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- Young black men had higher unemployment during the recession than their white and Hispanic peers.
- They also showed high unemployment compared with their older counterparts.
- Few young black men receive unemployment insurance, so a strong social safety net is critical.

The Labor Market Performance of Young Black Men in the Great Recession

Daniel Kuehn

Although all American workers have experienced hardship as a result of the recession, labor market performance and program participation vary significantly across race, ethnic, and age groups. This brief assesses the labor market performance of young black men (ages 18 to 24) relative to men in other racial/ethnic groups during the Great Recession. I use data from the Survey of Income and Program Participation (SIPP) to identify differences in employment status, income level, and income sources for young black, white, and Hispanic men as well as their prime-age counterparts (ages 25 to 55). Young black men had far higher unemployment rates and lower incomes than young white men. In addition, among the jobless, young black men were less likely to receive unemployment insurance and more likely to rely on means-tested public assistance than young white men.

The Labor Market in the Great Recession

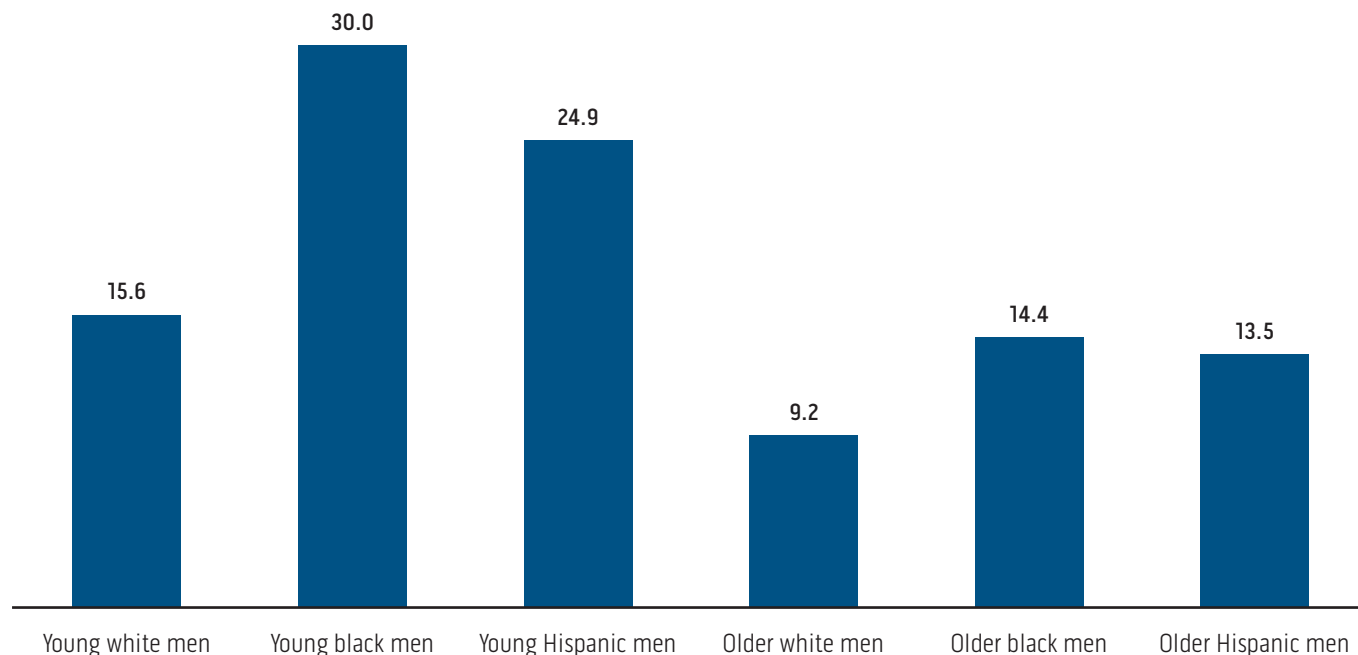
The financial crisis of 2008 was followed by a major global recession, driving unemployment rates to their highest levels in decades and long-term unemployment rates higher than in any period since data on unemployment duration have been collected. Although the unemployment rate remains stubbornly high, it peaked at 10 percent in October 2009, when 15.6 million Americans were jobless and looking for work. By September 2012, unemployment had fallen below 8 percent for the first time since January 2009. Because a worker must be looking for a job to be counted as unemployed and workers often grow discouraged during an unfruitful job

search, reductions in the unemployment rate may overstate labor market improvements.

The labor force participation rate (the number of people working or looking for work divided by the total population) and the employment-to-population ratio (the number of people employed divided by the total population) provide additional measures of labor market strength. While unemployment has improved since its late-2009 peak, the employment-to-population ratio has hardly increased at all. Approximately 59 percent of the total population has been employed since late 2009, compared to over 63 percent in the years before the Great Recession.¹

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Figure 1. Male Unemployment Rates in January 2010, by Race, Ethnicity, and Age (%)



Source: U.S. Census Bureau, Survey of Income and Program Participation, January 2010 (Waves 5 and 6).

Young black men have experienced higher unemployment and jobless rates during the recession than their white and Hispanic counterparts of the same age. In addition, younger workers have greater challenges in the labor market than their older counterparts, with younger black men lagging markedly behind older black men.

Disparities in employment outcomes for young black males are long-standing; they have held true in boom years and recessions. Labor market disparities have many causes, including discrimination and lower access to high-quality education, the dearth of jobs in neighborhoods with high percentages of African Americans, and young black males' higher arrest, conviction, and sentencing rates. These young men are often victims of vicious cycles in which poor labor market performance feeds back into the perpetuation of stereotypes, an inability to make human capital investments, and unfair treatment in the justice system.²

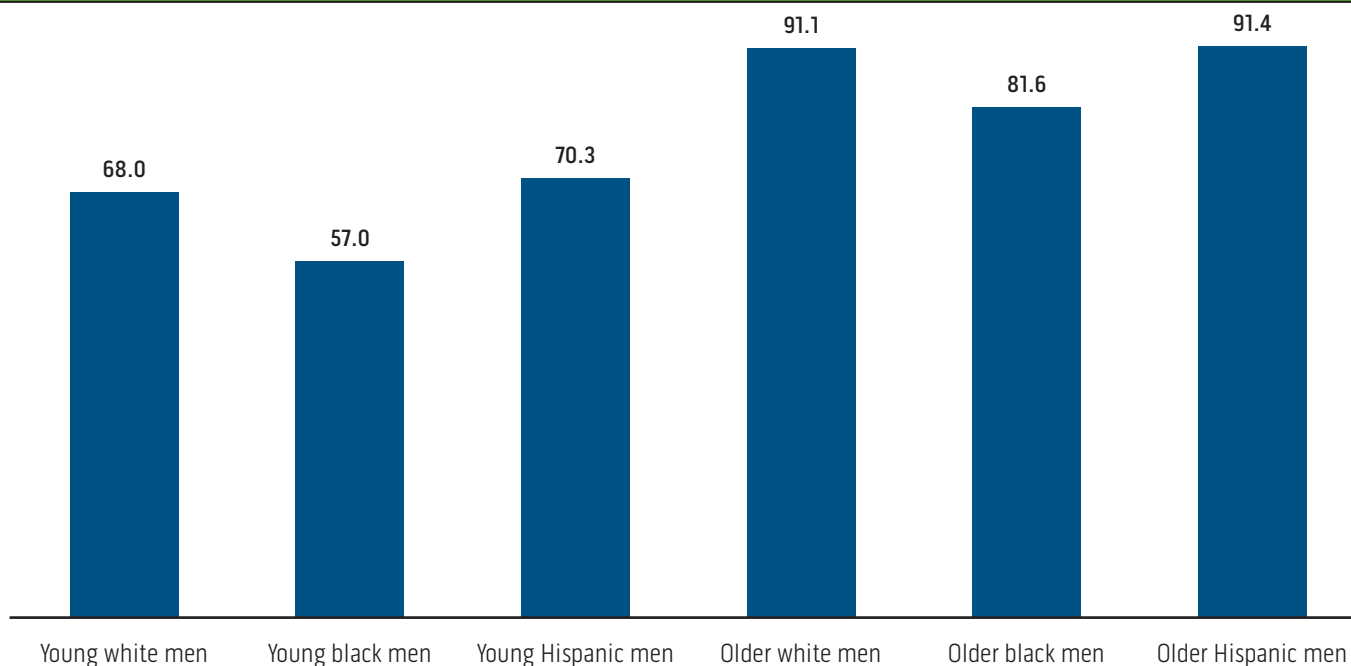
How Do Young Black Males Fare Relative to Other Groups?

Although racial inequality has been a persistent problem throughout American history, the unemployment rate experienced by young black men during the Great Recession has been exceptionally high. At 30 percent, it surpassed the national unemployment rate reached in the depths of the Great Depression. This unemployment rate was almost twice as high as that of white males in the same age group, 15.6 percent, and considerably higher than that of young Hispanic males, 24.9 percent (see figure 1). Because young adults generally have weaker labor market connections and less job experience than older adults, they also experience higher unemployment rates than older adults. Black men are no exception to this pattern, with 25- to 55-year-old black men experiencing an unemployment rate of 14.4 percent in January 2010—less than half that of younger black men.³

The exceptionally high unemployment rates among young black men are prominent indicators of the severity of the Great Recession. Yet, they provide an incomplete picture of labor market conditions, as they exclude “discouraged workers” who have given up looking for a job. Figure 2 presents labor force participation rates for young black men and several comparison groups. In addition to having significantly higher unemployment rates than other groups, young black men have a much lower labor force participation rate (57.0 percent) than young white and Hispanic men (68.0 and 70.3 percent, respectively). The labor force participation rate for young black men is also far lower than the rate for older black men, 81.6 percent. Similar differentials in labor force participation by age also appear for white and Hispanic men.

Young black men's low labor force participation rates and high unemployment rates

Figure 2. Male Labor Force Participation in January 2010, by Race, Ethnicity, and Age (%)



Source: U.S. Census Bureau, Survey of Income and Program Participation, January 2010 (Waves 5 and 6).

contribute to their extremely low employment-to-population ratios (see figure 3). Every demographic group presented here except young black men had employment-to-population ratios exceeding 50 percent, even in the depths of the Great Recession. Only 39.9 percent of young black males were employed in January 2010. The high level of joblessness among young black men is once again illustrated by the gap in the employment-to-population ratio between young black and white men. At 17.5 percentage points, this is considerably larger than the gap in the labor force participation rate (11.0 percentage points).

Young Black Males' Education and Labor Market Performance

Young adults' labor market status is heavily influenced by enrollment in school and educational attainment. During one's late teens and early twenties, with little on the job experience,

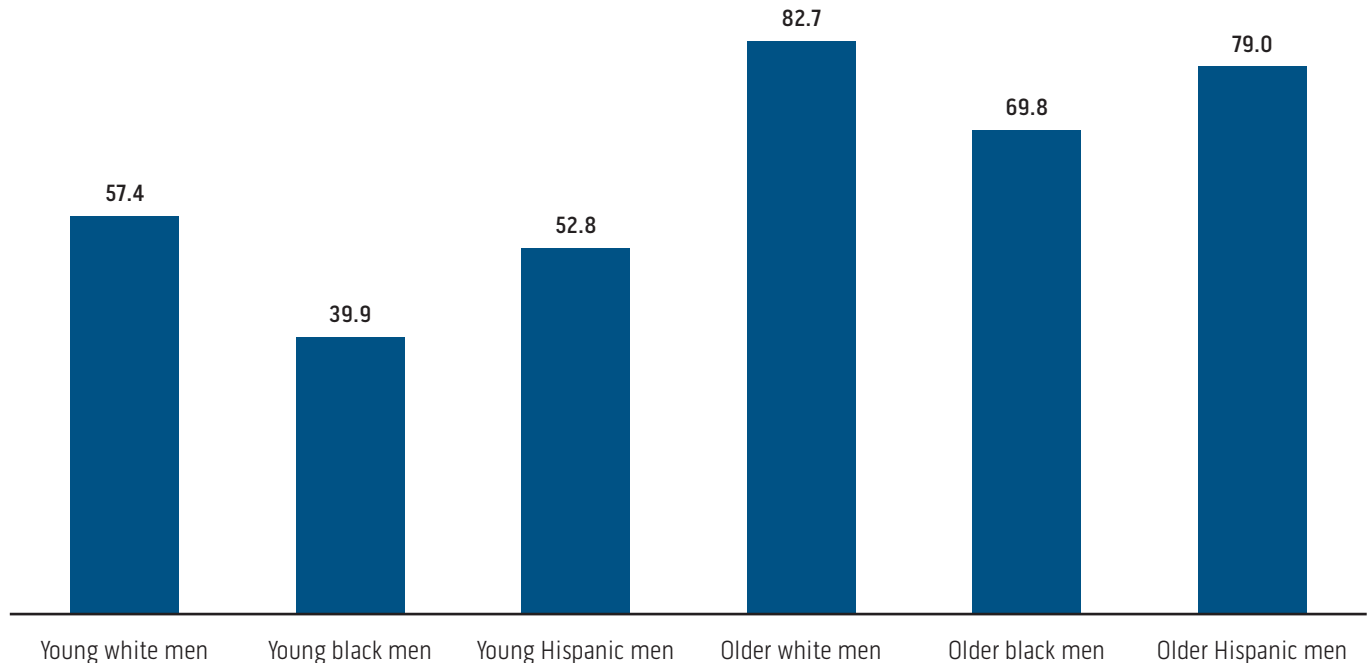
having a high school diploma is a critical signal of productivity to employers.⁴ Young black men who did not graduate from high school or earn a GED experienced unemployment rates far exceeding those who did graduate: 46.0 percent, compared to 28.0 percent. Similarly, young white men who dropped out of high school performed worse than those who graduated, with unemployment rates of 27.3 and 14.3 percent, respectively. Those disparities across educational groups are not a new phenomenon with roots in the recession itself. McDaniel and Kuehn (2012) found similar employment experiences for young black men in their mid-twenties several years before the Great Recession, when labor markets were much tighter than in January 2010.

It is worth noting that young black male high school graduates have about the same unemployment rate as young white male high school dropouts (about 28 percent). In

other words, even when taking into account young black men having lower levels of education, young black men who complete high school seem to fare no better on average than white men who do not.

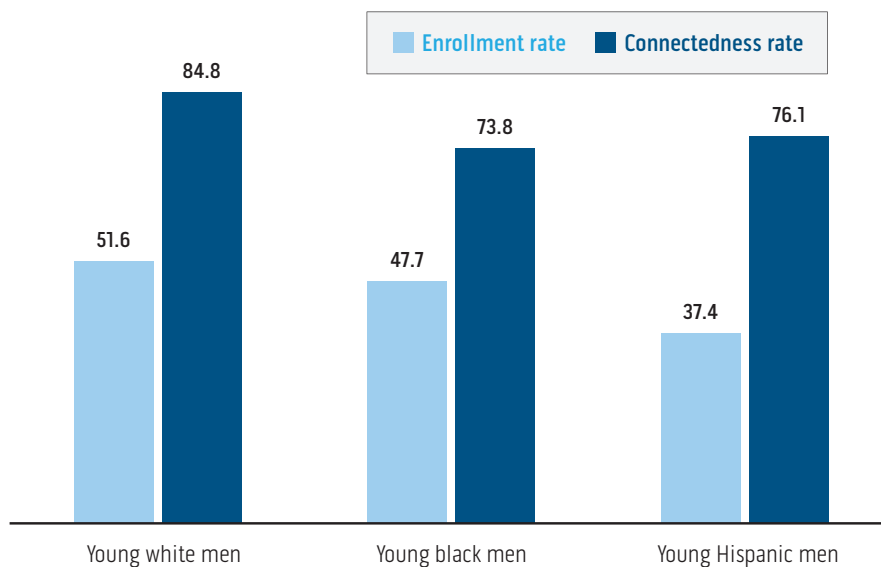
Education can influence young adults' labor market performance in another way. College attendance can delay labor force participation for a number of years (although many students do work while they are enrolled). Thus, labor force participation rates and employment rates for these populations would be depressed in the short run, though they are making important human capital investments. For this reason, it is useful to consider a broader measure of "connectedness," when a young adult is either employed or enrolled in school. Enrollment and connectedness rates for these groups are presented in figure 4.

Figure 3. Male Employment Rates in January 2010, by Race, Ethnicity, and Age (%)



Source: U.S. Census Bureau, Survey of Income and Program Participation, January 2010 (Waves 5 and 6).

Figure 4. Enrollment and Connectedness in January 2010, by Race, Ethnicity, and Age (%)

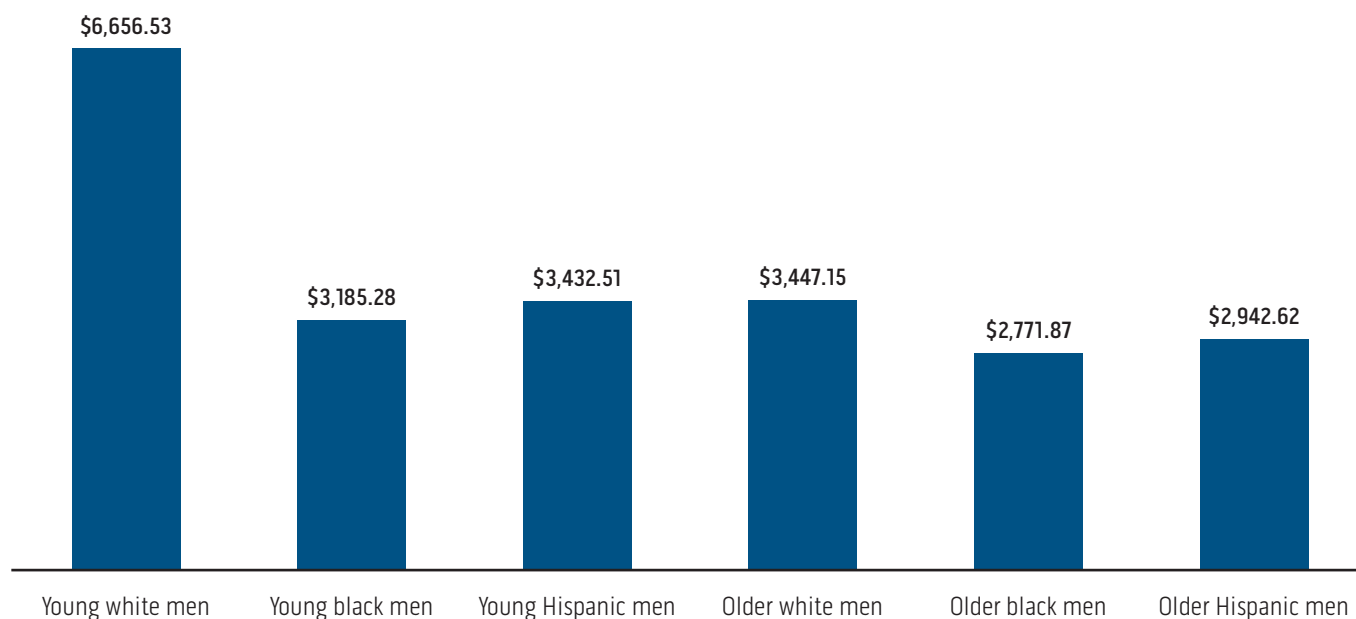


Source: U.S. Census Bureau, Survey of Income and Program Participation, January 2010 (Waves 5 and 6).

Young black men have lower enrollment rates than young white men (47.7 percent to 51.6 percent), although the difference is not statistically significant. Further, the two groups' enrollment rates are far more similar than their respective unemployment rates. A greater share of young black men is enrolled only in school (i.e., not holding a job as well) than young white males (not shown here). Young black males do have a higher enrollment rate than young Hispanic males (47.7 percent compared to 37.4 percent).

As expected given the difference in employment rates, the connectedness rates of young white and black males differ significantly: 84.8 percent of whites were connected to either school or work in January 2010, compared to 73.8 percent of blacks. Young black males also have a lower connectedness rate than young Hispanic men (76.1 percent) despite having higher enrollment rates.

Figure 5. Jobless Men's Average Household Employment Income in January 2010, by Race and Age



Source: U.S. Census Bureau, Survey of Income and Program Participation, January 2010 (Waves 5 and 6).

What Income Is Supporting Unemployed Young Black Males?

Young men who have no personal employment income must support themselves from other sources, like unemployment insurance or the income of others in their household. However, different households rely on different sources of income. Compared with the households of young white men, the households of young black men receive less support from employment income and unemployment insurance and more support from public assistance and retirement payments.

A critical source of income support for unemployed workers the Unemployment Insurance program, which replaces a portion of earnings following a job loss that is not the worker's fault. Unemployment Insurance usually provides additional support during recessions, due to congressional extensions of benefits beyond the normal 26 weeks.

Unemployed black workers receive unemployment insurance payments at lower rates than white workers, with differences in job tenure, unemployment duration, and region accounting for only some of the disparity (Nichols and Simms 2012). The pattern of lower benefit receipt by black workers holds true for unemployed males between the ages of 18 and 24 as well. Unemployment insurance receipt was almost twice as prevalent among young white men (13.6 percent) as among unemployed young black men, only 7.1 percent of whom received benefits. Young Hispanic men who found themselves unemployed in January 2010 received unemployment insurance at rates much closer to those of young white men than of young black men.

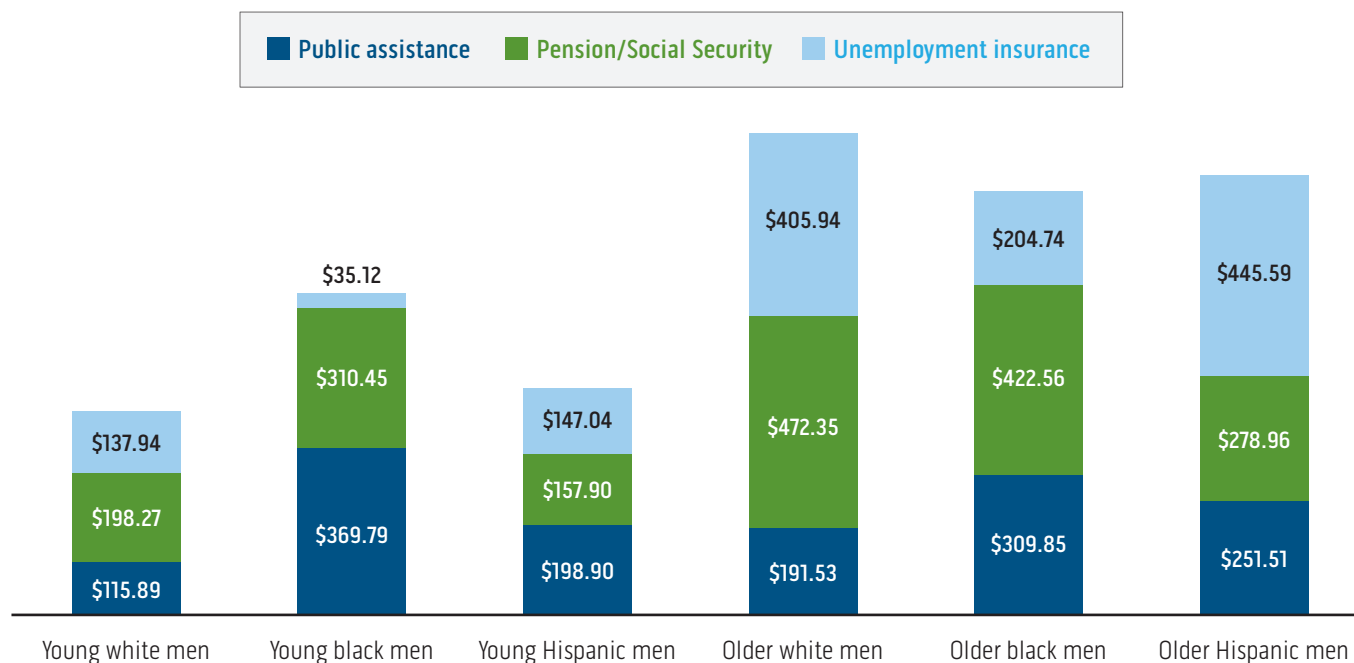
For the young men considered here, low unemployment insurance receipt and compensation could also be driven by their having little or no work experience to draw on.

A high school graduate entering the labor force and unable to find work would be counted as unemployed, but without any earnings in the unemployment insurance base period he would not be eligible for unemployment compensation.

Young white men who were unemployed in January 2010 were far less likely to receive unemployment insurance than older white men (13.6 percent versus 49.9 percent). Similarly, the rates of unemployment insurance receipt are higher for older black and Hispanic men than their younger counterparts (35.4 percent for both groups).

Even when unemployed young black men received unemployment insurance, they received much less compensation than young white men: \$575 for January, on average, compared to \$929.⁵ Compensation levels are primarily determined by earnings during a base period extending four or five quarters before

Figure 6. Jobless Men's Average Nonemployment Household Income in January 2010, by Race and Age



Source: U.S. Census Bureau, Survey of Income and Program Participation, January 2010 (Waves 5 and 6).

job loss. Lower earnings by young black men during their base period would, therefore, lead to lower unemployment compensation.

Young men going through periods of joblessness often have broader networks to support them beyond their unemployment compensation. Many live in households with partners, with their families, or both, with an average household size for young black and white men of almost four people. Young adult joblessness can stress these household budgets, but the presence of other potential workers reduces the chance of severe economic hardship.

Among jobless young men (i.e., those unemployed or out of the labor force), average household income for January 2010 was \$3,253 for blacks, compared with \$6,676 for whites and \$3,442 for Hispanics. For all groups of young men, most of this income is

from a job held by another member of the household or from other property or assets. The balance of a household's income can be divided among three "nonearned income" categories: public assistance (TANF payments, food stamps, SSI, and other public assistance), pensions/Social Security (pension payments, veterans benefits, and Social Security), and unemployment insurance payments. Household income for young black, white, and Hispanic males without jobs is distributed across these categories differently (see figure 5).

The households of jobless young white and Hispanic males receive nonearned income that is more evenly distributed across public assistance, retirement income, and unemployment insurance than the households of their black counterparts, who rely more heavily on public assistance and retire-

ment sources of income. This is consistent with the earlier finding of lower unemployment insurance receipt and benefit levels for young black men than other young men. On average, the households of jobless young black men received only \$35 in unemployment benefits in January 2010, compared with \$138 and \$147 for white and Hispanic men, respectively. Lower unemployment insurance payments for the families of young black men contrast with much higher public assistance payments, which averaged \$370 for the month, compared with average public assistance payments of \$116 and \$199 for the households of young, jobless white and Hispanic men, respectively. Similarly, the households of young black men received more retirement income than those of white and Hispanic men (\$310, compared to \$198 and \$158, respectively).⁶

Discussion

Young black men have faced labor market disparities for centuries in the United States, during expansions and recessions, but these hardships are particularly acute during recessions because they bring this population a high absolute level of economic strain. Many more of these young men are excluded from unemployment calculations because they have exited the labor market and are no longer searching for jobs, often out of frustration

with weak labor demand. Although school enrollment rates for young black men are close to those of young white men, demonstrating that many are still “connected” to important social institutions, it is unclear whether there will be enough jobs available for them once they leave school.

In light of these distressingly high unemployment and jobless rates, it is natural to ask how these young black men are supporting themselves. Few are collecting unemployment

insurance benefits, and those who do receive much lower payments than young white men. Most income for all households comes from other family members’ employment, but the households of young black men are particularly reliant on public assistance and retirement income. Maintaining a strong social safety net and responsive public assistance programs is critical for income maintenance for young black men. ■

Notes

1. Peak unemployment rates, employment-to-population ratios, and labor force participation rates are obtained from the Bureau of Labor Statistics’ LNS14000000, LNS12300000, and LNS11300000 data series, respectively. The number of unemployed persons is from “The Employment Situation—December, 2009,” U.S. Bureau of Labor Statistics News Release USDL-09-1583.
2. Discrimination in the justice system has significant implications for the employment prospects of black men, who face considerable obstacles to reemployment after being released from incarceration or juvenile facilities (see Holzer, Raphael, and Stoll 2006 and Bound and Freeman 1992). Western and Beckett (1999) consider the criminal justice system to be so influential on incarcerated men’s employment prospects that they identify it as a “labor market institution” in its own right.
3. All differences are statistically significant.
4. For an example of how a high school diploma acts as a signal of productivity for young adults with little work experience, see Ritter and Taylor (2011).
5. These compensation levels are averages for the population of young males who received any compensation. Since those who did not receive unemployment insurance are excluded, the compensation levels of young black males are not depressed simply because they receive

payments at lower rates. This difference is large enough that it is statistically significant, despite the small number of young males who received unemployment insurance in the SIPP data.

6. These figures are average incomes for each income category. They reflect the average amount of support from this source enjoyed by a household. They should therefore not be interpreted to represent the typical mix of income sources. Households may substitute different income sources. For example, families that do not have access to pension income may rely on public assistance programs, but families with pension income may forgo them.

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Unemployment and Recovery Project

This brief is part of the Unemployment and Recovery project, an Urban Institute initiative to assess unemployment's effect on individuals, families, and communities; gauge government policies' effectiveness; and recommend policy changes to boost job creation, improve workers' job prospects, and support out-of-work Americans.

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