

# The State of Black America 2010

## Jobs: Responding to the Crisis

With the 2010 Equality Index™

### EXECUTIVE SUMMARY

In 2010, as the National Urban League celebrates its 100<sup>th</sup> Anniversary, the nation has just begun to recover from one of the worst economic crisis in its history. The response to the devastation caused by near-record high unemployment for African Americans that threatens to push an already struggling community deeper into poverty and despair must be urgent. Jobs with living wages and good benefits must be the primary goal for 2010 and ahead.

In this, the 34<sup>th</sup> edition of *The State of Black America*, the National Urban League responds to this crisis – it presents the *National Urban League's Plan for Creating Jobs* and features analysis and recommendations from experts and leaders on specific steps to address the jobs crisis in urban communities. An all encompassing analysis is provided by in-depth examination of the relationship between jobs and education, healthcare, broadband access and environmentalism. The data and analysis in this report provide a blueprint for responding to this crisis.

### The 2010 Equality Index™

2010 brings together three important events at a time when America is at cross-roads – this year will likely mark the end of the Great Recession, the National Urban League celebrates 100 years of existence and the 23<sup>rd</sup> decennial United States Census will be held. These events will decide what structure the United States' economy will take in the years ahead and how the demographic shifts in our population will impact on our economic future?

At this juncture, it is worth considering whether the mission of the National Urban League, that has tirelessly promoted civil rights and economic empowerment, important now as it was 100 years ago? What can the National Urban League do to empower communities to ensure that these unfolding economic and social structures bring prosperity that is shared equally? To answer these questions, the National Urban League presents the 2010 Equality Index.

The 2010 Equality Index for the black-white comparison stands at 71.8%, compared to the revised 2009 index of 71.2%.

The 0.6 percentage point increase in this year's overall index represents the first one-year uptick in the last four years. This uptick is largely driven by the increase in the civic engagement index (97.6% in 2009 to 102.2% in 2010) which was mostly due to the black voter turnout in the 2008 Presidential elections.

In the categories of the index, except for civic engagement, there were minimal changes:

- Social justice (57.2% in 2009 to 57.1% in 2010) and economics (unchanged at 57.4%) top the categories with highest inequality.
- Health (76.8% in 2009 to 77.0% in 2010) and Education (77.0% in 2009 to 77.6% in 2010) followed in terms of inequality.

This year, in addition to the usual black-white comparison, the Equality Index also includes, for the first time, a Hispanic-white comparison. Inclusion of the Hispanic Equality Index is the biggest change this year. The Hispanic Equality Index expands the discussion of equality and reflects the changing demographics, and reflects the National Urban League's 100 years old commitment to justice and economic empowerment for all people.

A similar methodology was used in arriving at the Hispanic Equality Index. However, in some instances, data for Hispanics was not available. By redistributing the weights, we arrived at a Hispanic Equality Index that is comparable to the one for Black America.

The 2010 Hispanic Equality Index stands at 75.5%. The indexes for each of the categories are 61% in economics, 62.4% in social justice, 71.9% in civic engagement, 76.5% in education and 103.4% in health.

The patterns of inequality for blacks and Hispanics relative to their white counterparts are similar in some ways, yet quite different in others. Economics and social justice are the two areas with the greatest inequality for both groups, however, blacks are most equal to whites in civic engagement (102% for blacks and 71.9% for Hispanics) while Hispanics are most equal in health (103.4% for Hispanics and 72.9% for blacks). This report provides in-depth analysis of the underlying drivers of these inequalities.

**Economics:** 2010 Equality Index for the economics category stands at 57.4% (and improvement of 0.1 percentage points from 2009):

- Slight movement towards greater equality was at the cost of higher unemployment rates for blacks (from 10.1% to 14.8%) and whites (from 5.2% to 8.5%). Still, the black-white unemployment rate index is only 57%.

- The small gain made in black-white real median household income in 2009 was erased this year (from 65% to 62%). The real median household income for whites rose faster than for blacks (up 7% and 1%).
- Less than half of black and Hispanic families own a home (47.4% and 49.1%) compared to three quarters of white families. Blacks and Hispanics are more than three times as likely as whites to live below poverty.

**Health:** Despite the great debate about health-care reform, 10.8% of whites, 19.1% of blacks and 30.7% of Hispanics are without health insurance. The disparities in economic opportunity and health-care are reflected in the childhood obesity epidemic among minority populations – among black children ages 6-11, 18.6% of boys and 24% of girls are overweight and among Hispanic children, it is 27.5% for boys and 19.7% for girls. For white children, the corresponding numbers are 15.5% for boys and 14.4% for girls.

**Education:** For the population over 25, whites are more than one and a half times as likely as blacks and two and a half times likely as Hispanics to hold a bachelor's degree. Relative to the 2009 Equality Index, ground has been lost on the college enrolment rates for 18-24 year old high school completers (from 90% to 84%). The corresponding Hispanic –white ration in 2010 is 82%. Another barrier to education equality is the pool of high school dropouts – this is especially serious among Hispanics with a dropout rate of 26.2% among 18-24 year olds compared to 13% for blacks and 10.8% for whites.

**Social Justice:** Closing the incarceration gap is the critical issue here – no new data was available for this year's index, but the 2008 data indicates that blacks are six times more likely and Hispanics are three times more likely than whites to be incarcerated.

## **Putting Americans Back to Work**

### **National Urban League's Plan for Creating Jobs**

While the spikes in the national unemployment rate rightfully attracted attention, little was made of double-digit unemployment existing in communities of color since the previous summer – for blacks since August 2008 and for Hispanics since February 2009. Jobless recovery of 2001 had left the black unemployment rate at near 10% since December 2001.

More than a year before the national unemployment rate reached 10.2% in October 2009, the National Urban League was at the front lines assisting families facing hardships – 74% increase in demand for workforce development, business development and housing counseling provided by the National Urban League's affiliates between 2006 and 2008.

Combining this frontline experience and the depth in policy analysis developed over decades of work in jobs creation, in November 2009 the National Urban League introduced *The National Urban League's Plan for Putting America Back to Work* – a comprehensive and bold six point plan for job creation by targeted spending of \$168 billion over 2 years:

- **Direct job creation:** Offer financial support to cities, counties, states, universities, community-colleges and non-profit community organizations to hire for providing critical services. Eligibility will be based on local unemployment rates with a focus on the long-term unemployed. We propose \$150 billion to create 3 million jobs.
- **Expand and expedite the Small Business Administration's Community Express Loan Program:** Reduce the interest rate to 1% for loans made to businesses located in areas where the local unemployment rate exceeds the state average. Expansion of the program (from \$1 billion to \$10 billion)

should make credit available to additional 50,000 small businesses.

- **Create Green Empowerment Zones:** In areas where at least 50% of the population has unemployment rate that is higher than the state average, manufacturers of solar panels and wind turbines will for a period of three years, be eligible for zero federal income tax and zero capital gains tax under the condition that they hire and retain for a minimum of three years, at least half of the workforce from the local area.
- **Expand the hiring of housing counselors nationwide:** \$500 million to fund housing counselors. According to the Urban Institute, borrowers facing foreclosure are 60% more likely to hold their homes if they receive counseling and loan modifications with average monthly payments less than \$454.
- **Expand the Youth Summer Jobs program:** \$5-7 billion to employ 5 million teens in 2010. Since the 1990s the employment population ratio for black youths has fallen from 33% down to 15% in 2009. The unemployment rate for black youths is over 40%.
- **Create urban jobs academies:** Implement and expand the Urban Youth Employment Program (UYEP) to employ and train the chronically unemployed. UYEP, a four year partnership with the U.S. Department of Labor that started in 2004 has served 3,900 youths, 65% of whom either had job placements or completed their high school diploma or completed their GED. 200 participants were placed in postsecondary schools or colleges. Scaling this program up to 100 sites would more than triple the program at a cost of \$108.5 million.

## **African Americans and the Green Revolution: A Report from the National Urban League Policy Institute**

As the United States economy nears the end of the worst economic crisis since the Great Depression, a critical question is what innovation will drive economic expansion into the future? Innovation has commonly propelled the American economy from one generation to the next. Some are hoping that the “greening of America” will provide the post-millennial boost for the American economy, and in particular jobs. This report considers some of the estimates and projections to evaluate the employment opportunities that this will provide for black workers.

Here are some of the findings:

- We provide a definition of what a green job is. This provides a framework for evaluating the opportunities that will arise from investment in green jobs.
- In December 2007, 5.5% of black workers were in green jobs while 11.4% of Hispanic and 7% of white workers were in them. Minority workers were less evenly distributed than whites in various green job occupations.
- In green jobs projected to grow between 2006 and 2016, black workers concentrated in industrial truck driving (13%) and Asians in computer software engineering (38%). This has enormous consequences on wages.
- At the start of the recession, unemployment gap between blacks and Hispanics in green job occupations was similar but the black unemployment rate rose by 91% between December 2007 and December 2008 compared to 27% rise for Hispanics.
- \$100 billion stimulus with an additional credit stimulus can create 2 million jobs over two years – that will reduce unemployment rates for white to 8.4% (compared to 9.5%) and for blacks to 14.9% (compared to 15.7%).

## **Lessons Learned from the Economic Crisis: Job Creation and Economic Recovery**

This report examines how the recession has been affected by the dual causes of the recession – economic contraction and the collapse of the financial system. An in-depth analysis of why the labor market has remained weak and likely to continue to be weak is provided by reference to the unique causes of this recession and historical perspectives. Direct jobs creation is discussed as a solution to the jobs crisis.

The job creation challenge is exacerbated by two forces at work -- structural change and cyclical fluctuation. Structural changes include technological advances biased towards less labor input per unit of output, growth in services sector jobs and outsourcing to lower cost locations. Cyclical fluctuations will depend on how employers adjust to the demand for labor. In times of modest growth, employers adjust by increasing the hours of work and hiring temporary workers. Employers hire full-time workers only when confident of sustained recovery and future growth.

### **Creating Good Jobs for Everyone**

From 1972 to 2009, blacks were 2.2 times more likely to be unemployed than whites. Since President Barack Obama took office, this has fallen to being 1.8 times more. Compared to previous recessions, blacks seem to be doing relatively better in this recession – the last time unemployment rate for whites was higher than 9% was in March 1983 and at that time, black unemployment was 20.1%.

Challenges of a jobs recovery will require focus on the structural (addressing workers who lack competitive skills) and cyclical (impacted by the current job losses but job ready) components of unemployment. U.S. Department of Labor's efforts in the recession have been to address these structural and cyclical factors and shore up the safety net for the unemployed.

## **Housing in the Post-Bubble Economy**

Housing is fundamental to human survival and well being, perhaps second only to food in material importance. The National Urban League's goal is to ensure that every American lives in safe, decent, affordable and energy efficient housing on fair terms by the year 2025. This report shows that although access to safe and decent housing as a reality for blacks seems within our grasp, affordability, energy efficiency and fairness remain distant.

Here are some of the findings:

- Half of all moderate-income black renter households pay more than 30% of their incomes for rent and nearly one in four moderate income black renter households pay more than half of their incomes for rent.
- Nearly 60% of moderate-income black households that are owners pay more than 30% of their incomes for housing costs and 31% of this group pay more than half their incomes for housing costs.
- A household has a moderate housing cost burden if they spend more than 30% of their income on housing costs and a severe housing cost burden if they spend more than 50% of their income on housing costs
- The easiest way to address the problem of affordability would be to provide additional housing assistance to low and moderate-income households that currently spend an undue portion of their incomes on housing. There are numerous ways of doing this but one starting point would be expanding access to the Housing Choice Voucher (HCV) program. Enforcement of fair lending laws and the enactment of consumer protection laws are some of the other solutions discussed.

## **Intermediaries in the Workforce Development System**

There is a growing recognition of the importance of intermediaries in the implementation of workforce programs. The National Urban League, with affiliates that are local workforce development intermediaries, is an important part of this and is uniquely positioned to ensure success at the community level. This is an important issue at a time when the Workforce Investment Act and the Temporary Assistance for Needy Families are up for reauthorization.

This report examines the role of intermediaries – how they target services to low income communities, build the capacity of local intermediaries and facilitate the rapid implementation of federal programs. The report also examines how national organizations with affiliate networks are best placed to be networks for grassroots intermediaries and administrative and fiscal intermediaries between the federal government and local communities. Effective workforce development requires support for these organizations.

## **Education: The Path to Success for African Americans**

Education matters more than ever – those with a bachelor's degree fared much better than high school dropouts in the recession. Education is the true path out of poverty -- education is the civil rights issue of our time. Average black child is two or three grade levels behind the average white child, about half of black students fail to graduate on time and only one in five blacks has a bachelor's degree.

President Barack Obama's administration has a cradle-to-career agenda -- \$9.3 billion over the next decade for early learning programs and promoting K-12. Final part of the agenda is making college affordable by real increases in Pell Grants, ensuring student loan borrowers will pay no more than 10% of their monthly income and forgiving student loan debt if in a range of public services.

### **Jobs and Healthcare: An Alternative “Public Option”**

Healthcare insecurity is especially acute for blacks – 2006 median net worth of about \$12,000 -- which is less than ten percent of the comparable white values of \$121,000. This offers very little financial security to deal with sicknesses. Uninsurance rate for blacks is about 21% -- almost double the 12% rate for whites. Hispanics have the highest uninsurance rate at 34%.

Some of these insurance discrepancies can be explained by socioeconomic factors -- blacks are disproportionately employed in service occupations with high rates of uninsurance. However, analysis in this report shows that within occupational categories, the uninsurance rates for blacks and Hispanics exceed those of their white peers, suggesting that racial workforce composition may be a source of their low insurance coverage. This report proposes an “alternative public option” to achieve universal coverage – among other things, this will remove the effects of a firm’s racial workforce composition.

### **Broadband Matters to All of Us**

Wider adoption of broadband is one of the best stimulus policies because jobs can be created by this. One study showed that a 7 percent increase in adoption could grow well over one million jobs. Further, technology jobs on average pay 40% more. Greater deployment will enable fuller participation in the economy because broadband access is required just to apply for a job and about 70% of young people do homework with the assistance of the internet.

Public-private partnerships to promote broadband deployment in underserved areas are critical. Just a few decades ago, the Internet itself derived from a thoughtful partnership between the Department of Defense, research institutions and private industry. President Barack Obama’s administration’s unveiling of a national broadband plan is exciting start.

### **The Philadelphia Story: Small business Growth = Job Creation**

This report examines how a community-based model to grow small minority businesses can create jobs in urban areas. Given that minority businesses are forming at a faster rate than overall businesses and entrepreneurship is responsible for most newly created jobs, this is an effective way to create jobs.

This report analyzes solutions to the special problems faced by minority businesses -- minority businesses often lack size and capacity, they are disproportionately in low-growth and no-growth sectors and their capital is based on personal debt and family financing. The work of the Urban League of Philadelphia’s Entrepreneurship Center that focuses on helping black owned businesses grow to scale so that they can have greater market presence, increase revenues and create additional jobs for the region is presented as a case study of how these problems can be rectified.

### **Opening New Doors Through Volunteerism**

This report analyzes how volunteerism is an important part of career and professional development – even while having a job in the current economy, volunteerism will assist people to prepare for tomorrow. In any job market, job opportunities are gained in one of two ways—cold acquisition or hot referrals. Cold acquisition is when you look at advertised positions and make inquiries, get screened and then an offer. The hot referral is when someone on the inside or connected to the inside refers you to that advertised position or to the nonpublic job opportunities. This is achieved through networking. Volunteerism allows you to build those networks. Volunteerism also enables people to gain a foothold in new sectors and retool your skills. In a good or bad job market, volunteering can be the difference between good and great, between barely succeeding and succeeding beyond expectations.