PolicyBrief
CENTER FOR POVERTY RESEARCH
Volume 1, Number 7

The Great Recession and Greater Disparities in Employment and Earnings

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In the recent recession, unemployment nearly doubled to 9.5 percent by mid-2009.[1] This figure is powerful in and of itself, but does not tell the whole story.

In a recent study, Center for Poverty Research Faculty Affiliates Hilary Hoynes, Douglas Miller and Jessamyn Schaller find that the economic downturn widened existing disparities in wages and employment, and that African Americans, Latinos, young people and those with less education were hit hardest by the shrinking job market.

Key Findings

- From 2007-10, the U.S. poverty rate increased from 12.5% to 15.1%.
- In that period, the largest increases in unemployment were experienced by African American men (9 percentage points), youth aged 16-19 (11 percentage points), and those only a high school education (8 percentage points).
- In each of the four recession and recovery cycles between 1979 and 2011, men, nonwhites, the young, and those without post-secondary education were hit hardest by the downturn.

The Great Recession of 2007-09 in the U.S. is the most severe and prolonged recession-recovery cycle in the post-war period, even compared to one in the early 1980s that encompassed two cycles back-to-back. In previous cycles, employment returned to pre-recession levels within 48 months of the recession's start. Four years after the start of the 2007-09 recession, the U.S. unemployment rate remained approximately 3.5 percent higher than its pre-recession peak.

The impacts of the Great Recession, however, are not necessarily experienced by all workers to the same degree. National statistics can obscure dramatic differences in the severity of the cyclical impacts for different groups. For example, a recent analysis of labor market data shows that men experienced significantly larger job losses in the Great Recession compared to women, yet in the expansion male employment is picking up more rapidly.[2]

Despite these nuances, this study finds an overarching picture of stability in the demographic patterns of response to the business cycle over time. Who lost in the Great Recession? The same groups who lost in the recessions of the 1980s, and who also experience weaker labor market outcomes even in the good times. Viewed through the lens of these demographic patterns, the Great Recession is different from earlier business cycles in size and length, but not in type.

[1] See http://www.nber.org/cycles.html for official NBER business cycle dating.
[2] Kochhar, 2011

About the Center

Over the past 50 years, the U.S. has experienced a rising standard of living without reducing the fraction of the population that live in poverty. In response to this, the Center for Poverty Research at UC Davis is one of three federally designated National Poverty Centers whose mission is to facilitate non-partisan academic research on poverty in the U.S., to disseminate this research, and to train the next generation of poverty scholars. Our research agenda spans four themed areas of focus:

- Labor Markets and Poverty
- Children and the Intergenerational Transmission of Poverty
- The Non-traditional Safety Net, focusing on health and education
- The Relationship Between Poverty and Immigration

The Center was founded in the fall of 2011 with core funding from the Office of the Assistant Secretary for Planning and Evaluation in the U.S. Department of Health and Human Services.

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Cycles of Recession and Recovery

The researchers began with an overview of regular fluctuations in rates of employment and unemployment from 1979 through 2011, covering four cycles of economic recession and recovery in the U.S. Using national time series data, they compared the Great Recession of 2007-09 to earlier recessions in terms of severity, duration and subsequent recovery. They then incorporated data on individuals from the Current Population Survey Merged Outgoing Rotation Group (CPS MORG) to measure how rates of unemployment employment, and earnings changed across different groups during the Great Recession.

Researchers estimated rates of employment and unemployment, as well as average weekly earnings for various demographic groups divided by race, gender, education level and age. They then used a panel data model to leverage variation across U.S. states in the timing and severity of business cycles. Using this model, they were then able to measure how the a given change in the unemployment rate (state to state and month to month) impacted the different groups.

Impacts Across Demographic Groups

In 2007, substantial disparities in employment and wages divided demographic groups. Less than half of those with no high school diploma had jobs at the peak of employment in 2007, compared to 86 percent of college graduates. Among African American women, 59 percent were working, compared to 71 percent of white women. In May 2007, just before the recession began, the average weekly income for white men was $830. For African American men it was $448, and for Hispanic men it was $524. For Hispanic women it was a mere $298.

The Great Recession widened these disparities. Groups with high baseline unemployment also had the greatest increase in unemployment. Men had larger increases than women. African Americans and Hispanics had larger increases than whites. Young people had larger increases than the middle aged. Low education groups were also hit.

The largest increases in unemployment were experienced by black men (a 9 percentage-point increase), youth 16-19 (11 percentage points), and those with no education beyond high school (8 percentage points). By contrast, the unemployment rate of white women, the college educated and those aged 45-60 each increased by less than four percentage points.

Consistencies Across Recessions

When the researchers compared the four recession-recovery cycles since the early 1980s, they found that the impact across demographic groups was quite similar to the Great Recession. In fact, when expanding their analysis to explore all cycles between 1979 and 2011, they found that in each, men fared worse than women, non–whites worse than whites, the young worse than the old, and those without higher education worse than those with a college degree.

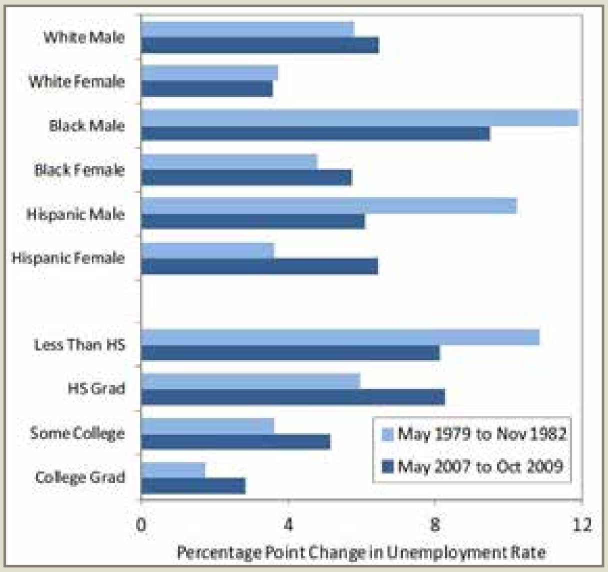

Figure 1 shows changes in unemployment rates by group during the 1980 and 2007 recessions.

This stability is somewhat surprising given the tremendous changes to the labor market in past decades, including the rising labor force attachment of women, the increase in minority share of the labor force and the decline of manufacturing.

Persistent Employment Patterns

Why do some groups consistently suffer more in recessions than others? This study shows that the sustained vulnerability to cyclical fluctuations is likely due to persistent industry employment patterns. For example, throughout this period, men are more likely to be employed in highly cyclical industries such as construction and manufacturing, while women are more likely to be employed in less cyclical industries such as services and public administration.

Overall, this study concludes that although the Great Recession is longer and more severe than earlier cycles, its impacts are quite similar.

References

Kochhar, Rakesh. 2011. "In Two Years of Economic Recovery, Women Lost Jobs, Men Found Them," Pew Social & Demographic Trends, Washington, D.C.

Meet the Researchers

Hilary Hoynes, Professor of Economics at UC Davis, studies poverty, inequality and the impacts of government tax and transfer programs on low income families.

Douglas Miller, Associate Professor of Economics at UC Davis, examines the impact of economic forces, social policy and the environment on health.

Jessamyn Schaller, Assistant Professor of Economics at the University of Arizona, examines the relationship between work conditions and outcomes for women.

Funding for this project was made possible by a grant from the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Analysis (ASPE). The views expressed are those of the authors and do not necessarily reflect the official policies of the Department of Health and Human Services.