\$66,600	\$68,100	5.8%	11.0%
Idaho	1.1%	7.2% †	4.2%	\$41,600	\$47,900	29.7%	13.9%
Illinois	14.6%	14.2%	5.4%	\$32,200	\$62,300	31.6%	9.5%
Indiana	9.0%	12.6%	5.2%	\$29,500	\$50,700	33.1%	12.5%
Iowa	3.2%	13.9%	4.2%	\$28,500	\$53,800	35.7%	10.7%
Kansas	6.1%	8.2%	4.1%	\$31,600	\$54,200	26.3%	10.8%
Kentucky	8.4%	9.6%	6.1%	\$29,700	\$45,100	28.8%	17.3%
Louisiana	31.3%	10.7%	4.2%	\$27,100	\$54,500	33.5%	11.9%
Maine	1.7%	10.7%	5.5%	\$22,000	\$47,200	50.7%	13.2%
Maryland	30.7%	8.7%	4.6%	\$57,900	\$81,900	14.9%	6.9%
Massachusetts	8.9%	10.5%	4.6%	\$44,200	\$72,300	22.0%	8.3%
Michigan	14.1%	16.1%	5.7%	\$28,400	\$52,000	34.6%	13.0%
Minnesota	5.4%	11.1%	3.2%	\$31,000	\$63,000	32.8%	8.2%
Mississippi	35.9%	12.5%	5.3%	\$25,200	\$47,500	37.6%	14.7%
Missouri	11.6%	14.3%	5.0%	\$31,900	\$50,100	28.9%	13.2%
Montana	0.7%	15.1%	4.2%	\$26,400	\$48,600	NA	14.2%
Nebraska	4.5%	9.7%	2.6%	\$27,800	\$54,200	33.3%	9.7%
Nevada	9.5%	15.7%	7.0%	\$34,600	\$56,200	26.9%	10.7%
New Hampshire	1.4%	6.7%	4.1%	\$46,800	\$65,000	15.1%	8.0%
New Jersey	14.7%	11.1%	5.5%	\$44,100	\$80,200	22.0%	6.6%
New Mexico	3.3%	11.2%	4.3%	\$45,800	\$53,100	24.8%	12.6%
New York	17.5%	10.8%	4.7%	\$40,500	\$66,000	24.3%	10.2%
North Carolina	22.5%	10.2%	5.0%	\$32,100	\$51,800	28.0%	12.3%
North Dakota	1.6%	10.9%	2.1%	\$28,800	\$58,800	46.9%	8.7%
Ohio	12.3%	11.6%	4.7%	\$28,000	\$51,500	33.6%	12.7%
Oklahoma	7.6%	7.3%	3.7%	\$30,000	\$49,700	29.7%	13.2%
Oregon	2.3%	12.5%	6.5%	\$30,800	\$52,000	30.6%	14.3%
Pennsylvania	11.5%	11.2%	4.8%	\$32,200	\$56,000	28.0%	9.9%
Rhode Island	7.8%	14.6%	6.2%	\$32,100	\$62,200	30.0%	8.7%
South Carolina	26.9%	9.8%	5.1%	\$29,300	\$51,700	29.9%	12.6%
South Dakota	2.0%	10.9%	2.7%	\$40,100	\$51,400	NA	9.8%
Tennessee	16.3%	11.4%	5.7%	\$32,100	\$47,800	28.9%	14.2%
Texas	12.6%	9.6%	3.7%	\$37,600	\$63,700	24.5%	9.4%
Utah	1.6%	1.7% †	3.7%	\$33,000	\$62,600	34.5%	9.9%
Vermont	1.2%	6.6%	4.2%	\$53,500	\$52,900	11.1%	11.9%
Virginia	19.6%	8.2%	4.5%	\$41,800	\$68,100	21.2%	8.8%
Washington	4.4%	12.2%	5.3%	\$40,800	\$61,200	26.7%	11.2%
West Virginia	3.8%	10.3%	6.5%	\$30,500	\$41,500	31.9%	17.7%
Wisconsin	6.2%	19.7%	4.3%	\$26,900	\$54,600	38.4%	10.1%
Wyoming	1.9%	7.9%	4.1%	\$41,400	\$60,700	NA	8.9%

† Estimate for African Americans is not statistically different from estimate for whites.

'NA' data omitted due to low sample size.

\* The poverty rate was derived using the American Community Survey, which gives a higher estimate (15.8 percent for the entire population in 2013) than the official poverty rate (14.5 percent), which uses the Current Population Survey.

Source: JEC Democratic staff tabulations of data from the Current Population Survey (for population and unemployment rates) and the American Community Survey using American FactFinder (for household income and poverty rates).

Notes: "African American" refers to anyone who identifies as "black" or "African American," alone or in combination with other races, including individuals of Hispanic ethnicity. White refers to non-Hispanic white, not in combination with any other race. Population and unemployment rates are 2014 not seasonally adjusted annual averages. Household income and poverty rates are for 2013.

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- <sup>1</sup> JEC Democratic calculations based on data from the Census Bureau, American Community Survey, 2013. Black is defined as alone or in combination with other races as a share of the total population.
- <sup>2</sup> Bureau of Labor Statistics, Unemployment Rate – Black, 16 Years & Over (accessed April 7, 2015); Bureau of Labor Statistics, Unemployment Rate - White, 16 Years & Over (accessed April 7, 2015).
- <sup>3</sup> Ibid.
- <sup>4</sup> Carmen DeNavas-Walt and Bernadette D. Proctor, Income and Poverty in the United States: 2013 *U.S. Census Bureau* (September 2014).
- <sup>5</sup> Ibid.
- <sup>6</sup> Ibid.
- <sup>7</sup> JEC Democratic calculations based on data from Bureau of Labor Statistics, Unemployment Rate – Black, 16 Years & Over (accessed April 7, 2015) and Unemployment Rate - White, 16 Years & Over (accessed April 7, 2015). From January 1972 (when data on unemployment by race were first collected) through March 2015, the black unemployment rate has averaged 12.3 percent, while the white unemployment rate has averaged 5.7 percent.
- <sup>8</sup> Bureau of Labor Statistics, Unemployment Rate – Black, 16 Years & Over (accessed April 7, 2015).
- <sup>9</sup> Bureau of Labor Statistics, Unemployment Rate – Black, 16 Years & Over (accessed April 7, 2015); Bureau of Labor Statistics, Unemployment Rate - White, 16 Years & Over (accessed April 7, 2015).
- <sup>10</sup> JEC Democratic calculations based on data from Bureau of Labor Statistics, Employment status of the civilian noninstitutional population by age, sex, and race 2014, (accessed February 27, 2015), Table 3; Bureau of Labor Statistics, Unemployed persons by age, sex, race and Hispanic or Latino ethnicity marital status and duration of unemployment 2014, (accessed February 26, 2015), Table 3.1.
- <sup>11</sup> Ibid.
- <sup>12</sup> Bureau of Labor Statistics, Employment status of the civilian noninstitutional population by age, sex, and race 2014 (accessed February 26, 2015), Table 3.
- <sup>13</sup> Sarah Ayres Steinberg, “The High Cost of Youth Unemployment” *Center for American Progress*, (April 5, 2013).
- <sup>14</sup> Lauren Glaze, Correctional Populations in the United States, 2010, Bureau of Justice Bulletin (U.S. Department of Justice, December 2011), Table 3.
- <sup>15</sup> Harry J. Holzer, Paul Offner and Elaine Sorensen, The Role of Incarceration and Child Support, Working Paper 04-5 (National Poverty Center Working Paper Series, April 2004).
- <sup>16</sup> Carmen DeNavas-Walt and Bernadette D. Proctor, “Income and Poverty in the United States: 2013” *U.S. Census Bureau*, (September 2014).
- <sup>17</sup> Ibid.
- <sup>18</sup> JEC Democratic calculations based on data from U.S. Census Bureau, Table POV04: Families by Age of Householder, Number of Children and Family Structure, 2013.
- <sup>19</sup> JEC democratic calculations based on data from U.S. Census Bureau, Income and Poverty in the United States: 2013 Detailed Tables, (accessed April 9, 2015), Table HINC-04 and Table HINC-05.
- <sup>20</sup> The Pew Charitable Trusts, Pursuing the American Dream: Economic Mobility Across Generations (The Pew Charitable Trusts, July 2012), pp. 18-20.
- <sup>21</sup> Rakesh Kochhar and Richard Fry, “Wealth Inequality has Widened Along Racial, Ethnic Lines Since End of Great Recession” *Pew Research*, (December 12, 2014).
- <sup>22</sup> Ibid.
- <sup>23</sup> JEC Democratic calculations based on data from U.S. Census Bureau, Tables on Wealth and Asset Ownership, (accessed February 25, 2015), Table 2 and Table 5. In 2011, home equity accounted for 42 percent of the total net worth of black households, compared to about 23 percent for white households.
- <sup>24</sup> Robert B. Avery, Kenneth P. Brevoort, and Glenn B. Canner, The 2007 HMDA Data, Federal Reserve Bulletin (The Federal Reserve, December 2008).
- <sup>25</sup> Center for Responsible Lending, “Lost Ground, 2011: Disparities in Mortgage Lending and Foreclosures” (November 2011).
- <sup>26</sup> Ibid.
- <sup>27</sup> JEC Democratic calculations based on data from Bureau of Labor Statistics, Employment status of the noninstitutional civilian population 25 years and over by educational attainment, sex, race and Hispanic or Latino ethnicity 2014, (accessed February 26, 2015), Table 7.
- <sup>28</sup> Sandy Baum, Jennifer Ma, and Kathleen Payea, “Education Pays 2013: The Benefits of Higher Education for Individuals and Society”, *College Board* (2013).
- <sup>29</sup> National Center for Education Statistics, Digest of Education Statistics (accessed February 25, 2015), Table 302; U.S. Census Bureau, CPS Historical Time Series Tables (accessed February 26, 2015), Table A-2; Ben Casselman, “Race Gap Narrows in College Enrollment, But Not in Graduation” *FiveThirtyEightEconomics* (April 30, 2014).
- <sup>30</sup> U.S. Census Bureau, CPS Historical Time Series Tables (accessed February 26, 2015), Table A-2.

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<sup>31</sup> Bureau of Labor Statistics, Employment status of the civilian noninstitutional population 25 years and over by educational attainment, sex, race, and Hispanic or Latino ethnicity (accessed February 26, 2015).

<sup>32</sup> Bureau of Labor Statistics, Usual Weekly Earnings of Wage and Salary Workers Fourth Quarter 2014 (accessed February 27, 2015), Table 9.