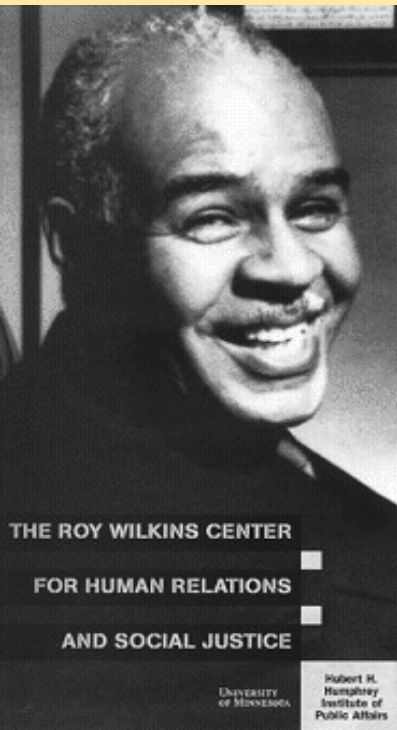


Understanding Racial Disparities in Unemployment Rates

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Overview

- What do we know about racial gaps in unemployment?
 - Nationally
 - Minnesota
 - Twin Cities
- What don't we know?
- What do we need to know before we define narrowly tailored solutions?

What do we know about black-white gaps in unemployment?

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What do we know about long-run national patterns of black-white gaps in unemployment?

- Prior to 1940s, virtually no gap
- From 1940s – 1960s, black unemployment twice that of white unemployment
- Since 1970s, the gap has been widening

The Widening of the Racial Gap in Unemployment, 1880-2000

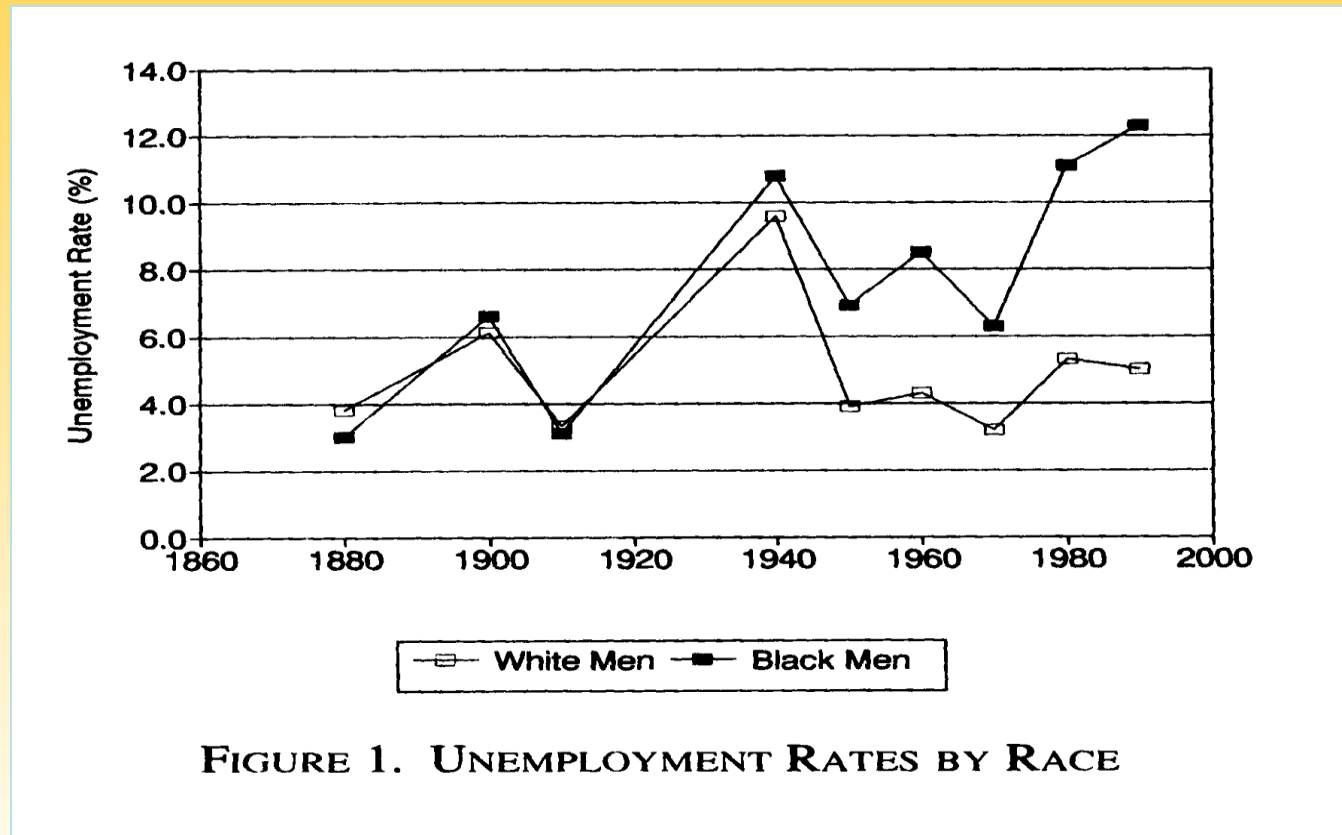


FIGURE 1. UNEMPLOYMENT RATES BY RACE

Fairlie and Sundstrom, "The Racial Unemployment Gap in Long Run Perspective." *The American Economic Review*. (May 1997) Volume 87. Issue 2. 306-310.

What do we know about the causes of the racial gaps in unemployment?

- Regional shifts and migration patterns
- Educational disparities
 - Wider gaps for lower levels of education
 - Narrower gaps for higher levels of education
- **Business Cycles**
 - **Widening during downturn**
 - **Narrowing during recovery**
- Occupational and Industrial Composition

Fairlie and Couch, “Last Hired, First Fired? Black-White Unemployment and the Business Cycle” *Demography*, Volume 47, Number 1, February 2010, pp. 227-247

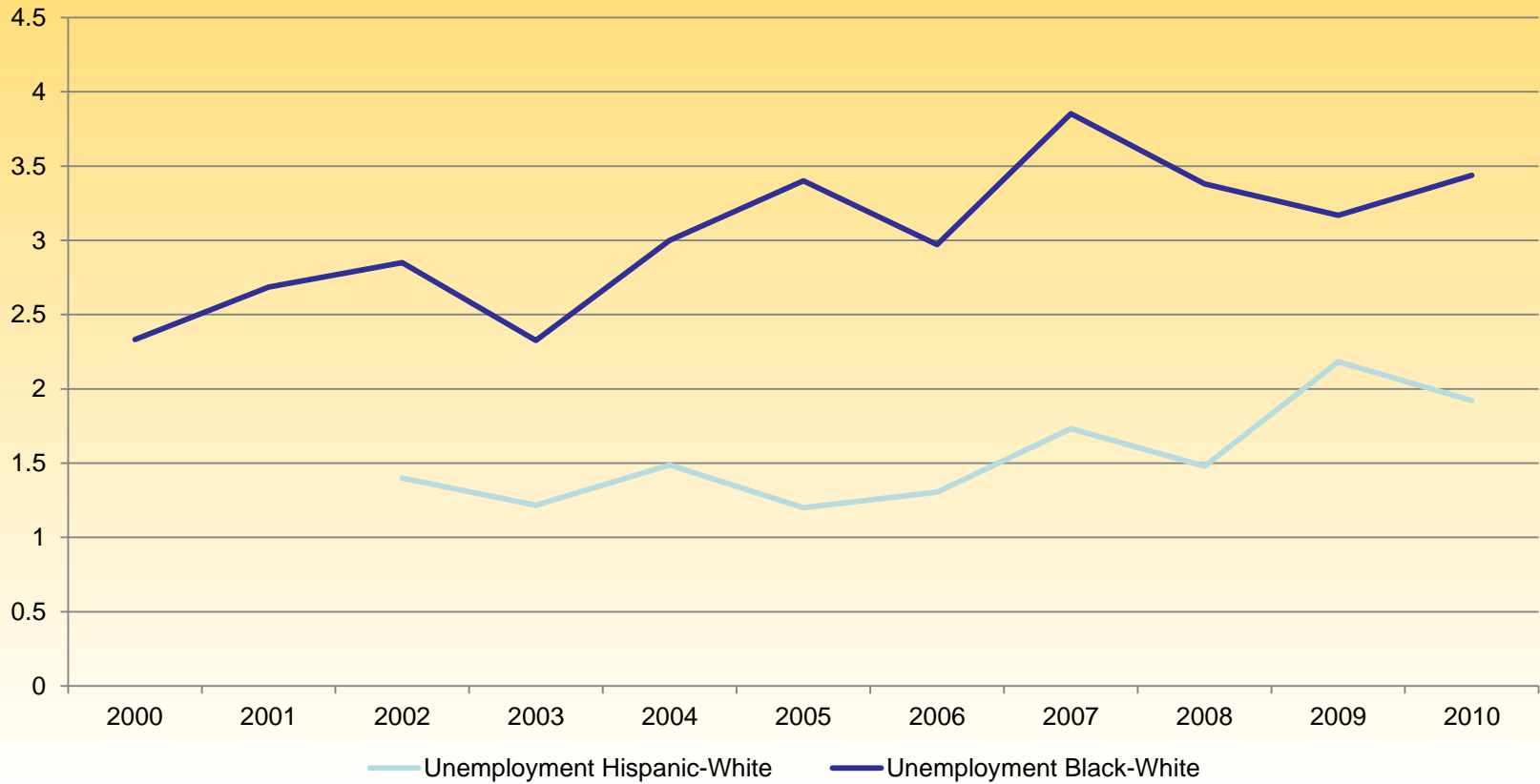
Algernon Austin, Uneven Pain. “Unemployment by metropolitan area and race” EPI Issue Brief #278, June 8, 2010.

What do we know about racial disparities in unemployment rates in Minnesota and the Minneapolis/St. Paul Metro Area?

- Sources of information:
 - Bureau of Labor Statistics, Local Area Unemployment Statistics (BLS-LAUS) for Minnesota
 - From Current Population Survey
 - Small, rotating monthly sample
 - American Community Survey (ACS) 2007-2009
 - 1/100 random sample
 - Anoka, Dakota, Carver/Scott, Hennepin, Ramsey, Washington Counties

Rising Trend of Racial Gaps in Unemployment, Minnesota

Unemployment Ratio - Minnesota



African American Labor Force Growing Faster than Employment, Minnesota

Growth Rates in Number of Persons in the Civilian Non-Institutionalized Labor Force vs Employment

	2000 to 2005	2005 to 2010	
Civilian Non-Institutionalized Labor Force			
White	3.7%	0.9%	
African American	25.3%	5.8%	
Employment			
White	3.2%	-2.1%	
African American	19.5%	-6.5%	

The Black-White Unemployment Gap, 2007-2009

Minneapolis-St. Paul Metro Area

- Methodology:
 - Estimates of unemployment by race and gender using merged 2007-2009 ACS data
 - Regression models to control for age, education, location, industry, occupation
- Results:
 - Much of gap can be attributed to differences in education, age, location and industry/occupation

Cautionary Tale: Narrowing Racial Gap as White Unemployment Soared

- White unemployment rates doubled from 2007 to 2009
- Black unemployment rates rose slightly for males; fell for women
- Net impact: Narrowing of gap during recession
- Caution:
 - Small samples
 - Declining labor force participation and labor force withdrawal

Narrowing of Gap During the Recession (ACS Data)

Men							Ratios		
	White			Black			Black / White		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
Minneapolis - St Paul Metro Area	5.14	4.6	8.99	17.2	19.2	21.4	3.34	4.16	2.37
<i>Hennepin County</i>	5.17	4.65	8.48	15.9	21.4	26.2	3.07	4.60	3.09
<i>Ramsey County</i>	5.84	5.71	9.72	24.9	26.2	19.9	4.26	4.60	2.05
Women							Ratios		
Minneapolis - St Paul Metro Area	4.59	3.67	5.7	16.9	13.6	14.9	3.69	3.72	2.62
<i>Hennepin County</i>	5.15	3.99	5.09	19.7	16.2	16.1	3.83	4.05	3.17
<i>Ramsey County</i>	4.47	6.52	4.8	7.34	7.45	8.55	1.64	1.14	1.78

What we do not know

- Impacts of specific industries
 - Health care
 - Construction
 - Manufacturing
- Impacts of government spending
 - Federal Stimulus expenditures
 - State, local and county government contracting and procurement expenditures

What do we need to know
before we can define
narrowly tailored solutions?

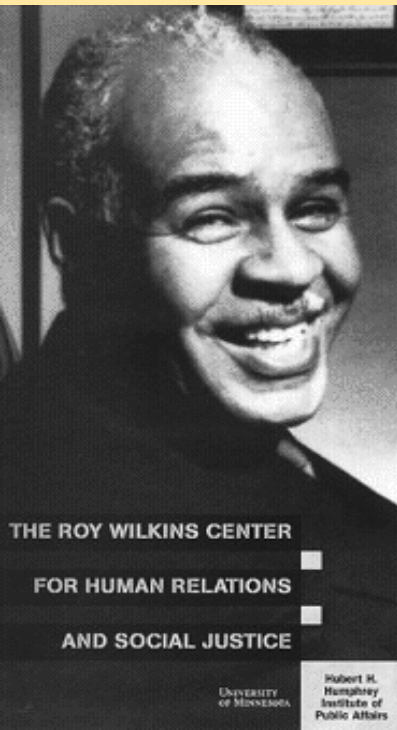
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Areas for further exploration and examination

- Role of minority self-employment as buffer for unemployment
- Role of government contracting and procurement policies relating to women and minority-owned business enterprises
- Role of apprenticeship programs in preparing minorities for employment in building and construction trades
- Role of technical schools in preparing students for areas of job growth

For More Information:
www.hhh.umn.edu/centers/wilkins



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