

Black Workers Need More than an Economic Boom

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At the end of the booming economy of the 1990s, Hugh Price, the former president of the Urban League, reflected, “The truth is that for black Americans the ‘glass’—their overall situation—is both half-empty and half-full.” That glass is even less full today for African Americans as many of the gains they made during that decade have melted away.

During the 1990s boom, the longest economic expansion on record, the U.S. unemployment rate fell from 6.8% in March 1991 to 4.3% in March 2001. Over those ten years, the economy created almost 24 million jobs, an average of 200,000 jobs a month. That was enough to more than comfortably absorb the 150,000 new entrants into the labor force each month, pushing the jobless rate to 4.5% or below for 34 months.

Many hoped that the sustained economic boom would make a significant dent in the nation’s persistent racial inequality. From the end of World War II to the 1990s, the unemployment rate for blacks had typically been twice that of whites, and black earnings had been 25% less than white earnings. The 1990s boom did substantially improve the absolute and relative economic positions of African Americans, although not as much as some had hoped. By the end of the boom, the ratio of black to white unemployment rates had fallen below the two-to-one ratio. The black unemployment rate fell below 10% for a sustained period. The earnings of African Americans, particularly of young African Americans, increased. But during the short economic recession that began in March 2001, and the jobless recovery that has followed, much of the hard-fought progress made by blacks has eroded.

Below we look at why the absolute and relative gains that African Americans made during the 1990s boom were both less than hoped for and especially fragile in the period of economic decline that followed. Given that the economic boom of the 1990s by itself was not sufficient to put African Americans on an equal footing with white workers over the long term, we also look at the public policies that would be necessary to sustain the gains that blacks are likely to make during the next economic expansion.

A Boom for Some

African Americans, particularly young low-skilled African Americans typically make the greatest advances during boom years, when labor markets tighten. However, a closer look at the numbers calls into question whether the boom years were as good for African Americans as they should have been. In 2000, 63.6% of the 16 and over African American male civilian population was employed, up slightly from 63.4% in 1979. For young African Americans, the data provide an even bleaker picture. In 2000, only 52% of young African American men with no more than a high school education were employed, compared to 62% in 1979. Studies have shown that the decline in the level of employment for inner city black youth could not be explained by demographic shifts (like the growth of the suburbs) and labor market trends (such as the decline in manufacturing jobs) alone. A study by the Urban Institute suggests that the growing rate young black men with histories of incarceration makes them more likely targets of workplace discrimination, and that more stringent enforcement of child support orders may have created the unintended side effect of reducing incentives for young African American men to enter the formal economy.

A lesson of the boom is that sustained economic growth is one condition for lessening racial inequality, but is not by itself sufficient to erase it. Economic growth must be supplemented with public policies that attack the discrimination and structural impediments that make minorities second-class labor.

Then Comes the Bust

Many economists predicted that the boom would break down discrimination and other structural barriers to success. They hoped that young workers would gain enough experience to reduce the adverse effects of a future recession on their earnings and employment rate. The hope was that instead of taking two steps back during a recession, young African American workers might only take one step back.

The first few months of the 2001 recession seemed to confirm this prediction. But as the economic slowdown took hold, the employment-population ratio for whites fell 0.7%, while the African American ratio declined by only 0.3%. The employment-population ratio measures the share of the civilian population that is employed. It has an advantage over the unemployment rate because it captures whether people are giving up their search for employment. But the greater hit that white workers took was likely due to their overrepresentation in the manufacturing and information technology (IT) sectors where in the latter, jobs melted away with the dot-com bust. But as the downturn worsened, the African American employment ratio began to fall faster. By the recession's end in November 2001, their employment-population ratio had fallen by almost 2%, compared to a 1.2% decline in the white ratio. This return to the "typical" pattern of recessions where the least skilled are the first fired during a recession continued during the jobless recovery. Today, the African American unemployment rate has been above 10% for 23 of the past 24 months. The jobless rate of African American teenagers, which reached a still-too-high historical low of 20% in April 2000 and averaged 29% during the recession, is 30.8% today, almost twice the white teenage unemployment rate.

Most discouragingly, education no longer provides African Americans a strong protection during periods of economic downturn and stagnation. In December 2000 the unemployment rates of white and African American college graduates were virtually indistinguishable, both below 2.0%. A year later, when the recession officially ended, jobless rates for both groups had risen to 2.7%. By 2004, however, the white college-graduate unemployment rate had fallen to 2.0%, while the African American rate jumped to 5.0%.

Why do minorities have such fragile and persistently low employment rates? Although racial differences in educational attainment have narrowed over the past few decades, the remaining differences in the years and quality of education remain major contributors to racial differences in labor market outcomes. In its 1999 report "Futurework: Trends and Challenges for the 21st Century," the U.S. Department of Labor further identified employer perceptions, racial discrimination, limited early work experience, spatial mismatch between where jobs are and where minority workers live, and involvement with crime as all contributing to racial inequality in the labor market. These are all factors that even the best economy in decades cannot undo.

Looking to the Future

If even the best economy in 30 years did little to correct persistent racial unemployment and earnings gaps, and what gains did come were fragile, will strong economic growth in the future do any better? If we can't rely on future growth alone, how can we make any positive changes that do stick? Economists are deeply split on this issue. Some argue that improving the education system is key. Others would rebuild the government's ability to protect workers from discrimination, bad working conditions, and inappropriate workplace policies. Still others continue to believe that economic growth alone is the key to eliminating racial differences in the labor market. This debate should not be cast as a zero-sum game. None of these policies alone are likely to be effective.

A number of economists have analyzed data from the National Longitudinal Survey of Youth, which has been following a cohort of young men and women since 1979, and concluded that the wage gap between African Americans and whites is fully explained by racial differences in test scores. Wage differences are due solely to pre-market factors such as racial differences in school quality, parent's education and occupation these economists contend—not to discrimination and other problems in labor markets.

Continued discrimination in the labor market, however, is well documented, for example, by the Urban Institute's research on the preferences of employers by economists Phillip Moss and Chris Tilly. Research on housing and credit markets also finds evidence of discrimination. If there is wide consensus on the presence of racial discrimination in these other markets, it is hard to believe that the labor market is immune.

Summing Up

To generate a boom that lessens racial inequality, government must adopt a range of policies that have disproportionately positive impacts on African Americans even if race-neutral. This includes not only improving education and training opportunities, but also implementing the appropriate monetary and fiscal policies. For example, the dollar value of the 2001 and 2003 tax cuts should have been tilted more toward lower and middle-income households. These are the families that ultimately bore the brunt of the recession and the weak recovery as well as of rising energy and health care costs. They are more likely to spend a tax cut than to save it, which would have provided the economy with more stimulus.

But even during a vigorous 1990s-style boom, there remainsample room for race-specific approaches to addressing inequality. Even in a robust economy, vigorous enforcement of affirmative action, anti-discrimination laws, and support of minority and women owned business creation is important. "We know," Hugh Price has noted, "that there are many ways government at the national, state, and local levels can assist individuals and the private sector in reducing the "empty" portion of the "glass" Black America holds and making it more and more full. That is the task ahead."

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