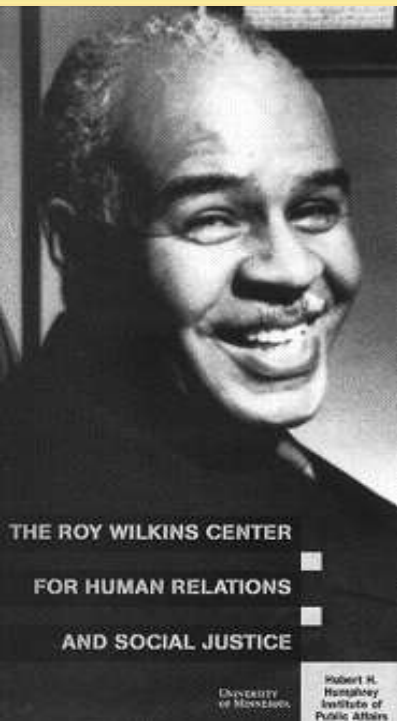


Understanding Racial Disparities in Unemployment Rates

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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

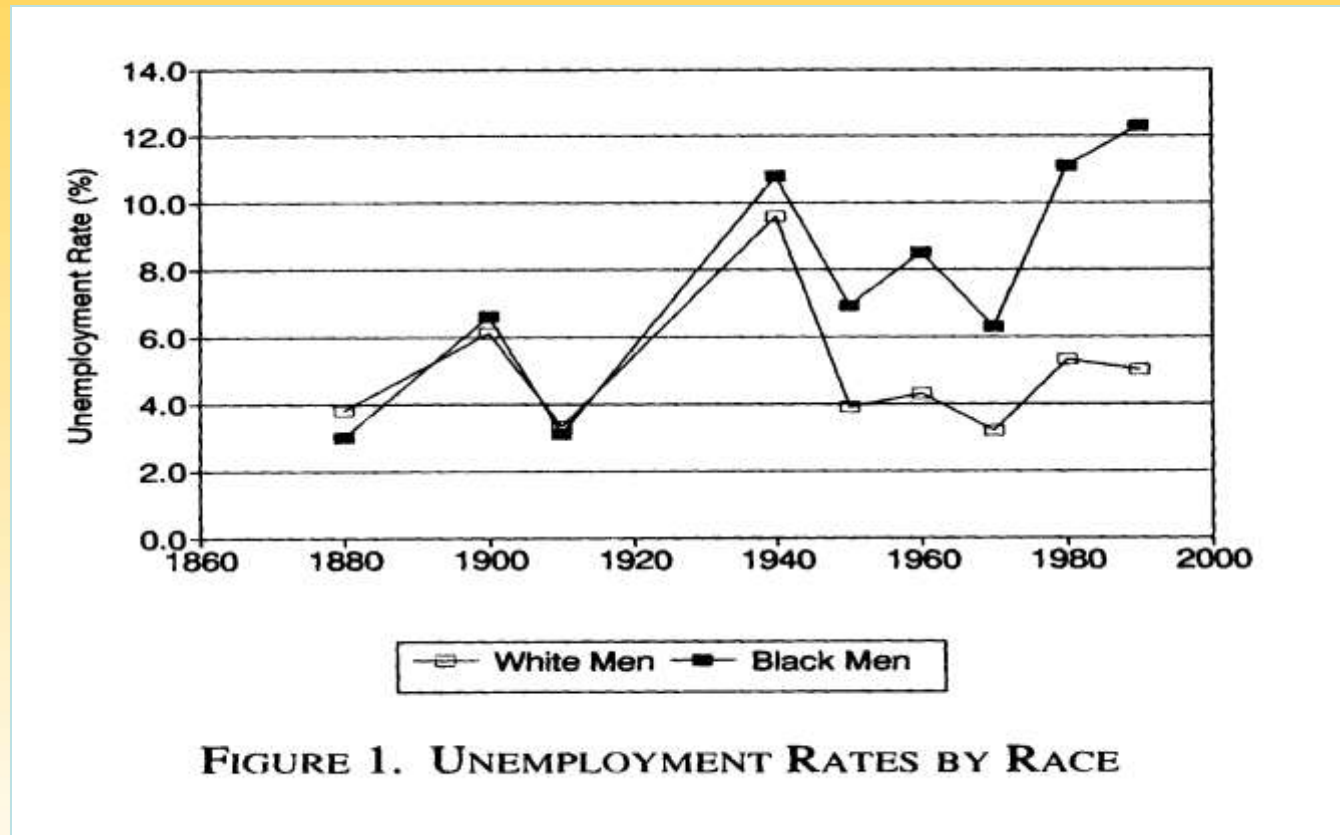


FIGURE 1. UNEMPLOYMENT RATES BY RACE

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

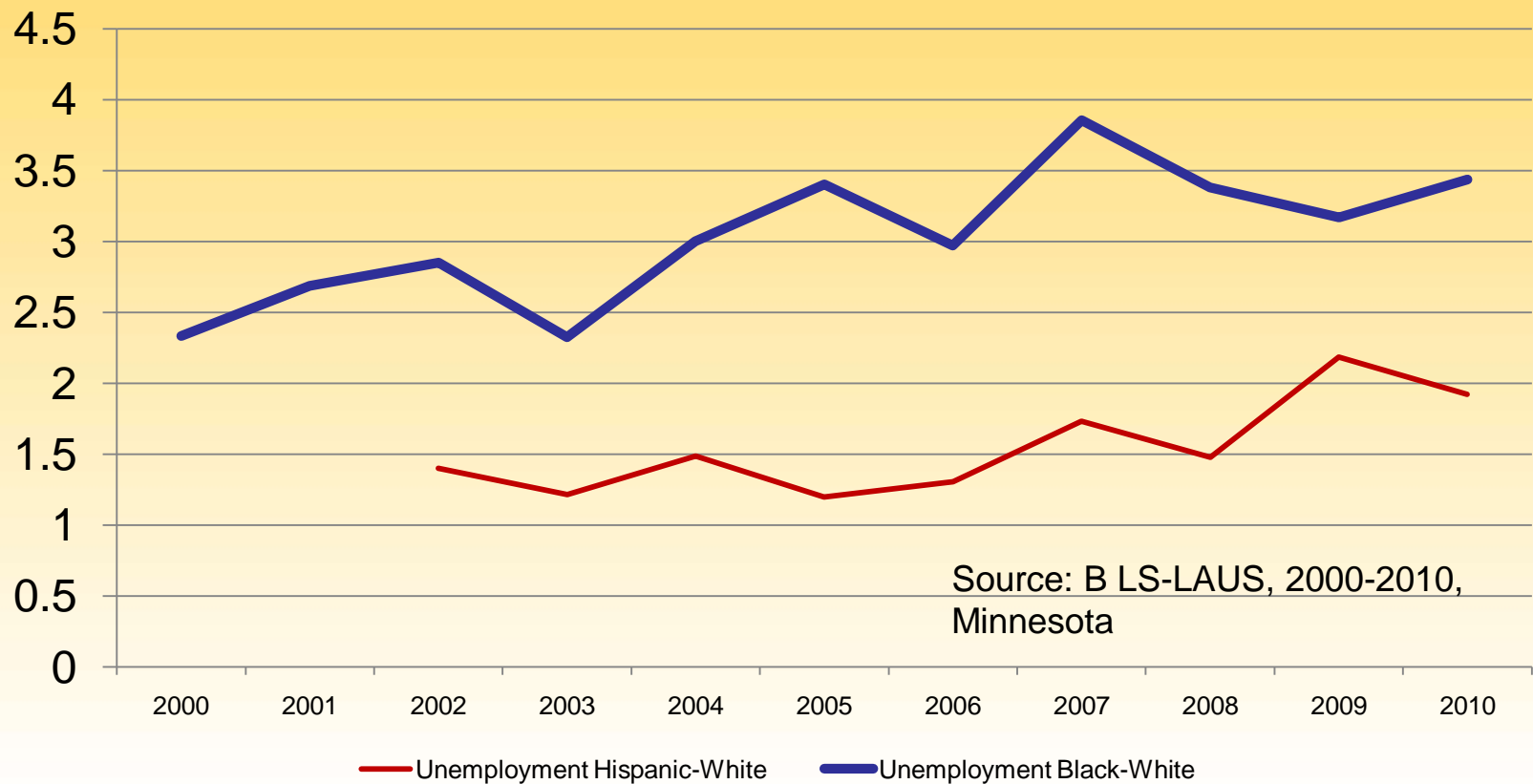
Algernon Austin, Uneven Pain. “Unemployment by metropolitan area and race” EPI Issue Brief #278, June 8, 2010.

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?

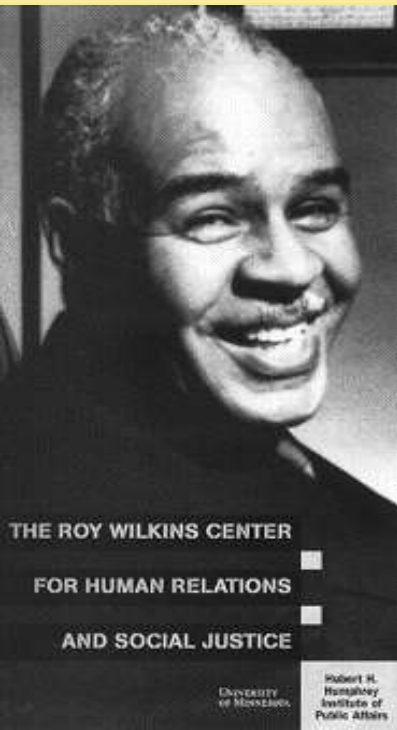
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Areas for further exploration and examination

- 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:
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