



The State of Communities of Color in the U.S. Economy

Still Feeling the Pain Three Years Into the Recovery

Christian E. Weller, Julie Ajinkya, and Jane Farrell April 2012

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About Progress 2050

Progress 2050, a project of the Center for American Progress, seeks to lead, broaden, and strengthen the progressive movement by working toward a more inclusive progressive agenda—one that truly reflects our nation's rich ethnic and racial diversity. By 2050 there will be no ethnic majority in our nation and to ensure that the unprecedented growth of communities of color also yields future prosperity, we work to close racial disparities across the board with innovative policies that work for all.

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Introduction and summary

We are currently in the third year of economic recovery following the Great Recession and the financial crisis that upended domestic and world markets and decimated the global economy from December 2007 to June 2009. Three years into the recovery, the economic outlook is improving as economic growth is stabilizing and job creation gradually accelerating. That said, America's families, which have suffered for years from high and long-term unemployment, remain in desperate need of stronger economic growth for a prolonged period in the foreseeable future.

Stable economic growth in the future, however, will depend on having a strong, broad-based middle class. While economic growth in the United States is on the mend, the data show that the benefits of this growth have not been equitably shared. Many middle-class families, regardless of race or ethnicity, do not enjoy the opportunities needed for them and their children to get ahead.

More disturbingly, the data we summarize in this report shows that communities of color are substantially less likely than their white fellow citizens to enjoy the opportunities that come from having a good job, owning a home, and having a financial safety cushion in the form of health insurance, retirement benefits, and private savings.¹ This difference exists because economic opportunities eroded faster for communities of color than for whites during the Great Recession—and those opportunities have been coming back much more slowly for communities of color than for whites during the economic recovery. Our report specifically shows:

- **African Americans and Latinos persistently suffer from high unemployment rates.** The unemployment rate of African Americans is typically twice as high as that of white Americans, while the Latino unemployment rate is about 50 percent greater than the rate for whites.
- **Slower job growth during the recovery leaves communities of color in a deep economic hole.** Employment in the fourth quarter of 2011 was 88.9 percent of African

American employment in December 2007 and 91.4 percent of Latino employment, compared to 93.6 percent for whites and 92.9 percent for Asian Americans.

- **African Americans enjoy fewer job opportunities than other groups.** The employed share of the population was 52.1 percent for African Americans and 59.3 percent for Latinos, compared to 59.4 percent for whites and 59.9 percent for Asian Americans in the fourth quarter of 2011.
- **African Americans and Latinos earn less than others.** African Americans' median weekly earnings were \$674 (in constant 2011 dollars), and Latinos' earnings were \$549. In comparison, whites earned \$744 each week, and Asian Americans earned \$866 in the fourth quarter of 2011.
- **African Americans and Latinos swell the ranks of minimum wage earners.** From 2009 to 2011—two years into the recovery—the number of African American minimum wage workers increased by 16.6 percent, and that of Latino minimum wage workers increased by 15.8 percent, while Asian Americans in minimum wage positions decreased by 15.4 percent, and whites only increased by 5.2 percent.
- **Household incomes have fallen drastically for African Americans since the recession.** Inflation-adjusted median incomes for African Americans fell by 7.1 percent from 2007 to 2009, faster than for any other population group. Further, inflation-adjusted median household incomes dropped another 3.2 percent from 2009 to 2010, which was as fast or faster than comparable income drops for any other population group.
- **Poverty rates, already much higher for communities of color, rose faster in recession and recovery than for whites.** African Americans and Latinos showed poverty rates of 24.2 percent and 24 percent, respectively, in 2010, compared to poverty rates of 9.3 percent for Asian Americans and 7.3 percent for whites. Poverty rates rose faster from 2007 to 2009 for African Americans—by 2.4 percentage points—for Latinos by 3.5 percentage points, and for Asian Americans by 2.2 percentage points, compared to whites, whose poverty rate increased by 1.6 percentage points during the same time period.
- **Communities of color have substantially less health insurance coverage than whites.** The share of African Americans without health insurance in 2010 was 20.8 percent, and the respective share of Latinos without insurance coverage was 30.7

percent. This compares to 18.1 percent of Asian Americans without health insurance and 11.7 percent of whites without health insurance at the same time.

- **The wealth gap between communities of color and whites widened sharply due to housing market weaknesses.** The median nonwhite or Latino household had \$23,300 in wealth in 2009 dollars, less than one-sixth of the wealth of white non-Latino households, which had \$149,900 in wealth. This reflects a substantial widening of an already very large wealth gap between communities of color and whites at the start of the recession in 2007, when nonwhites or Latino households owned about one-fifth of the typical wealth of white non-Latino households.
- **Homeownership disappears fastest for African Americans during the recession and recovery.** At the beginning of the recession in 2007, the African American homeownership rate was 47.7 percent, Latino homeownership was 48.5 percent, and the homeownership rate for other races was 58.6 percent, compared to the white homeownership rate of 74.9 percent. By the end of 2011, 45.1 percent of African Americans owned their homes, 46.6 percent of Latinos owned their homes, and 56.5 percent of all other races owned homes, compared to a homeownership rate of 73.7 percent for whites.
- **Communities of color are at a higher risk of losing their homes to foreclosure than whites.** In 2011 the foreclosure rate for African Americans was 9.8 percent, for Latinos was 11.9 percent, and for Asians was 6.6 percent, while the foreclosure rate for whites was 5.0 percent in 2011.
- **Retirement plan coverage is lower for communities of color than it is for whites and continues to decline for African Americans.** In 2010—one year into the recovery—the percentage of African American private-sector workers who had a retirement plan at work was 34.4—for Latinos that number was 21.4 percent, while it was 44.3 percent for whites.

According to all these indicators, the economic recovery is well into its third year. Parsing the data along racial and ethnic lines, however, shows that varying storylines are emerging for different population groups. African Americans and Latinos, for example, typically have substantially fewer economic opportunities than whites. The same can be said for Asian Americans, who also show higher poverty rates along with lower rates of health insurance coverage when compared to whites. This suggests that Asian Americans also have less access to well-paying jobs than whites.

Moreover, while economic opportunities are beginning to improve somewhat for Latinos, Asian Americans, and whites, African Americans are the clear exception—their economic fortunes continued to decline in 2011. The fact that the benefits of the economic recovery are slowly spreading to all groups except to African Americans, at least through the end of 2011, is reminiscent of the African American experience following the previous recession in 2001. During that time period African Americans' economic fortunes—employment, income, wealth, and homeownership—grew much slower than those of Latinos and declined in relation to those of Asian Americans and whites.

This is why it is important for policymakers to take notice of the disparities and start to undertake serious efforts to both close the economic opportunity gaps between communities of color and whites and to address in a substantive way the lagging experience of African Americans.

Focusing on these concerns, we lay out a series of policy recommendations at the end of this paper that we believe will go a long way in addressing some of the fallout of the Great Recession on communities of color. Specifically, we recommend the following:

- Accelerate job creation
- Expand, extend, and improve unemployment insurance
- Raise the federal minimum wage
- Increase access to affordable health insurance
- Implement comprehensive immigration reform to protect workers' rights

We see these recommendations as important steps to ensure that communities of color can also enjoy the benefits of the recovery and begin to regain some of the economic security that they lost during the Great Recession.

Fallout of the Great Recession

African Americans and Latinos persistently suffer from high unemployment rates

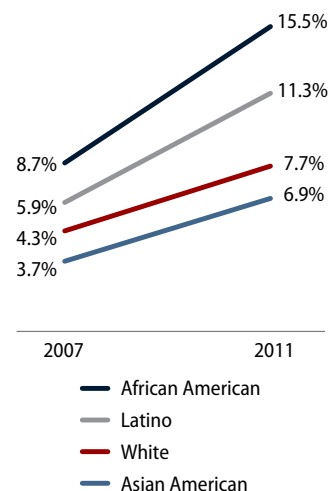
The unemployment rate is one indicator of the labor market's strength. The labor market has been substantially weaker for African Americans and Latinos when compared to Asian Americans and whites throughout this business cycle, which started in December 2007—though all groups struggled through the worst recession since the Great Depression and the ensuing weak recovery since June 2009. The unemployment rate for African Americans and Latinos in particular remained considerably higher than that of whites and Asian Americans overall at the end of 2011. The unemployment rate for African Americans was 15.5 percent, for Latinos was 11.3 percent, and for Asian Americans was 6.9 percent in the fourth quarter of 2011, compared to an unemployment rate of 7.7 percent for whites.

In 2010, the last year for which data is available for other communities of color, the unemployment rate also remained considerably higher for Southeast Asians, American Indians and Alaska Natives, and Native Hawaiian and other Pacific Islander communities. The unemployment rate for Cambodians was 9.2 percent, the Hmong community was at 9.9 percent, Laotians were at 9.1 percent, the Vietnamese were at 6.8 percent, Native Americans were at 10.4 percent, and all Pacific Islanders were at 9.9 percent.

Differences by race and ethnicity were close to their largest level at the start of the recovery in June 2009. In that time period African Americans had an unemployment rate of 14.9 percent, compared to 12.1 percent for Latinos, 7.2 percent for Asian Americans, and 8.5 percent for whites. This means that unemployment rates of Latinos and blacks remained persistently higher than those of whites and Asian Americans throughout the recovery since June 2009.^{1,2}

Unemployment is highest for African Americans and Latinos

Change in the unemployment rate



Source: See endnote 1

The persistence of the gap in the unemployment rate between African Americans and Latinos and those of whites and Asian Americans also characterized the Great Recession. The unemployment rate for African Americans at the end of 2007 was 8.7 percent, and Latinos had a rate of 5.9 percent. During that same period, however, Asian Americans had an unemployment rate of 3.7 percent, which was actually better than the rate for whites, which was 4.3 percent.³ While most other communities of color also began the recession at a weaker point than whites—the unemployment rate was 5.2 percent for Cambodians, 6.5 percent for the Hmong, 6 percent for Laotians, 3.5 percent for the Vietnamese, 5.5 percent for Native Hawaiian and Other Pacific Islanders, and 7.5 percent for American Indians—the data make it clear that blacks started out in a much weaker labor market than other groups when the Great Recession struck at the end of 2007.

Slow job growth during the recovery leaves communities of color in a deep hole

All groups saw fewer or about the same number of jobs in December 2011 than they did at the start of the recession in December 2007, even though the all population groups had grown—meaning that job growth, even when it recovered from the losses after 2007, did not keep pace with population growth during the four years after the recession started. African American employment in the fourth quarter of 2011 was 95.4 percent of their employment in December 2007; for Latinos it was 100.5 percent, and for Asian Americans it was 100.4 percent, compared to 95.9 percent for whites.

The Great Recession was marked by unprecedented job losses for all population groups, especially for African Americans and Latinos. Jobs fell by 5.8 percent for African Americans from December 2007 to June 2009, by 4 percent for Latinos, and by 3.2 percent for Asian Americans, while they fell by 3.8 percent for whites during the same period.

The economic recovery that started in June 2009 eventually saw job growth for communities of color and minor job losses for whites, highlighting the economic struggles of many diverse groups during the economic recovery. African American job growth from June 2009 to December 2011 was 1.2 percent, was 4.7 percent for Latinos, and was 3.9 percent for Asian Americans, compared to a loss of 0.3 percent for whites during the same period.

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African Americans enjoy fewer job opportunities

Across the board, people want to work. The employment-to-population ratio, which measures the proportion of people who are employed in a community, is a reasonable indicator of the job opportunities available to each community. A higher number suggests that more job opportunities exist, and a lower number indicates fewer job opportunities. Therefore a decline in the employment-to-population ratio means that job growth is not keeping pace with population growth, while an increase in the employment-to-population ratio means that job growth is outpacing population growth.

Based on the above understanding, African Americans as a group had the most difficult time finding job opportunities among all population groups. In the fourth quarter of 2011, the employment-to-population ratio for blacks was 52.1 percent and 59.3 percent for Latinos. The fourth quarter 2011 numbers for Asian Americans was 59.9 percent and was 59.4 percent for whites.

Employment opportunities continued to disappear for all population groups throughout the economic recovery, from June 2009 to December 2011. At the start of the recovery in June 2009, the employment-to-population ratio was 53.5 percent for African Americans, 60.1 percent for Latinos, and 61.7 percent for Asian Americans, compared to 60.5 percent for whites. These data suggest that job growth did not keep pace with population growth for any population group during the recovery, even though positive job growth returned.

The continued disappearance of job opportunities throughout the economic recovery came on the heels of rapid declines of the employed shares of different populations during the Great Recession. In December 2007, at the onset of the economic downturn, the employed share of African Americans was 57.8 percent, was 64.5 percent for Latinos, and was 64.3 percent for Asian Americans. The employment-to-population ratio for whites, in comparison, was 63.5 percent.

The data suggest that job opportunities disappeared faster in the past four years (December 2007 to December 2011) for African Americans and Latinos than they did for Asian Americans and whites. The percent of African Americans with a job fell by 5.7 percentage points, while the rate for Latinos with a job declined by 5.2 points. The percent of Asian Americans with a job fell by 4.4 percentage points during the same time period, compared to a drop of 4.1 percentage points for whites.

African Americans and Latinos earn substantially less than other groups

People not only want to work, but they need jobs that pay well enough to make ends meet. The job growth that has occurred thus far during the recovery is not providing jobs that pay well enough to allow workers to do so. Median weekly earnings—defined as the level of earnings from work that split each population group exactly in half—shed some light on the quality of jobs that Americans hold.

The numbers indicate that African Americans and Latinos continue to hold lower-quality jobs and as a result earn significantly less money than their Asian American and white counterparts. As of the fourth quarter of 2011, median weekly earnings for African Americans was \$617 (in constant 2011 dollars) and for Latinos was \$549. In comparison, Asian Americans made \$866 each week, while whites earned \$774.⁴

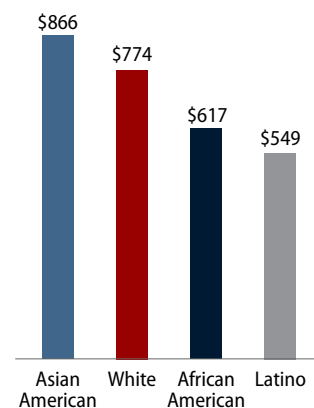
This earnings gap is nothing new. It has stayed relatively stable throughout the recession and thus far into the recovery. Wages increased slightly for all groups just prior to and during the recession (from 2007 to 2009), as is expected during a recovery when more low-wage workers are likely to lose their jobs, driving up the median wage for those who still have a job. Median weekly earnings for African Americans were \$274 in December 2007 and were \$242 for Latinos. The median weekly earnings for Asian Americans and whites were much higher in December 2007, with \$408 and \$344 in weekly earnings, respectively.

During the recovery from 2009 through 2011, however, wages declined for all groups, indicating that earnings have not kept pace with inflation and that more low-wage workers are now getting jobs that are driving down the median wage. During this period median weekly earnings fell by 0.4 percent for African Americans and by 6.7 percent for Latinos, compared to declines of 8.3 percent for Asian Americans and 1.1 percent for whites between 2009 and 2011.

The real concern is wages failing to increase as the recovery gains strength. As it stands, while more jobs may be created, it is imperative that these are high-quality jobs that pay workers enough in wages to cover realistic living costs. High-quality jobs paying higher wages will allow families to spend more, to repay their debt faster, and to save more to invest in their families' future, thereby contributing faster to a self-sustaining economic recovery.

Earnings gaps persist

Weekly wages in the fourth quarter of 2011



Source: See endnote 4

African Americans and Latinos swell the ranks of minimum wage earners

The lack of good job opportunities for African Americans and Latinos is further underlined by the rapid rise of people working at or below the federal minimum wage, which does not apply to people who collect part of their earnings from tips or to agricultural workers. From 2009 to 2011, fully two years into the recovery, the number of African American minimum-wage workers increased by 16.6 percent, and Latino minimum-wage workers increased by 15.8 percent, while minimum-wage white workers only increased by 5.2 percent. At the other end of the spectrum, the number of Asian American minimum-wage workers decreased by 15.4 percent.

These changes followed much larger increases in the number of minimum-wage workers among African Americans, Latinos, and Asian Americans as compared to whites during the Great Recession. The number of African Americans working at or below the federal minimum wage grew by 141.5 percent from 2007 to 2009, while that of Latinos increased by 152.8 percent, and that of Asian Americans increased by 134 percent. In comparison, the number of white workers being paid minimum wage or less rose by 101.2 percent.

Household incomes have fallen drastically for African Americans since the recession

Household income statistics provide the most comprehensive measure of the current economic resources that are available to households. In addition to wages, household income incorporates other forms of revenue received such as unemployment insurance, child support, social security, and rental income. We report the median household income, which is the income level that splits all households into two equal groups—half of all households have incomes that are above the median and the other half have incomes below the median.

Not surprisingly, median household incomes were substantially lower for African Americans and Latinos than for Asian Americans and whites in 2010, the last year for which data are available. The median household income for African Americans was \$32,068 in 2010 dollars and was \$37,759 for Latinos. In contrast, the median household income for Asian Americans was \$64,308 and was \$54,620 for white households.⁵ African American median household income was more than 40

percent less than the median household income of whites. For Latinos, the median household income was about 30 percent less than that of whites, while Asian American household incomes were about 15 percent greater than that of whites.

Median household incomes in fact fell for all groups in the early stages of the economic recovery from 2009 to 2010, but the income decreases were more pronounced for communities of color than for whites. African American median household income was 3.2 percent lower in 2010 than in 2009, Latino median household income fell by 2.4 percent, and Asian American median household income fell by 3.4 percent, compared to a drop of 1.3 percent for whites. That is to say, household income growth did not keep pace with inflation in the early stages of the economic recovery, and the median household incomes of African Americans and Latinos fell even further behind those of whites and Asian Americans.

The continued decline of inflation-adjusted household incomes during the recovery is especially worrisome since household incomes dropped sharply for all groups during the Great Recession. The data show that communities of color suffered greater relative income losses than whites. African Americans experienced a 7.1 percent decrease in the two years from 2007 to 2009, Latinos saw a 4.9 percent decrease, and Asian Americans saw a decline of 4.3 percent. This compares to a median household income drop of 4.1 percent for whites. All groups saw income losses, but the losses were much larger for communities of color than for whites during the recession.

Poverty rates for communities of color rose faster during the recession and the recovery than for whites

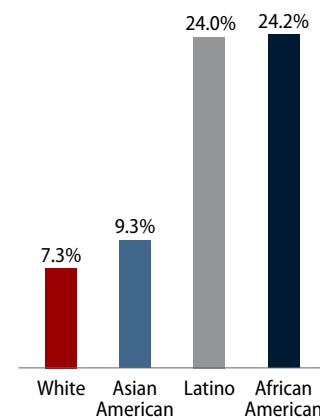
The percentage of U.S. families living below the poverty line increased during the recession for all racial groups, but communities of color had much higher poverty rates, often substantially so, than whites.

In 2010, the last year with available data, nearly one in four African American (24.2 percent) and Latino families (24 percent) lived below the poverty line. Conversely, poverty rates among Asian Americans and white Americans were 9.3 percent and 7.3 percent, respectively.⁶ Further, poverty was more widespread for communities of color than for whites.

The family poverty rates in 2010 follow sharper increases in individual poverty rates for some communities of color in the initial stages of the recovery from 2009

Poverty is up, especially for communities of color

Poverty rates in 2010



Source: See endnote 6

to 2010. The African American poverty rate for individuals between 18 years and 64 years of age rose by 1.3 percent, and the Latino poverty rate increased by 1 percentage point. In comparison, the Asian American poverty rate decreased by 0.5 percentage points and the white poverty rate increased by only 0.6 percent during this period. The poverty gap between the African American and Latino communities and white communities widened in the initial stages of the economic recovery.

This widening of individual poverty gaps by race and ethnicity during the recovery followed a sharp widening in the individual poverty rate during the recession starting in 2007. Almost one in five African Americans (19.8 percent) and 17.9 percent of Latinos lived below the poverty line in 2007. This compares to a poverty rate of 9.2 percent for Asian Americans and 7.7 percent for whites in 2007.⁷ Poverty rates rose faster from 2007 to 2009 for African Americans, at 2.4 percent; Latinos at 3.5 percent; and Asian Americans at 2.2 percent. During this same time period, the poverty rate for whites increased by 1.6 percent.

Communities of color lack health insurance

Looking at health insurance coverage for communities of color, which is another key indicator of economic security, the obvious conclusion is that it is a bad situation becoming worse. In 2007 going into the Great Recession, nearly one-third—31.5 percent—of Latinos and nearly one-fifth—18.6 percent—of African Americans were uninsured. This compares to 10 percent of whites without health insurance and 16.1 percent of Asian Americans who lacked health insurance.

Two years later with the start of the recovery, the share of people without health insurance rose to 31.6 percent for Latinos and to 20.3 percent for African Americans. The share of Asian Americans without health insurance was 16.5 percent and was 11.5 percent for whites.⁸ By 2010 the share of African Americans without health insurance stood at 20.8 percent and was 30.7 percent for Latinos—a modest decline. This compares to 18.1 percent of Asian Americans without health insurance and 11.7 percent of whites without health insurance.

The share of African Americans without health insurance increased by 0.5 percentage points and the share of Asian Americans without health insurance increased by 1.6 percentage points, compared to an increase for whites of 0.2 percentage points from 2009 to 2010.⁹ Consequently, communities of color were in a

substantially less secure position as compared to white Americans because of their health insurance situation one year into the economic recovery.

The weakened housing market widens the race and ethnicity wealth gap after 2007

Household wealth measures a household's accumulated sum of assets—things such as houses, cars, stocks, mutual funds, and retirement accounts minus a household's sum of debt such as mortgages and credit card debt. Household wealth indicates how well-prepared a household is for the future—to either take advantage of new opportunities, including sending kids to college or starting a new business, or to weather an economic emergency.

According to Federal Reserve data from 2007 to 2009, there was a substantial gap in household wealth between whites and communities of color. In 2009, just as the recession ended and the recovery began, the data show that the wealth gap had expanded throughout the recession. The median nonwhite or Latino household had just \$23,300 (in 2009 dollars) in wealth—less than one-sixth of that of white non-Latino households, who had \$149,900 in wealth. This reflects a substantial widening of an already-large wealth gap between communities of color and whites. At the start of the recession, nonwhite or Latino households owned about one-fifth of the typical wealth of white non-Latino households in 2007.¹⁰

Additional information from the Federal Reserve, based on more detailed information on the wealth gap in 2007, also shows substantial differences in total wealth between communities of color and whites before the recession. In 2007 nonwhite or non-Hispanic households owned a median amount of wealth equaling \$27,800 in 2007 dollars. This compares to \$170,400 for non-Hispanic white households, showing that communities of color owned about one-sixth of the median amount of wealth of non-Hispanic white households. The typical household in communities of color owned between one-sixth and one-fifth of the wealth of non-Hispanic white households before the crisis got under way, and this wealth gap seems to have widened during the crisis.¹¹

The widening wealth gap is largely a result of a greater risk for communities of color of exposure to the fallout from the housing crisis. The Federal Reserve data do not provide information on home equity, but a related 2005 study conducted by the Pew Hispanic Center also shows a widening wealth gap during the housing

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crisis due to a greater exposure to the housing market and less home equity for communities of color than for whites. These data show that African Americans and Latinos were especially vulnerable to sudden and large price changes in the housing market. They owed larger mortgages relative to the value of their homes, meaning they held less equity in their homes than whites did before the crisis.

What's more, communities of color typically held fewer assets outside their homes going into the financial crisis, which meant that they had much less of a buffer in case something went wrong. Median inflation-adjusted home equity in 2009 dollars for African Americans dropped by 23.2 percent, from \$76,910 in 2005 to \$59,000 in 2009. The median home equity adjusted for inflation for Latinos decreased 50.8 percent, from \$99,983 in 2005 to \$49,145 in 2009. In comparison, the median value of home equity for whites fell the least—17.6 percent, from \$115,364 in 2005 to \$95,000 in 2009.¹²

Homeownership declines fastest for African Americans during recession and recovery

An owner-occupied house is often the largest asset that a family can have. There are, however, substantial and widening differences in homeownership rates between communities of color and whites. As of the fourth quarter of 2011, the homeownership rate was 73.7 percent for whites, while only 45.1 percent of African Americans were homeowners. The homeownership rate for Latinos was 46.6 percent, while 56.5 percent of all other races owned their homes.

These homeownership rates are lower than the homeownership rates at the end of the recession in June 2009. At that time 46.5 percent of African Americans, 48.1 percent of Latinos, and 57.6 percent of all other races owned homes.¹³ This compares to a homeownership rate for whites of 74.9 percent. The homeownership gap in fact widened during the economic recovery as the African American homeownership rate dropped by 1.4 percentage points, the Latino homeownership rate decreased by 1.5 percentage points, the homeownership rate of all other races declined by 1.1 percentage points, and the white homeownership rate fell by 1.2 percentage points from June 2009 to December 2011.

Declining homeownership rates during the economic recovery continued a trend that marked the recession, albeit at a slower pace. The African American homeownership rate was 47.7 percent in the fourth quarter of 2007 just before the recession

Still a significant gap in homeownership

Homeownership in the fourth quarter of 2011

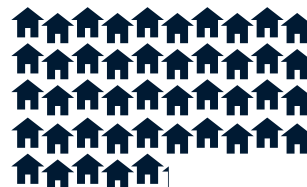
White 73.7%



Latino 46.6%



African American 45.1%



Source: See endnote 13

began. The Latino homeownership rate during the same time was 48.5 percent, the homeownership rate for other races was 58.6 percent, and the white homeowner-ship rate was 74.9 percent. During the Great Recession homeownership for African Americans decreased by 1.2 percentage points, for Latinos by 0.4 percentage points, and for other races by 1 percentage point, while the white homeownership rate stayed constant. While all groups' homeownership rates have fallen from their prerecession peak levels, African American rates have fallen most sharply.

Communities of color are at greater risk of losing their homes to foreclosure

Foreclosure rates are also a window on how well communities of color fared during the recession and are faring during the recovery. The country's foreclosure crisis has subjected communities of color to greater home equity losses than has been the case for whites.¹⁴ The Center for Responsible Lending analyzed housing data extensively and concluded that communities of color have been disproportionately affected by the foreclosure crisis. In 2011 the foreclosure rate for African Americans was 9.8 percent, for Latinos 11.9 percent, and for Asian Americans was 6.6 percent. While significant, the foreclosure rate for whites was 5 percent. Adding the share of borrowers who are seriously delinquent—90 days late on their mortgage payments—to the foreclosure rates shows that about one-fourth of African Americans and Latinos, 14 percent of Asian Americans, and 12 percent of whites are in serious danger of foreclosing on their homes in this housing crisis.

The differences in foreclosure rates by race and ethnicity are not the result of income disparities

Disparities persist among these groups even after controlling for income and credit rating. The foreclosure rate was still 1.8 times higher for low- and moderate-income African Americans than for their white counterparts, and the foreclosure rate was 1.2 times higher for low- and moderate-income Latinos than for whites in the same income bracket. There are also significant differences in higher-income households. As of 2011 approximately 10 percent of higher-income African Americans, 15 percent of higher-income Latinos, and 7 percent of higher-income Asian Americans who received loans from 2004 to 2008 have lost their homes to foreclosure, compared to 4.6 of higher-income whites.

Gaps in retirement plan coverage worsen

Retirement plans at work, either through defined-benefit pensions or defined-contribution retirement savings plans, are a crucial way for people to achieve future financial security. The percentages of private-sector workers with retirement plans provided through their jobs decreased across all groups during the recession. What's more, the percentage of African American private-sector workers with retirement plans at work has continued the downward trend in the recovery. One year into the recovery (in 2010), the percentage of African American private-sector employees with access to an employer-based retirement plan was 34.4 percent; for Latinos, it was 21.4 percent and was 44.3 percent for whites.

These shares have improved somewhat for Latinos and whites but have worsened for African Americans when compared to figures from 2009. The share of African American private-sector workers with a retirement plan at work dropped by 0.8 percentage points, from 35.2 percent in 2009 to 34.4 percent in 2010. Conversely, the number of Latinos with a retirement plan increased by 1.1 percentage points, from 21.4 percent to 22.5 percent, and the white share rose by 0.3 percentage points, from 44 percent to 44.3 percent during the same period.

The retirement plan coverage rates in 2009 were well below the coverage rates in 2007 just before the Great Recession. The African American coverage rate was 36.7 percent in 2007, 1.5 percentage points higher than in 2009; the Latino coverage rate was 24 percent in 2007, 2.6 percentage points above the level in 2009; and the white coverage rate was 47.1 percent in 2007, 3.1 percentage points above the level in 2009.

Policy recommendations

Our data discussions show that three years into the economic recovery, communities of color generally have worse economic security than white households. The data further show that coming out of the Great Recession, all groups seem to have experienced some improvements starting in 2010—with the exception of African Americans.

Consequently, African Americans have suffered longer from the fallout of the Great Recession than any other large population group. The widespread economic pain and the lingering economic distress following the Great Recession require policymakers' attention. Communities of color in particular experience economic benefits from faster economic growth much later than is the case for whites.

Public policy that is properly implemented can ensure that communities of color can also enjoy the benefits of faster economic growth and can regain some of the economic security that they lost during the crisis sooner than they otherwise would. The following are key policy recommendations from the Center for American's Progress 2050 project that would help to equalize the economic tide for communities of color:

- Create quality jobs
- Improve unemployment insurance
- Raise the minimum wage
- Boost health insurance
- Enact comprehensive immigration reform

Let's look at each of these recommendations in turn.

Creating quality jobs

Creating quality jobs for all Americans must remain the top priority of policymakers in 2012. It is important to maintain and accelerate job growth in the fourth year of the economic recovery and the third year of the labor market recovery. Job creation is especially important for African Americans, Latinos, and subpopulation groups among Asian Americans, who have disproportionately high unemployment rates. It is also crucial to emphasize the creation of high-paying jobs, as opposed to low-wage work, which goes hand-in-hand with continued support for workforce training and employment programs.

The data show that there is a large gap between communities of color not only in employment opportunities but also with respect to earnings, benefits, income, and levels of poverty. Low-wage jobs usually lack important benefits such as health insurance and retirement benefits, and just as importantly, they are not always a stepping stone to higher paying work.¹⁵ Ensuring that the jobs created provide employees with access to paid sick days is one way to reduce turnover and ease pressure on families under the most stress.¹⁶ This is especially true for Latinos, more than half of whom are not offered paid sick leave and even more true for Latinas, who suffer from the least coverage.¹⁷

Decreased economic mobility is most pronounced among African Americans and Latinos, one in four of whom live in poverty. This suggests the need for policymakers to focus on creating jobs but also on creating good jobs to close these gaps.

The data also show large differences in employment opportunities between whites and African Americans. There are several possible explanations for this, and these differences have to do in part with where the job cuts occurred during the economic recovery that started in June 2009.¹⁸ Many of the jobs lost during and after the recession were (and continue to be) public-sector jobs, which hurts African Americans the most.

The net gain in jobs since the economic recovery began in June 2009 has been a result of growth in the private sector, not in the public sector. State and local governments have shed more than 600,000 jobs due to budget cuts brought about by lower tax revenue and curtailed federal aid.¹⁹ The loss of government jobs disproportionately affects African American workers, 20 percent of whom have public-sector jobs, according to a study from the Center for Labor Research and Education at the University of California, Berkeley.²⁰ Public-sector

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employment tends to offer African American workers access to stable jobs with solid pay and good benefits. Quality jobs, especially those that offer health and retirement benefits, are key to recovering the wealth lost by all families in the recession and thereafter.

While the American Recovery and Reinvestment Act of 2009 helped to stimulate the economy and create jobs,²¹ Congress and the president could go further by passing the Pathways Back to Work Act, introduced by Sen. Richard Blumenthal (D-CT) and Rep. George Miller (D-CA).²² This proposal will help vulnerable Americans prepare for quality jobs as they become available by supporting targeted employment and training programs with an additional \$5 billion in funding. According to the bill, \$2 billion from the fund would provide “subsidized employment to unemployed, low-income adults.”

This part of the bill is based on the proven successful Temporary Assistance for Needy Families Emergency Fund, which helped create 260,000 jobs in the first two years of the recovery.²³ Another \$1.5 billion would target unemployed and underprivileged youth, helping them to find both summer and year-round job opportunities. This would be particularly helpful for young workers in communities of color who tend to experience substantially higher unemployment rates than their white counterparts.

The remaining funds, \$1.5 billion, would be awarded in the form of grants to local employment and training programs. Preference would be given to applications submitted by programs from areas with high unemployment and high poverty rates—two problems that the data show are generally concentrated in communities of color.

Reauthorizing the Workforce Investment Act is yet another way to provide much-needed support to unemployed Americans or workers at risk of job displacement.²⁴ Much like the Pathways Back to Work Act, this existing program focuses on worker training and education to ensure we have a strong workforce, and that those lacking necessary job skills do not slip through the cracks.²⁵ Its one-stop career centers enable individuals to take advantage of a myriad of services ranging from resume writing to basic adult education. These centers also house other federal programs that serve important functions in low-income communities, which are often communities of color. These include but are not limited to Temporary Assistance for Needy Families, the Senior Community Service Employment Program, and Housing and Urban Development.

Improving unemployment insurance

African Americans and Latinos are two communities of color that experience high unemployment rates and longer periods of joblessness. Continuing extended unemployment insurance benefits for the remainder of 2012 is especially important for these groups. President Obama and Congress have kept millions of unemployed workers out of poverty by extending unemployment insurance benefits by passing the Middle Class Tax Relief and Job Creation Act of 2012.²⁶ Through work-sharing programs more workers remain on company payrolls.²⁷ Despite recent improvements in the labor market, the reality is that for every job opening, there were still almost four people actively looking for employment in December 2011.

Improving the unemployment insurance system by reducing state restrictions on unemployment benefits eligibility would also help unemployed African Americans and Latinos.²⁸ Because workers of color are more likely to be part-time, seasonal, or low-wage workers, they are less likely to be eligible for unemployment benefits. As a result, unemployed African Americans and Latinos are 25 percent less likely to receive benefits than unemployed whites.

The federal government allocated \$7 billion to incentivize states to expand their unemployment eligibility criteria in the American Recovery and Reinvestment Act of 2009. While these incentives were a good first step, more could be done to encourage states to reduce restrictions on unemployment benefits and to help African Americans and Latinos at risk of being unemployed and without an income.

Boost the minimum wage

African Americans and Latinos are more likely to be employed at or below minimum wage than any other community. Raising the federal minimum wage would help create better jobs for these groups and boost earnings across income levels. Studies demonstrate that raising the minimum wage results in greater demand for goods and services across all sectors, in reduced worker turnover, in increased worker productivity, and in improved workforce training and investment. There is also more than ample evidence showing that a higher minimum wage does not adversely affect employment for vulnerable populations.²⁹

The federal minimum wage would be \$10.39 instead of \$7.25 if it had kept pace with inflation since the 1970s.³⁰ Moreover, until 1980 the minimum wage aver-

Improving the unemployment insurance system by reducing state restrictions on unemployment benefits eligibility would also help unemployed African Americans and Latinos.

aged 117 percent of the three-person federal poverty level; today it stands at just 87 percent, or \$19,090 in 2012.³¹ Raising the minimum wage helps boost pay scales even for workers earning a little more than the minimum wage because the minimum wage sets the so-called wage floor for all Americans.³²

The data show that African Americans and Latinos suffer from below-average median weekly earnings, and since the beginning of the recession both groups have experienced an increase in the number of minimum-wage workers. Yet there is one subset of this population in particularly dire straits—African American men who are more likely to be employed in low-wage work due to labor market discrimination, according to a report from the Economic Policy Institute.³³ The median wage of a full-time African American male worker is just \$14.90. African American men could potentially see their wages move more closely in line with their white counterparts, who make \$20.84 an hour, by raising the wage floor set by the federal minimum wage.

Communities of color could also benefit from a higher minimum wage due to the sectors where they are employed such as home health care. The aging of the baby boomer generation has resulted in growing demand for workers employed as home health aides.³⁴ Fully 95 percent of domestic workers, which includes home health care workers, are female, foreign-born, and/or persons of color.³⁵ The 350,000 thousand home health aides employed in America make a mean hourly wage of \$10.25,³⁶ but in 2010, 17.5 percent were victims of minimum-wage violations, and 82.7 percent were victims of overtime violations.³⁷ As this sector of our workforce continues to expand, raising the minimum wage will only become more important to the persons of color holding these jobs and our economy as a whole.

Health insurance

African Americans and Latinos lack insurance at two and three times the rate of whites, respectively. The Patient Protection and Affordable Care Act of 2010 remains an important step forward in the fight for universal health coverage. Once it is fully implemented in 2014, individuals will have health insurance coverage either from their employers, from the government through Medicare and Medicaid, or from their own privately purchased insurance, possibly with some public subsidy.

The 50 million individuals lacking health insurance are especially susceptible to economic and physical hardships. Sixty-two percent of personal bankruptcies are

the direct result of illness or medical bills, but the pain does not stop there.³⁸ The uninsured also come at a high cost to taxpayers, who in part shoulder the burden of unpaid medical bills through publicly financed repayment programs. Finally, the broader economic costs of diminished health and shorter lifespans of the uninsured are estimated at \$207 billion a year.³⁹

Our data section did not discuss the differences in quality of health insurance by race and ethnicity, but the Affordable Care Act helps to level the playing field with respect to health insurance quality and hence presumably with respect to health care quality. One way to reduce costs in the national health care system and to ensure equal access to good care is to continue support for community health centers. These centers provide quality, low-cost primary and preventative care to underserved communities. Community health centers save \$24 billion annually and create economic development wherever they are established.⁴⁰

Communities of color and low-income populations—the two groups least likely to be insured—both rely heavily on community health centers. African Americans make up 25.8 percent of service users, Latinos comprise 34.4 percent of users, and those below the federal poverty guidelines are 71.8 percent of those using the services of community health centers. Given the high rates of uninsured among minority populations, preserving and supporting these centers is a moral imperative and smart economics.

Enact comprehensive immigration reform

Many immigrant workers, particularly those who are unauthorized, tend to be concentrated in the lowest-wage occupations, enduring very low wages in part because of the fear of being fired or, even worse, deported.⁴¹ When immigrant labor is exploited, all workers suffer.⁴²

Immigration reform would build real economic security for workers, both U.S.- and foreign-born, as it would protect all workers' rights to fair working conditions, would provide protection from discrimination, and would disallow employers from exploiting their legal status.⁴³ Equitable immigration reform ensures that unscrupulous employer practices and lowered industry standards are not encouraged and that unethical occupational demands are not asked of immigrant employees. Operational practices that undermine all workers' rights would be prohibited by comprehensive immigration reform.

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Likewise, comprehensive immigration reform would lead to increasing economic stability at the national level. According to a recent study by the Center for American Progress, legalization would generate an estimated \$1.5 trillion in cumulative gross domestic product more than 10 years after its implementation—such that the number and quality of good jobs for all workers would increase.⁴⁴

Finally, immigration reform provides better jobs for all workers by improving industry standards in wages, safety, and benefits. Absent a body of exploitable workers subject to the most dangerous, low-paid, and physically demanding of jobs, all employees can experience a raised economic floor that ensures competitive wages and benefits for workers.

Conclusion

The economy is almost at the end of its third year in the recovery, and the labor market has been adding jobs consistently for more than two years. The data shows that many households are regaining some of the economic security lost during the Great Recession. The data also show that communities of color have seen slower gains in economic security than white households. This is especially true for African Americans, who have experienced continued declines in economic security well into the economic recovery, while all other groups have seen improvements. This is just another way of saying that a return to economic growth is insufficient to lift all boats, and that policymakers need to step in to make sure that communities of color equitably benefit from the economic recovery.

Policymakers have rightfully focused on first making sure that the economic recovery translated into a labor market recovery. Now, the challenge is to institute policies that begin to erase the persistent inequities between communities of color and white households such as disproportionately slower job growth, low wages, lack of employer-sponsored benefits, and substantially less household wealth. Policymakers can start to reduce the inequities in economic security by race and ethnicity through policies that are targeted both at specific problems and at particular communities. The data, after all, show significant variation by economic security indicators and substantial divergence in the economic security of groups of households.

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Endnotes

- 1 We acknowledge that serious data limitations exist for communities of color. Asian Americans, for example, are most often amalgamated into one aggregate category, dominated by Chinese and Indian Americans and excluding Southeast Asians. These groups from Southeast Asia are often left out of data collection because of complications with sample size comparisons. Where it has been possible, we have supplemented data from the Bureau of Labor Statistics with data collected by the U.S. Census Bureau and the American Community Survey's one-year estimates on subpopulations to document the high rates of unemployment, poverty, and lack of health insurance coverage in these groups. Still, we realize that there are serious limitations to our knowledge about the economic insecurity of some communities of color and underline the need for better disaggregated data collection.
- 2 Annual estimates of groups of Asian American populations suggest that some of these groups experienced much higher unemployment rates than the aggregate data for Asian Americans indicate. The aggregate unemployment rate for all Asian Americans stood at 7.3 percent in the fourth quarter of 2010. But the unemployment rate for Cambodians was 9.2 percent in 2010, for the Hmong was 9.9 percent, for Laotians was 9.1 percent, for Vietnamese was 6.8 percent, for Native Hawaiian and other Pacific Islanders was 9.9 percent, and for American Indian/Alaska Natives was 10.6 percent. The 2009 data again suggest substantial variations of unemployment rates in the Asian American community. The average unemployment rate in 2009 for Asian Americans was 7.2 percent. But the unemployment rate for Cambodians was 7.4 percent in 2009, for the Hmong was 7.8 percent, for Laotians was 8.8 percent, for Vietnamese was 6.1 percent, for Native Hawaiian and other Pacific Islanders was 8.9 percent, and for American Indian/Alaska Natives was 9.4 percent.
- 3 The unemployment rate for all Asian Americans was 3.7 percent in 2007. But the rate for Cambodians was 5.2 percent, was 6.5 percent for the Hmong, was 6 percent for Laotians, and was 3.5 percent for the Vietnamese. Similarly, Native Hawaiian and Other Pacific Islanders had an unemployment rate of 5.5 percent, and American Indians and Alaskan Natives had a rate of 7.5 percent.
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- 5 Again, more detailed data on other racial and ethnic groups is lacking, but annual estimates on the American Indian/Alaska Natives population, for instance, indicate that their median household income is consistently substantially lower than their white counterparts. In 2010 for instance, American Indian/Alaska Natives reported a median household income of \$35,062—more than one-third less than whites' median household income.
- 6 The aggregate data for Asian Americans again mask large variations in this community. The Hmong population, for instance, had a poverty rate of 27.4 percent in 2010.
- 7 It is noteworthy that Asian American subpopulations had substantially higher poverty rates than the average poverty rate for Asian Americans suggest. For instance, 19.2 percent of Cambodian families, 25 percent of Hmong families, 12 percent of Laotian families, 11.5 percent of Vietnamese families, 21.4 percent of American Indian/Alaska Native families, and 12.6 percent of Native Hawaiian and other Pacific Islander families lived below the poverty line in 2007.
- 8 Additionally, in 2009 annual estimates of other racial and ethnic groups began measuring health insurance coverage, so we know that significant percentages of southeast Asians, American Indian/Alaska Natives, and Native Hawaiian and other Pacific Islanders also lacked coverage—specifically, 21.3 percent of Cambodians, 15.9 percent of the Hmong, 18.5 percent of Laotians, 18.7 percent of Vietnamese, and 13.5 percent of Native Hawaiian and other Pacific Islanders lacked coverage.
- 9 The share of American Indian/Alaska Natives without health insurance stayed at 29.2 percent in 2010, the same level as in 2009—the highest share of any population without health insurance.
- 10 The Federal Reserve does not break down the data further in its summary of the latest data, and the data are not publicly available to allow researchers to analyze racial and ethnic breakdowns in greater detail. See Jesse Bricker and others, "Surveying the Aftermath of the Storm: Changes in Family Finances from 2007 to 2009. Finance and Economics Discussion Series (FEDS)" (Washington: Board of Governors, 2011), available at <http://www.federalreserve.gov/pubs/feds/2011/201117/201117pap.pdf>.
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