

# Wealth, Race, and the Working Class Post-Great Recession

Fenaba R. Addo, Ph.D., University of North Carolina- Chapel Hill

William A. Darity, Jr., Ph.D., Duke University



POLLING MATTERS AUGUST 3, 2018

# Looking Into What Americans Mean by "Working Class"

BY FRANK NEWPORT



How do we avoid future authoritarians?  
Winning back the working class is key  
*Bernie Sanders*



A segment of working-class people in our country still believes Donald Trump defends their interests. We must win them over

BERNIE SANDERS · Published May 20

**Sanders warns Biden must do more to woo working class, young voters ahead of election**

# Research Objectives

- ❑ Move beyond conventional definitions of working-class status
- ❑ Characterize the financial status of working-class households post-Great Recession
- ❑ Assess the relationship between working-class status and middle-class attainment and whether it varies by race and ethnicity

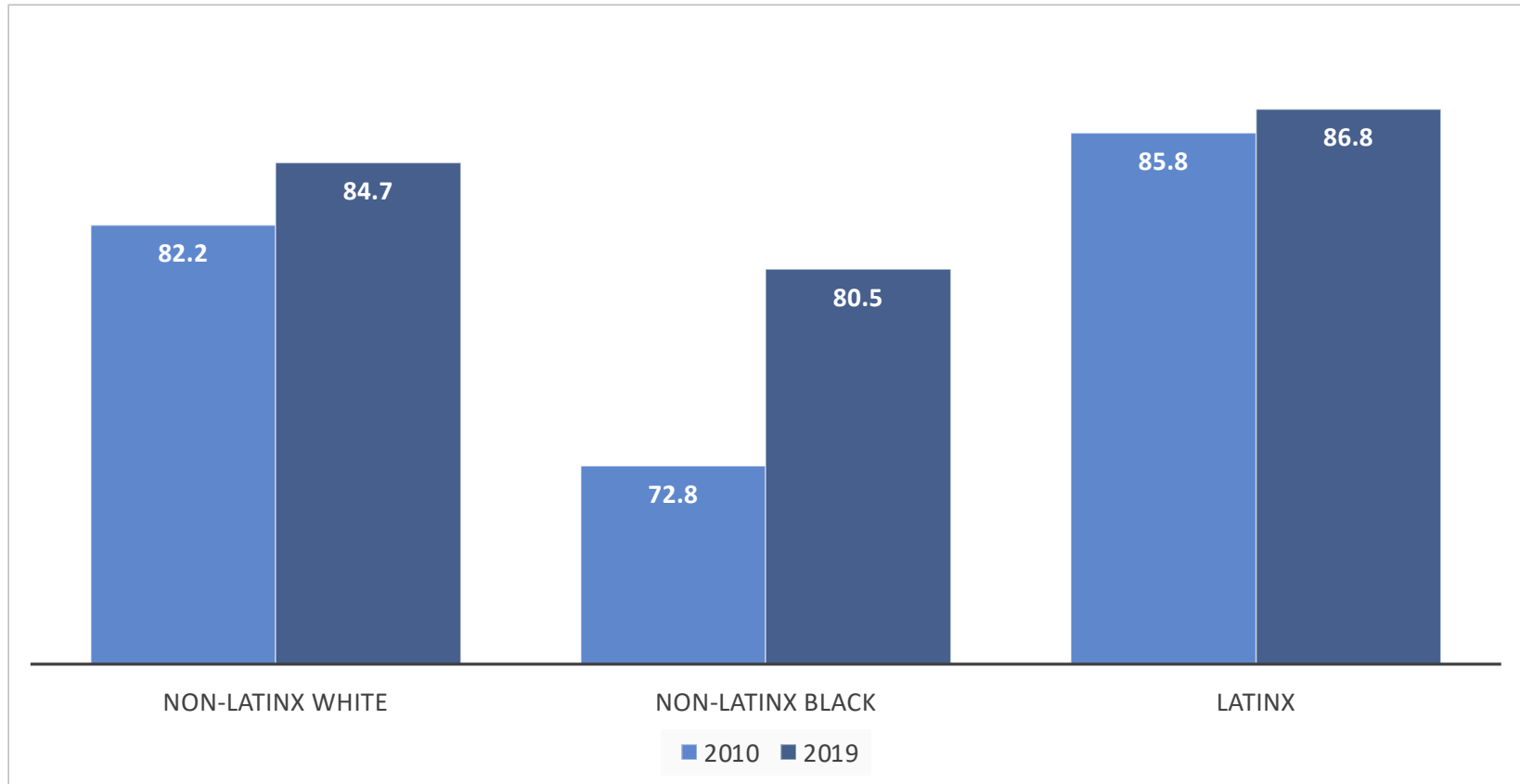
# Defining the working class

- Labor force attachment
  
- Relationship to the means of production
  - Working class occupations / “productive labor”
  - Professional class occupations / “unproductive labor”

# Survey of Consumer Finances

- ❑ Surveys from 2010 and 2019
- ❑ Households headed by Non-Latinx Black, Latinx, and Non-Latinx White respondents between the 25-64 years old and not retired, disabled, or out of the labor force.
- ❑ Household Net Worth
- ❑ Working Class: 1. employed by someone else and 2. did not hold a managerial or professional occupation

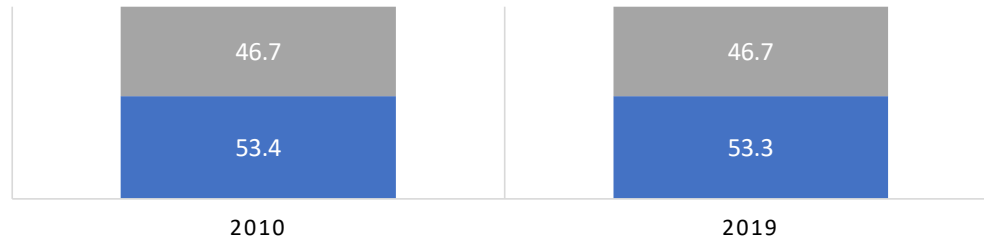
**As the economy recovered, labor force participation of Black workers improved but lagged White and Latinx households.**



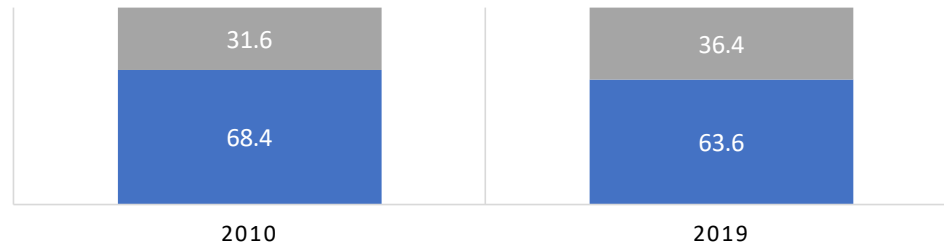
Source: Survey of Consumer Finances

Although working class households comprise the majority of households, the shares differ within race.

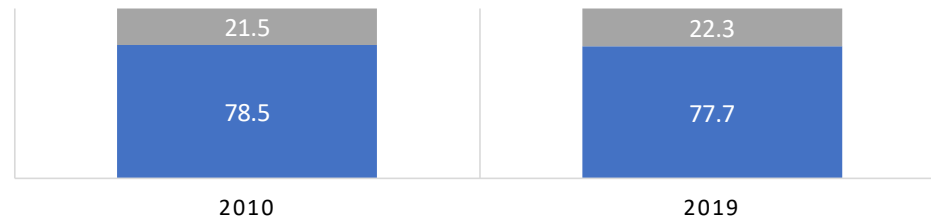
### NON-LATINX WHITE



### NON-LATINX BLACK



### LATINX



■ Working Class in LF ■ Professional Class in LF

# Research Objectives

- ❑ Move beyond conventional definitions of working-class status
- ❑ Characterize the financial status of working-class households post-Great Recession
- ❑ Assess the relationship between working-class status and middle-class attainment and whether it varies by race and ethnicity



**Median net worth of all Black households remained lower than White working- class households. Median net worth increased for all groups between 2010 and 2019.**

---

|                          | <b>2010</b>     | <b>2019</b>      |
|--------------------------|-----------------|------------------|
| Full Sample              |                 |                  |
| Working Class in LF      | \$49,757        | \$70,000         |
| Professional Class in LF | \$187,106       | \$218,200        |
| White Households         |                 |                  |
| Working Class in LF      | <b>\$77,116</b> | <b>\$114,270</b> |
| Professional Class in LF | \$274,650       | \$276,000        |
| Black Households         |                 |                  |
| Working Class in LF      | <b>\$17,085</b> | <b>\$19,920</b>  |
| Professional Class in LF | <b>\$34,464</b> | <b>\$38,800</b>  |
| Latinx Households        |                 |                  |
| Working Class in LF      | \$20,042        | \$35,660         |
| Professional Class in LF | \$68,091        | \$104,810        |

---

**Median net worth increased for all groups between 2010 and 2019. Median net worth of all Black households remained lower than White working-class households.**

|                          | 2010      | 2019             | Absolute Change<br>(2019-2010) | % Change<br>(2019-2010) |
|--------------------------|-----------|------------------|--------------------------------|-------------------------|
| <b>White Households</b>  |           |                  |                                |                         |
| Working Class in LF      | \$77,116  | <b>\$114,270</b> | <b>\$37,154</b>                | <b>48.18</b>            |
| Professional Class in LF | \$274,650 | \$276,000        | \$1,350                        | <b>0.49</b>             |
| <b>Black Households</b>  |           |                  |                                |                         |
| Working Class in LF      | \$17,085  | <b>\$19,920</b>  | \$2,835                        | 16.60                   |
| Professional Class in LF | \$34,464  | <b>\$38,800</b>  | \$4,336                        | 12.58                   |
| <b>Latinx Households</b> |           |                  |                                |                         |
| Working Class in LF      | \$20,042  | \$35,660         | \$15,618                       | <b>77.93</b>            |
| Professional Class in LF | \$68,091  | \$104,810        | \$36,719                       | <b>53.93</b>            |

Latinx households' homeownership rates increased, while housing debt held declined for all. Ownership of debt increased in all other categories.

### % Change in Asset/Debt Ownership, 2019-2010

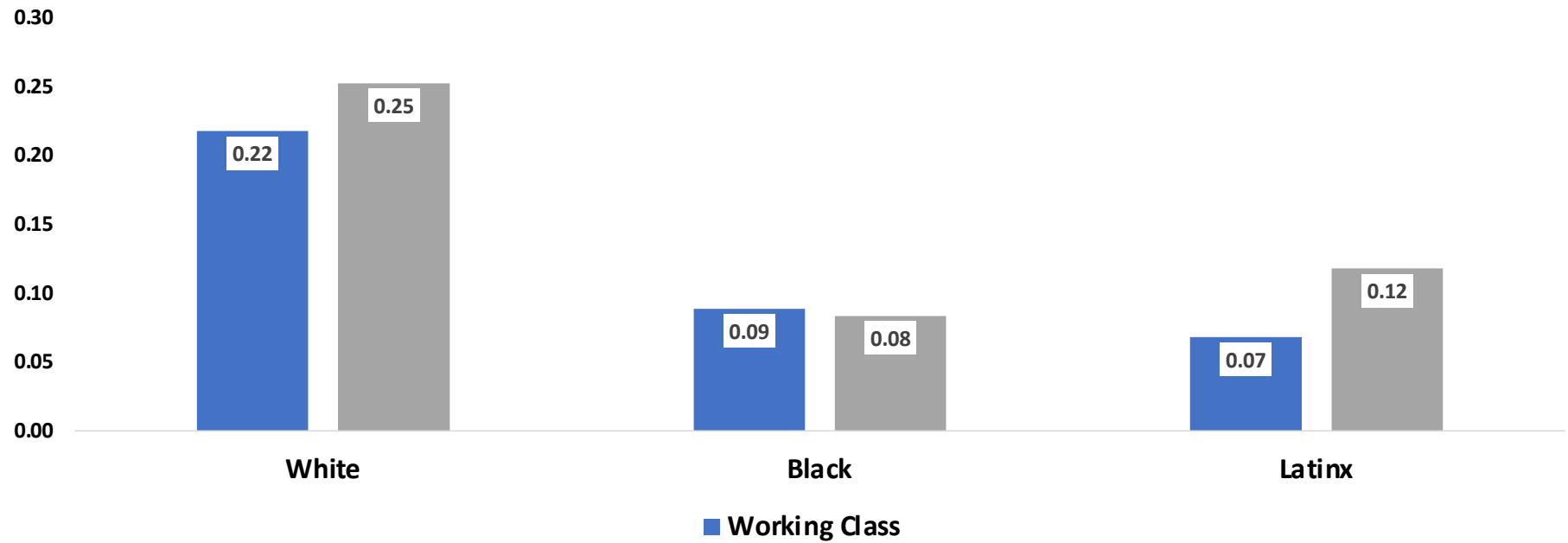
|                             | White WC | Black WC | Latinx WC |
|-----------------------------|----------|----------|-----------|
| <b>Financial Assets</b>     |          |          |           |
| Liq Assets                  | 0.034    | 0.170    | 0.139     |
| Stocks/Bonds/CDs            | -0.142   | -0.224   | -0.221    |
| Retirement/pensions         | -0.027   | 0.073    | -0.156    |
| Life ins/other fin asset    | -0.067   | -0.075   | 0.054     |
| <b>Non-Financial Assets</b> |          |          |           |
| Real Estate                 | -0.030   | -0.147   | 0.085     |
| Business                    | 0.055    | -0.396   | 0.140     |
| Vehicles                    | 0.001    | 0.015    | 0.022     |
| Other non-fin               | -0.023   | 0.245    | 0.963     |
| <b>Debts</b>                |          |          |           |
| Housing debt                | -0.120   | -0.326   | -0.135    |
| OLC/other                   | 0.009    | 0.007    | 0.248     |
| Credit card debt            | 0.129    | 0.371    | 0.257     |
| Education debt              | 0.089    | 0.150    | 0.288     |
| Vehicle debt                | 0.154    | 0.190    | 0.596     |

Growth in non-zero debt amounts, with significant increases in education debt.

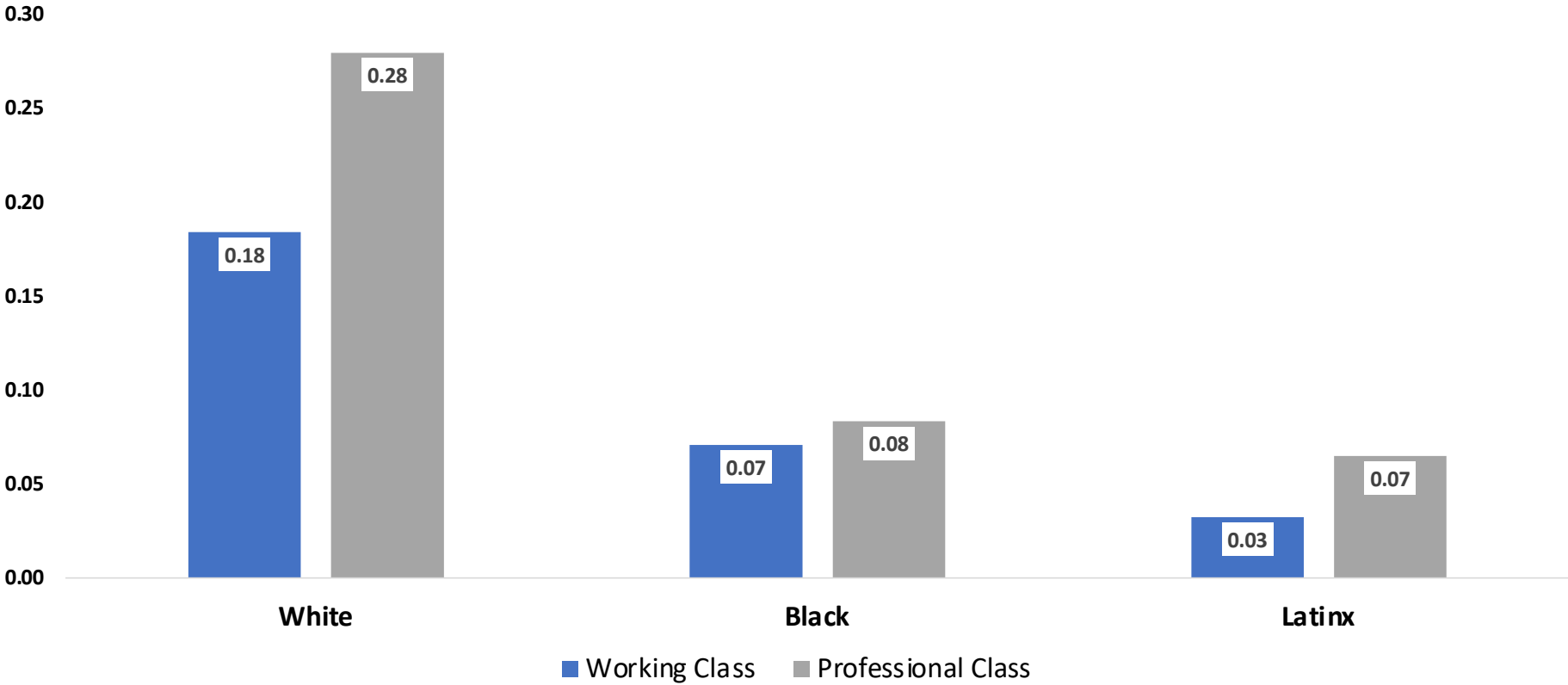
**% Change in Median Value of Asset/Debt, 2019-2010**

|                             | <b>White WC</b> | <b>Black WC</b> | <b>Latinx WC</b> |
|-----------------------------|-----------------|-----------------|------------------|
| <b>Financial Assets</b>     |                 |                 |                  |
| Liq Assets                  | 0.41            | -0.15           | 0.47             |
| Stocks/Bonds/CDs            | 0.21            | 0.91            | 0.06             |
| Retirement/pensions         | 0.11            | 0.18            | 0.47             |
| Life ins/other fin asset    | -0.15           | -0.15           | 0.89             |
| <b>Non-Financial Assets</b> |                 |                 |                  |
| Real Estate                 | 0.05            | -0.01           | 0.45             |
| Business                    | -0.16           | 0.70            | 1.12             |
| Vehicles                    | 0.01            | 0.10            | 0.14             |
| Other non-fin               | 0.27            | 1.23            | -0.78            |
| <b>Debts</b>                |                 |                 |                  |
| Housing debt                | -0.05           | 0.03            | 0.43             |
| OLC/other                   | 0.17            | 0.17            | 0.89             |
| Credit card debt            | -0.23           | -0.69           | 0.13             |
| Education debt              | 0.41            | 0.50            | 0.72             |
| Vehicle Debt                | 0.19            | 0.01            | 0.05             |

White households are more likely to receive inheritances or gifts.



# White and professional-class households are more likely to expect an inheritance/gift.



# Research Objectives

- ❑ Move beyond conventional definitions of working-class status
- ❑ Characterize the financial status of working-class households post-Great Recession
- ❑ Assess the relationship between working-class status and middle-class attainment and whether it varies by race and ethnicity

**The wealth- threshold for middle class status increased as the economy improved.**

| Quintile | 2010        | 2019        |
|----------|-------------|-------------|
| 1        | -\$1,177    | -\$500      |
| 2        | \$17,320    | \$23,950    |
| 3        | \$90,725    | \$121,800   |
| 4        | \$277,254   | \$315,400   |
| 5        | \$1,121,928 | \$1,219,500 |

Source: Survey of Consumer Finances



## Fewer Black households were able to meet the middle- class threshold.

---

|   | 2010 | 2019 |
|---|------|------|
| <b>White Working- Class Households</b>        |      |      |
| Percent in the top three wealth quintiles     | 60   | 61   |
| Percent in the fifth wealth quintile, top 20% | 13   | 13   |
| <b>Black Working- Class Households</b>        |      |      |
| Percent in the top three wealth quintiles     | 36   | 30   |
| Percent in the fifth wealth quintile, top 20% | 2    | 4    |
| <b>Latinx Working- Class Households</b>       |      |      |
| Percent in the top three wealth quintiles     | 35   | 40   |
| Percent in the fifth wealth quintile, top 20% | 2    | 3    |

---

Source: Survey of Consumer Finances

# Analytic Methods

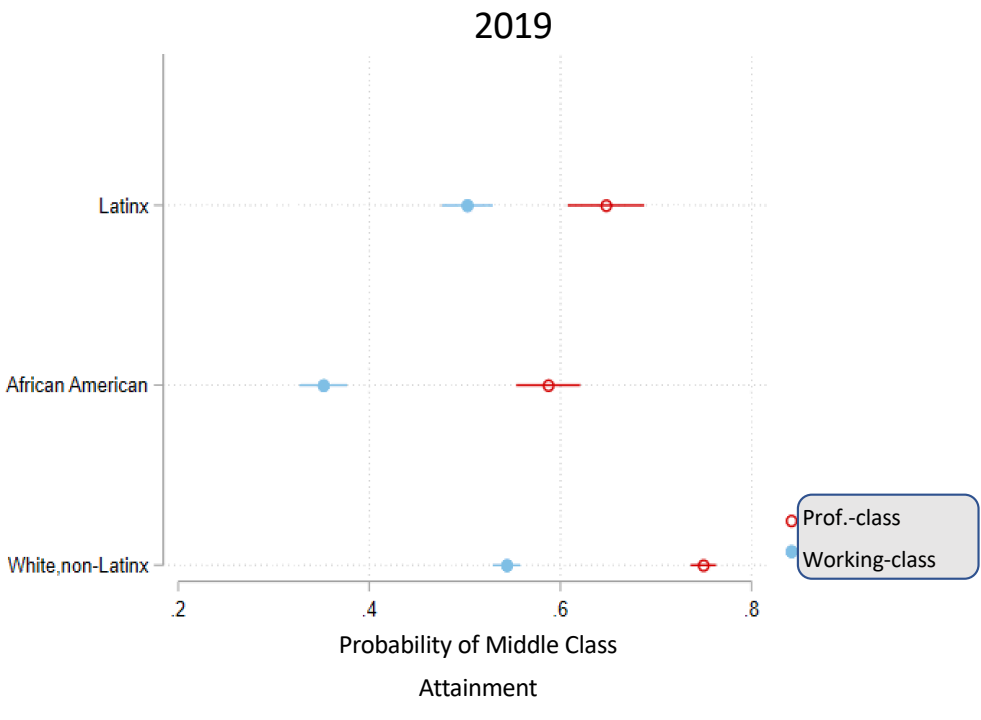
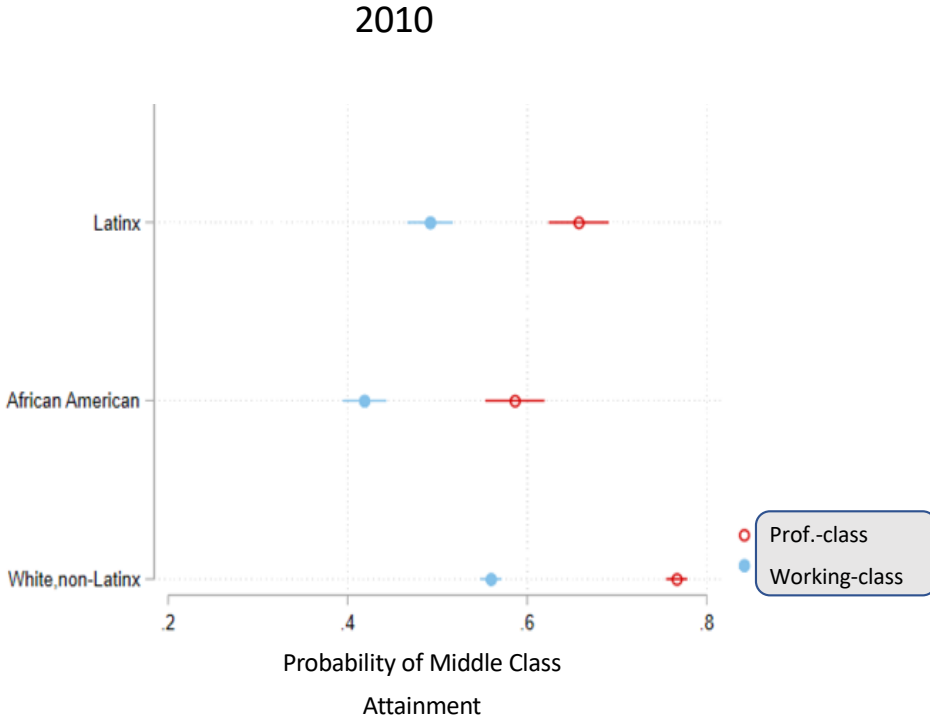
- Logistic regression models predicting at least middle-class status (3-5 wealth quintiles)
- Additional model covariates include age, educational attainment, current relationship status, presences of children (age<18), current smoker, risk aversion, household income, and indicator for fair/poor health
- Coefficient plots to estimate race/ethnicity and working-class interactions

**Working class households and Black and Latinx-headed households were less likely attain middle class status.**

|                                | 2010              | 2019              |
|--------------------------------|-------------------|-------------------|
| <i>ref: Professional Class</i> |                   |                   |
| Working Class                  | -0.046<br>(0.008) | -0.049<br>(0.009) |
| <i>ref: non-Latinx White</i>   |                   |                   |
| Black                          | -0.155<br>(0.011) | -0.180<br>(0.012) |
| Latinx                         | -0.080<br>(0.012) | -0.055<br>(0.013) |

Source: Survey of Consumer Finances  
Standard errors in parentheses

# Achieving middle class status for Black working class declined between 2010 and 2019.



# Summary

- ❑ Fewer Black working-class households benefitted from the economic recovery in terms of their net worth relative to the White working-class in both absolute and relative change metrics.
- ❑ Within White households, the working class experienced the greatest increase in both absolute and relative terms.
- ❑ Many working class households increased their debt holdings, especially education debt.
- ❑ White households are more likely to receive and expect gifts or inheritances.

# Summary

- Working class households are less likely to be middle class.
- Black and Latinx households are also less likely to be middle class.
- Professional class are more likely to be middle class as are White working-class households.

Thank you.

|                         | <b>2010</b> | <b>2013</b> | <b>2016</b> | <b>2019</b> |
|-------------------------|-------------|-------------|-------------|-------------|
| White                   |             |             |             |             |
| Working Class           | 60          | 60          | 62          | 61          |
| Managerial/Professional | 79          | 79          | 79          | 79          |
| Black                   |             |             |             |             |
| Working Class           | 36          | 33          | 31          | 30          |
| Managerial/Professional | 46          | 36          | 48          | 42          |
| Latinx                  |             |             |             |             |
| Working Class           | 35          | 35          | 36          | 40          |
| Managerial/Professional | 55          | 51          | 62          | 55          |