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One Recession, Disparate Recoveries: Assessing Change and Stability Following the Great Recession

In this issue of *Focus on Poverty*, we highlight four articles featured in a recent edition of *The ANNALS of the American Academy of Political and Social Science* (Vol. 695, 1) edited by IRP affiliates Timothy Smeeding, Jennifer Romich, and Michael Strain. The editors asked the overarching question "What has happened to the American Working Class since the Great Recession?" and, in turn, examined many facets of the Great Recession to reveal nuanced experiences across demographic groups throughout the extended recovery leading up to the current COVID-19 pandemic.

A central theme of the articles in this issue of *Focus on Poverty* involves disparate effects of the Great Recession and its subsequent rebound, the so-called Long Recovery. We focus on the "working class"—a designation with multiple definitions—and some of the many complex combinations of economic and racialized social status in the United States. In short, while most non-Hispanic white U.S. Americans saw modest to robust economic gains throughout the post-recession recovery, such fortunes were not equally realized by all. Authors highlight important distinctions by race and geography to examine relationships between poverty and well-being in the United States.

A geographic overview of relative advantage and disadvantage across counties nationwide—presented by Vincent Fusaro, H. Luke Shaefer, and Jasmine Simington—evaluates results from the multidimensional Index of Deep Disadvantage. While many areas of the country face relative advantages, those mired in persistent disadvantage were much less likely to experience the otherwise robust benefits of economic expansion following the Great Recession.

Pia Orrenius and Madeline Zavodny compare economic trajectories of foreign-born and U.S.-native Latino populations throughout the recession and recovery periods. As the second largest ethnic/racial group in the United States at 18.7 percent of the population (U.S. Census Bureau, 2020) it is important to understand the social and economic forces leading to—or thwarting—the collective well-being of Hispanic/Latino communities.

Next, Fenaba Addo and William A. (Sandy) Darity, Jr. evaluate household wealth among Black Americans throughout the Great Recession's recovery period. Persistent racial wealth gaps in the United States highlight the ongoing need to examine economic conditions at a scale more robust than traditional income-based measures.

Randall Akee anchors this issue with a focus on the earnings and employment conditions of Indigenous Peoples in the United States. While there are 574 federally recognized Tribal entities in the United States, each with distinct cultures and traditions, these groups are organized within two broad census cohorts here: American Indians and Alaska Natives (AIAN) and Native Hawaiians and Pacific Islanders (NHPI). Akee finds that on average, relative to non-Hispanic whites in the same time periods, AIAN populations have significantly lower median earnings and face the highest levels of earnings inequality.

Two "Research to Watch" items round out this issue of *Focus on Poverty* with brief summaries of works-in-progress. Scott Allard of the University of Washington and a visiting scholar at the Russell Sage Foundation will pursue projects examining poverty, mobility, and safety net provision across a full range of geographic contexts. And Columbia University-affiliated researchers Christopher Wimer, Ronald Mincy, and Zachary Parolin will examine panel data regarding income support policies (e.g., SNAP, EITC, TANF) to see how support for families can not only reduce childhood poverty but also lead to greater well-being into adulthood and reduce racial inequalities.

Thank you for reading *Focus on Poverty*. Please send any questions or comments to IRP Director of Communications Judith Siers-Poisson at sierspoisson@wisc.edu.

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The Stifling Stability of Deep Disadvantage

Vincent A. Fusaro, H. Luke Shaefer, and Jasmine Simington

TAKEAWAYS

While the Great Recession had negative effects for nearly all sectors and regions within the United States, the recovery highlighted regions of consistent advantage and disadvantage.

The Index of Deep Disadvantage is a multidimensional assessment of community-level economic well-being; counties nationwide were sorted into "advantaged" and "disadvantaged" prior to the Great Recession with recovery trends among disadvantaged counties tracked through the recovery.

Some counties were stable in their degree of disadvantage; stagnant stability finds many poor, non-white, and working-class households stunted by deep disadvantage.

Disadvantaged counties that improved through the recovery period had, on average, local economies less reliant on manufacturing, less initial poverty, lower unemployment, higher median incomes, and were less likely classified as urban.

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The Great Recession of 2007 to 2009 and its subsequent extended recovery did not affect all people and places equally. The recession saw broad trends such as high unemployment, significant losses of income and household wealth, declines in economic activity, and a cooling of credit markets, among other consequences; yet the distribution of socioeconomic vulnerability in the United States varied greatly across households and communities.[1]

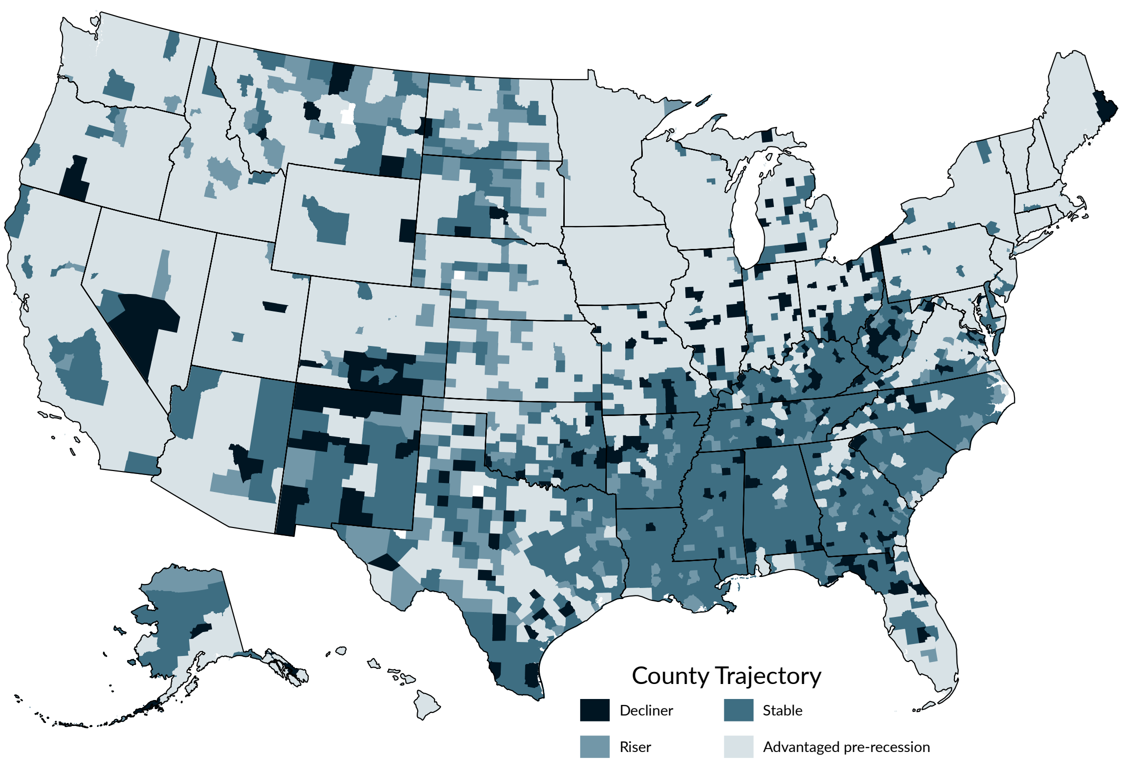
Our research attempts to better understand the differential consequences of the Great Recession's harms and the long recovery's benefits for communities. To examine conditions of relative advantage and disadvantage over time, we employ a novel multidimensional assessment of community-level economic well-being, the Index of Deep Disadvantage (IDD).[2] The IDD includes measures of income, health, and social mobility. We also analyze pertinent geographic, demographic, and economic factors associated with the range of socio-economic trajectories experienced across populations and over the recession's long recovery period. Results, in short, found that while some disadvantaged communities improved throughout the recovery period, others saw declines, and over two-thirds of counties that ranked as disadvantaged prior to the recession remained stable. Stability amid massive change is often seen as a good quality, unless your community is already facing deep disadvantage. Stagnant stability, as such, finds many poor, non-white, and working-class households stunted by persistent social and economic struggle.

Our work builds on the Understanding Communities of Deep Disadvantage project which seeks to holistically examine community-level disadvantage and inequality. This project incorporates health and economic mobility in defining disadvantage rather than relying primarily on individual-level income-based measures. This study posed several broad questions, including: How did communities change across multiple indicators from prior to the Great Recession until the end stages of the recovery? Are there differences between communities which improved, grew worse, or remained stable? And specifically, how did working-class communities change during this period?

Nationwide, proportional wealth losses during the Great Recession concentrated most heavily among households of color. Black, Indigenous, and other people of color were more likely to experience unemployment.[3] Poverty rates for Black and Hispanic populations increased during the recession more than rates of white households.[4] Likewise, the racial wealth gap not only remained during the recovery period but grew larger.[5] Research by Addo and Darity (also included in this issue of *Focus on Poverty*) examines how differences in wealth by race are larger than wealth differences by occupational class and, throughout the recovery period, Black and Hispanic households tended to experience relatively few wealth gains while increasing debt.[6]

We started this project by classifying community disadvantage and then examining how it changed from pre- to post-recession.

Figure 1. Geographic distribution of rising, declining, and stable counties from prior to the Great Recession through the recovery.



Source: Adapted from Figure 1, Fusaro, V.A., Shaefer, H.L., Simington, J. (2021, May). Communities moving ahead, falling behind: Evidence from the Index of Deep Disadvantage. *Annals of the American Academy of Political and Social Science*, (695), 292–312. Data provided by authors.

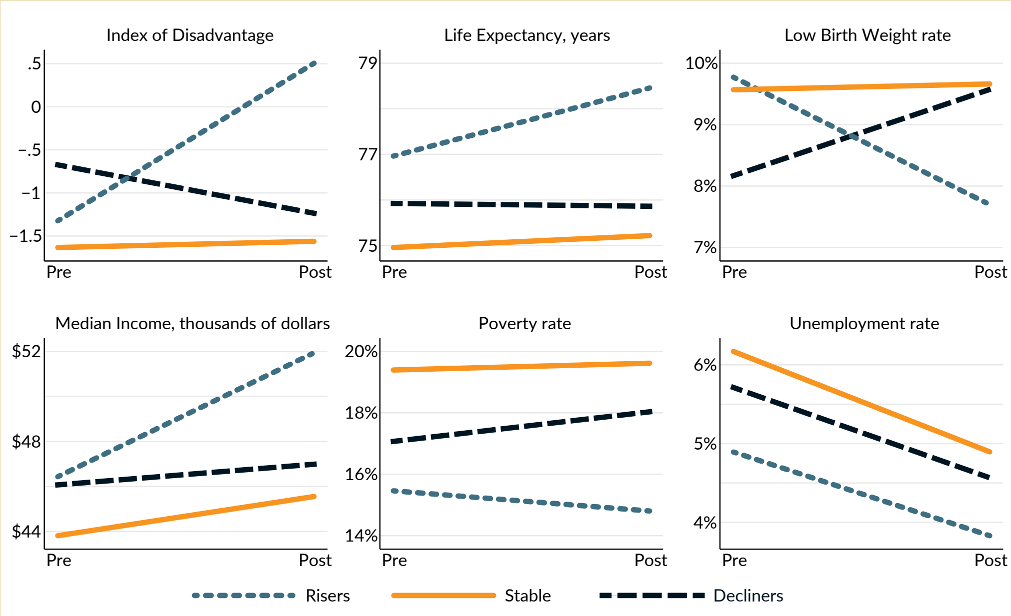
Communities were evaluated at the county level, recognizing the caveats that important within-county heterogeneity exists and that, in everyday life, people often cross county borders for work, recreation, and family or social purposes. County-level data, however, can be accessed relatively easily, allowing for consistent parameters of comparison over time. Counties are also an important nexus of political organization in many parts of the United States.

The multi-dimensional Index of Deep Disadvantage (IDD) ranks all U.S. counties and the largest 500 cities along three domains: income, health, and social mobility. We extend initial IDD analyses to include other important data points such as poverty rates, birthweight, and life expectancy. With this multi-dimensional index, we compare a pre-recession period (2003 to 2006) to a post-recession period (2012 to 2019). Variables were examined using principal components analysis and results show that, as the first principal component, the IDD accounted for over 60% of the variation in data.

Rankings on the multifactor IDD are evaluated across a distribution of 20 evenly sized partitions or ventiles. In our analysis of pre- and post-recession periods, if a county moved up beyond one adjacent ventile, we labeled it a "riser" and, likewise, if a county dropped beyond one adjacent ventile, we labeled it a "decliner." These trajectory trends can be seen in Figure 1.

We focused our analysis on counties we describe as "disadvantaged," or scoring below the median value on the IDD prior to the recession. Approximately 17% of these counties were risers and about 16% were decliners. Most counties, about 67%, did not change position beyond one adjacent ventile and were considered "stable." These stable counties, our analysis shows, were among the most disadvantaged

Figure 2. Change across measures of community well-being, pre-recession to late recovery, by trajectory group.



Source: Adapted from Figure 2, Fusaro, V.A., Shaefer, H.L., Simington, J. (2021, May). Communities moving ahead, falling behind: Evidence from the Index of Deep Disadvantage. *Annals of the American Academy of Political and Social Science*, (695), 292–312. Data provided by authors.

prior to the Great Recession and thus, despite modest gains, experienced ongoing deprivation when the long recovery abruptly ended due to the COVID-19 pandemic's initial surge in March 2020.

Disadvantaged counties that improved the most from pre-recession through the recovery period tended to rank above other counties on some initial individual index measures. On average, risers had less poverty, lower unemployment, and higher median incomes. Populations in these counties were also composed of the largest average proportion of working-age people (ages 25 to 64) holding a bachelor's degree or greater, had local economies among the least reliant on manufacturing, and were less likely to be classified as urban. Both rising and declining counties tended to have larger white, and smaller Black, populations compared to stable counties. Stable counties, by contrast, relied more on manufacturing and tended to score lower on most pre-recession well-being indicators—one exception being incidence of low-weight births. Overall increases in employment rates and at least some increase in wage-related incomes were seen across risers, decliners, and stable counties throughout the protracted recovery. For disadvantaged counties, however, converting gains into other aspects of community well-being was marginal at best. See Figure 2 for summary changes across trajectory groups between pre-recession and late recovery periods.

In the United States, persistent economic hardship tends to be clustered regionally; this includes the Deep South, the Cotton Belt, Appalachia, the Rio Grande Valley, and western Native Lands. Approximately 119 million U.S. Americans—about 39% of the population—lived in disadvantaged counties just prior to the Great Recession. The largest category of counties in our pre-recession measures were those identified as advantaged. These included areas in the Northeast, much of the Midwest, and the West (see Figure 1). Disadvantaged but stable counties have historically been concentrated in the South, with pockets in

Montana, the Dakotas, the Southwest, and upper Midwest (particularly Michigan). A band of "rising" counties span areas of Texas north into the Dakotas, as well as scattered through other areas of the South and West. Declining counties were sporadic in much of the country with concentrations in the Rust Belt (e.g., Michigan, Illinois, Indiana, Ohio) and clusters in the South and parts of the Southwest—particularly in New Mexico and Nevada.

By nearly all our primary indicators, counties ranking as stable were among the worst off prior to the Great Recession. They had lower IDD scores, higher poverty rates, elevated incidence of low birthweight babies, higher unemployment rates, lower median incomes, and lower overall life expectancy. Counties with larger Black populations also tended to be among the worst off prior to the recession and moved little in rank. While all trajectory groups, on average, experienced gains in employment and income, at least by the later recovery period, for many counties such gains were insufficient in overcoming the depths of preexisting stagnation.

By nearly all our primary indicators, counties ranking as stable were among the worst off prior to the Great Recession. They had lower IDD scores, higher poverty rates, elevated incidence of low birthweight babies, higher unemployment rates, lower median incomes, and lower overall life expectancy.

Extending some of our findings to considerations for the well-being of groups that may be broadly deemed "working class"—for which no standard definition exists—we see that the disadvantaged counties emerging from this project are home to many people who may generally be considered working class. As noted above, on average, all counties gained across characteristics of employment and income during the post-recession recovery period. As such, we would expect the socio-economic prospects of working-class communities to improve. Findings that suggest only a subset of such counties seemed to improve over this period is concerning. Educational attainment is one predictor of movement up the IDD rankings and one we saw positively associated with rising through the recovery. Greater community reliance on manufacturing—a traditional source of working-class jobs—was associated with stability or decline, however, throughout the recovery period.

It is important to remember that using counties as the unit of "community" analysis has limitations. Within-county variations, such as a distressed city within an otherwise relatively affluent region or a troubled neighborhood within a prosperous municipality, are often masked by county-level statistics. We do not interrogate the causes of change seen within communities. Such change might come from, for example, change in experiences of people in certain communities or shifts in community composition based on inflows or outflows of people over time. Our approach here is correlational and descriptive rather than causal or predictive and we do not investigate the interrelationships between the various factors we examined (e.g., communities of color are more likely to have higher poverty rates).

This innovative work, drawing on digital databases of nationwide census and administrative data, highlights the importance of place-based differences in understanding impacts of the Great Recession and the well-being of the American working class. We believe such a geographical approach can help scholars, advocates, and policymakers move communities of deep disadvantage from stagnant to flourishing throughout the continued economic, social, and public health upheaval seen in the wake of the COVID-19 pandemic.■

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Research to Watch

Scott W. Allard, Professor of Social Policy, University of Washington; Russell Sage Foundation Visiting Scholar

Rising economic inequality and diminished social mobility are challenges confronting all types of places. Poverty and its correlates have become more acute in urban, suburban, and rural communities over the last thirty years, with sharp increases in suburban areas amid persistently high poverty rates in many cities and rural regions nationwide. Sluggish labor markets following the Great Recession and the economic consequences of the COVID-19 pandemic appear to have intensified these spatial trends in inequality and social mobility.

Numerous public and nonprofit assistance programs exist to address persistent economic hardship. Some programs provide critical in-kind and cash assistance (e.g., SNAP and EITC), others direct resources to children (e.g., Head Start, subsidized child care, early childhood education), and a host of nonprofit human service programs intend to support processes of economic and social mobility.

While a greater number of public and private safety net programs exist in the United States than ever before, the quantity and types of assistance programs vary a great deal from place to place, reflecting local economic, political, and social contexts. Local variation in safety net provision matters because it affects how well those programs can respond to rising needs in different socio-geographic contexts.

As a Visiting Scholar at the Russell Sage Foundation, Professor Allard will pursue projects examining poverty, mobility, and safety net provision across the full range of geographic contexts. One collaborative project with Taryn Morrissey (American University) and Elizabeth Pelletier (University of Washington) will explore spatial variation in early childhood education programming over time. Another project will seek to understand geographic shifts in poverty and nonprofit human service provision following the emergence of COVID-19. A third project with Isaiah Wright (University of Washington) will explore relationships between local safety-net capacity and economic mobility among low-income adults.

Christopher Wimer, Senior Research Scientist, Columbia University
Ronald Mincy, Maurice V. Russell Professor of Social Policy and Social Work Practice, Columbia University
Zachary Parolin, Assistant Professor, Bocconi University; Senior Fellow, Center on Poverty & Social Policy, Columbia University

Income support policies, such as the Earned Income Tax Credit (EITC), the Supplemental Nutrition Assistance Program (SNAP), and cash assistance from Temporary Assistance for Needy Families (TANF), are known to reduce levels of child poverty and have potential to reduce racial disparities in child poverty. The effects of income support and cash assistance on poverty are most often studied in cross-sectional data—where many individuals are examined at a particular point in time. A new project involving Christopher Wimer, Ronald Mincy, and Zachary Parolin, and funded by the Washington Center for Equitable Growth, will investigate how the introduction of and/or policy changes to the EITC, SNAP, and TANF programs also influence differences across racial categories in the intergenerational transmission of poverty.

Wimer, Mincy, and Parolin will use data from the Panel Study of Income Dynamics to investigate whether these policies are effective at reducing inequalities across racial categories. Prior research suggests that experiences of prolonged childhood poverty can create pathways to poverty in adulthood and influence physical and mental well-being, educational attainment, employment, and family structure. The researchers will investigate whether exposure to more robust income-support during childhood leads to better outcomes in young adulthood and, in turn, reduces the likelihood of poverty in adulthood. Findings will be disaggregated by race/ethnicity to better understand how the effects of income support vary across subgroups and geography. The project's findings have potential to shift focus from the short-term gains of income support programs to their long-term benefits for families with children and, in particular, for families from disadvantaged backgrounds.

To learn more about the Washington Center for Equitable Growth, visit www.equitablegrowth.org.

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Recession and Recovery Impacts on Foreign- and U.S.-Born Latinos in the United States

Pia M. Orrenius and Madeline Zavodny

TAKEAWAYS

Many established Latino families in the United States have moved out of poverty and into the working class and middle class in recent decades.

The average net worth of Latino/Hispanic families by the end of the economic expansion following the Great Recession was, on average, five times less than a given non-Hispanic white family in the United States.

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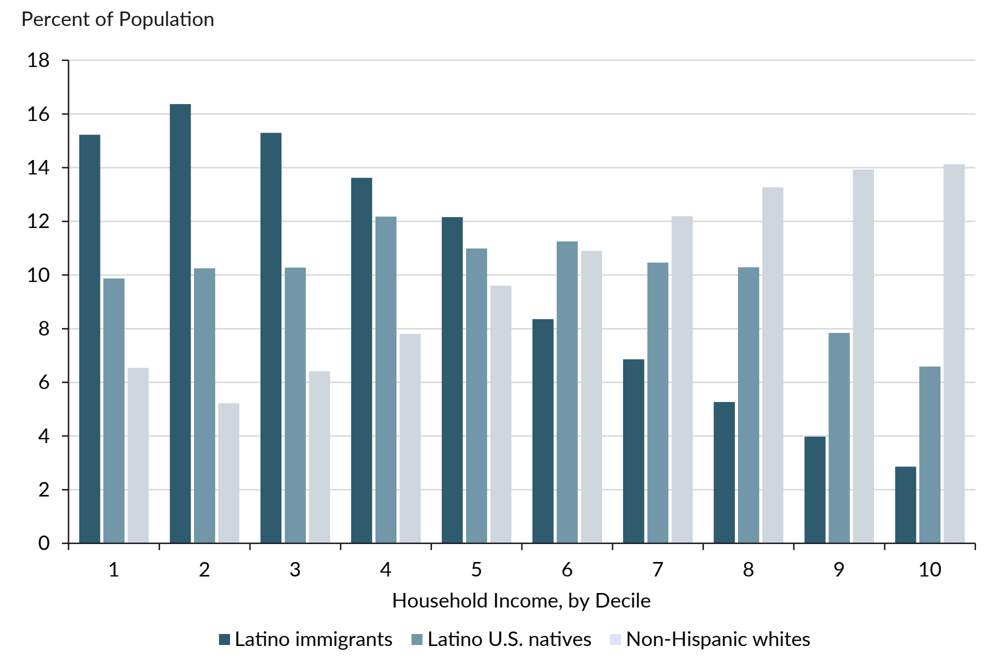
Latinos are the largest minority group in the United States, making it important to understand the economic forces that support or impede their collective well-being. Like most U.S. Americans, Latinos experience gains during periods of economic growth, often at even higher rates than non-Hispanic whites. Latinos also tend to experience greater losses than whites during periods of recession. Since 1994, the United States has seen dramatic shifts in its macroeconomy. In this review, we examine how Latinos have fared since then, focusing on prime-aged Latinos and their families.[1]

Since the 1980s, the U.S. American Latino/Hispanic population has diversified and grown.[2] Latinos have become the principal source of U.S. population growth and are the largest racial/ethnic minority population in the United States, accounting for nearly 20 percent of the prime-aged (25–59 years old) population and more than 25 percent of children under 18 years of age. Most Latinos in the United States are U.S. natives (including those born in Puerto Rico) yet, because of age differences in the populations of foreign- and U.S.-born Latinos, immigrants make up a slight majority of the Latino workforce. In recent decades, increasingly larger streams of people have immigrated to the United States from countries other than Mexico, including asylum seekers and skilled professionals from Central and South America. These trends have created rich heterogeneity in the U.S. Latino workforce, with Latinos working a wide array of jobs in urban, suburban, and rural areas throughout the country.

Many established Latino families in the United States have moved out of poverty and into the working class and middle class in recent decades. We define working class here as households in the second through fourth deciles (between the 10th and 40th percentiles) of the U.S. household income distribution. Overall, Latino households are significantly more likely than non-Hispanic white households to be working class or poor; nearly half of households headed by a Latino immigrant are working class, as are about one-third of households headed by a Latino U.S. native. Despite low-income Latino households being more likely than non-Hispanic white households to be headed by someone who has a job, age differences, low levels of formal education, and language barriers[3] cause Latino households, particularly immigrant households, to cluster in the bottom half of the income distribution, as seen in Figure 1.

Hispanic immigrants' earnings rise towards the average of U.S. natives over their first two or three decades in the United States before relative progress appears to stall.[4] Improvements in economic mobility are likely the result of increased English language proficiency and more suitable employment matches over time. Intergenerational income mobility between Hispanic immigrants and their children also occurs, with U.S.-born Latinos having much higher formal education and typically facing less economic hardship than their immigrant counterparts.[5] It is important to note that household income is not equivalent to household wealth; differences in wealth and

Figure 1. Latino immigrant households are more likely to be at the bottom of the U.S. American income distribution than Latino U.S. natives or non-Hispanic white households.



Source: Authors' calculations from 2021 CPS ASEC data from IPUMS using household income for the previous calendar year.

Notes: Shown is the distribution of households with a head in the indicated group.

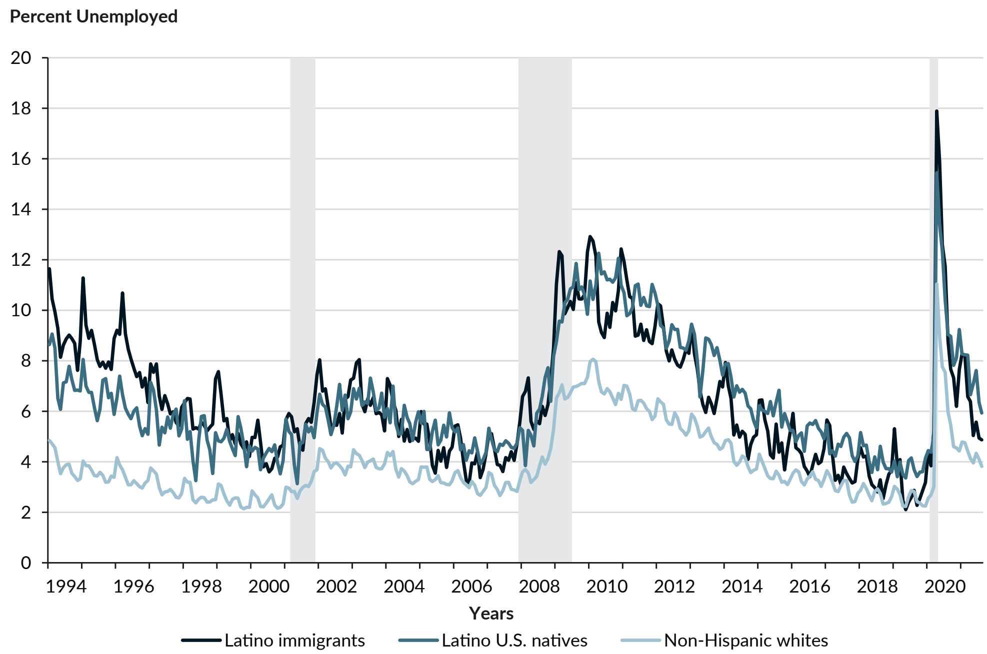
assets are much larger and more lasting than income disparities and have far-reaching effects, particularly in challenging economic conditions. The average net worth of non-Hispanic white families was five times that of Latino/Hispanic families by the end of the economic expansion following the Great Recession. This is a substantial gap yet improved from the six-fold difference seen in 2013.[6]

It remains to be seen how the 2020 recession and protracted COVID-19 pandemic will affect future income and wealth gains by U.S. Latinos. In the interim, we review labor market outcomes and trends in poverty rates while highlighting gaps in the social safety net during the Great Recession and the more recent COVID-19 pandemic. We conclude with suggested policy actions, including immigration and education reforms and expanded access to health insurance.

Labor Markets

Latino immigrant men tend to have higher employment rates than non-Hispanic white men. However, Latino women are much less likely to work outside the home than their white counterparts. Latinos generally have lower employment rates and higher unemployment rates than non-Hispanic whites in the United States. Cyclical swings in unemployment rates affect many Latino households—rising during recessions and falling during expansions, as seen in Figure 2. Lower average levels of formal education, lack of legal status for some individuals, and clustering in employment sectors such as construction—which is seasonal and sensitive to economic fluctuations—all contribute to the strong cyclicality of employment and unemployment among Latinos.

Figure 2. Unemployment rates are more cyclical for Latino immigrants and Latino U.S. natives in the United States compared to non-Hispanic whites, particularly during and after recession periods.



Source: Authors' calculations using January 1994–August 2021 CPS basic monthly files data from IPUMS.

Notes: Shown is the share of adults ages 25–59 who are unemployed, conditional on being in the labor force. Grey vertical bars represent periods of recession.

Trends in Poverty Rates

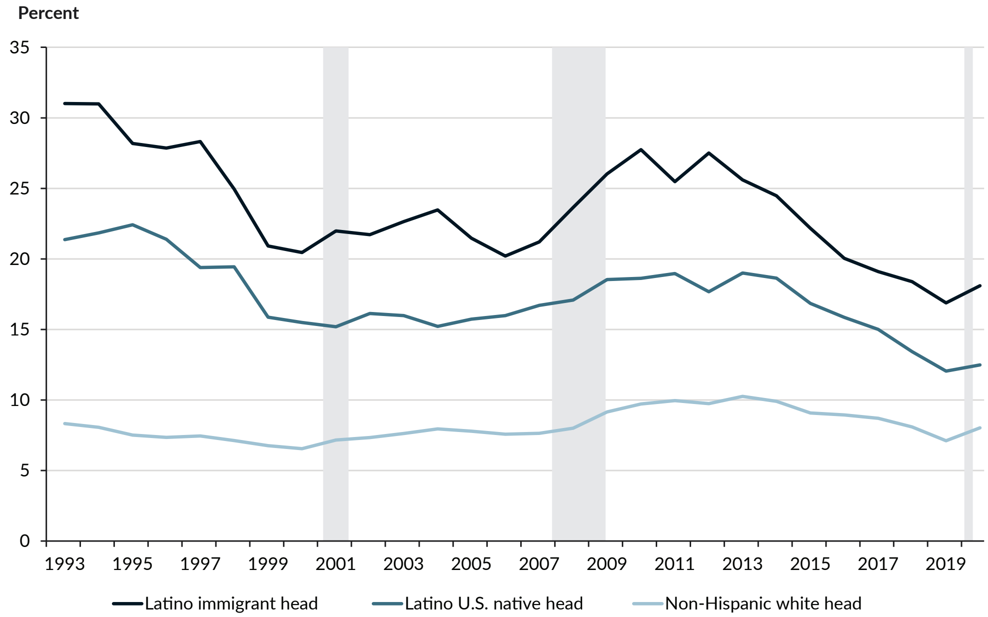
During economic expansions of the 1990s and 2010s, many Latino-headed households moved out of poverty and into working-class or middle-class status, as seen in Figure 3. While the traditional measure of poverty would suggest that the COVID-19 pandemic has increased poverty rates, data using the supplemental poverty measure (see Figure 4) shows that pandemic-response government relief payments helped to maintain overall downward trends in poverty rates for Latino households. While Latino households are still more likely to face poverty than non-Hispanic white households, this gap is smaller for households headed by a Latino U.S. native than for those headed by a Latino immigrant.

A considerable number of Latino working-poor households also exist. Poverty in working households results from various combinations of not enough work, low wages, and larger household size (often the result of multi-generational or extended-family household composition). Whether a household falls under the federal poverty line depends on several variables, including pretax income(s) and household size. As such, larger households are more likely to be considered poor. Low hourly earnings, rather than people not working, contributes significantly to lower cumulative household incomes and, thus, higher poverty rates among U.S. Latino households.

Social Safety Net Gaps

Social safety net programs can serve as important supports for low-income households, particularly during economic downturns. Hispanic households tend to have less savings and fewer assets to draw from during times of increased economic stress in addition

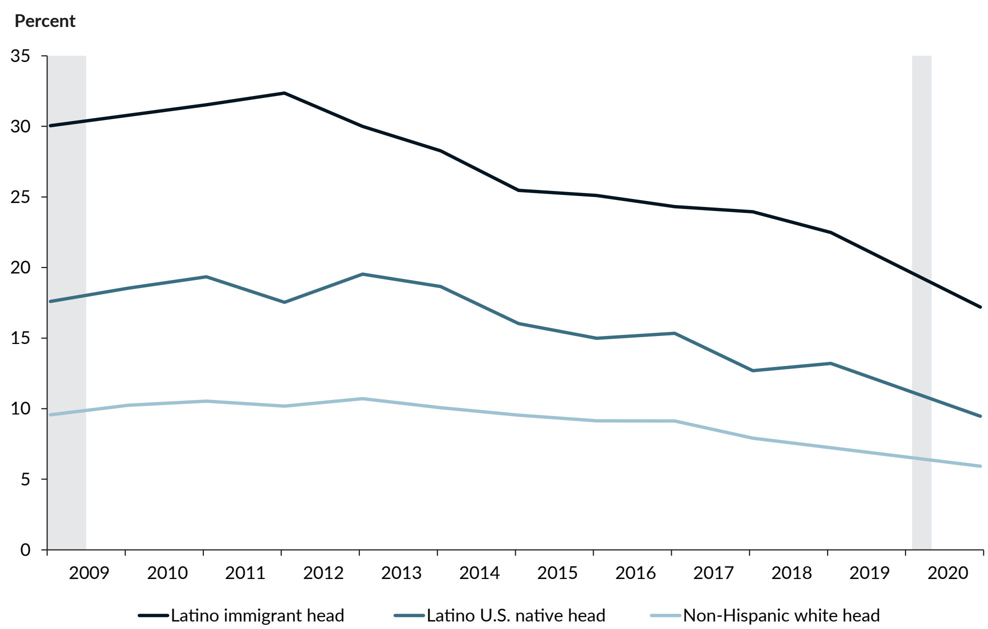
Figure 3. Latino household poverty rates trended down from 1994 into 2020 and, based on the traditional measure of poverty, would appear to have risen during the COVID-19 pandemic.



Source: Authors' calculations from CPS ASEC data from IPUMS using household income for the year indicated (the calendar year prior to the ASEC survey year). Income data through 2020.

Notes: Shown is the share of households with a prime-aged head in the indicated group classified as poor based on federal poverty guidelines. Grey vertical bars represent periods of recession.

Figure 4. Poverty rates from 2009 into 2020 appear to maintain a downward trajectory when using the supplemental poverty measure, which accounts for pandemic-relief payments.



Source: Authors' calculations from CPS ASEC data from IPUMS using household income for the year indicated (the calendar year prior to the ASEC survey year). Income data through 2020.

Notes: Shown is the share of households with a prime-aged head in the indicated group classified as poor based on the U.S. Census Bureau's Research Supplemental Poverty Measure (SPM). Grey vertical bars represent periods of recession.

to more cyclical employment compared with non-Hispanic white households.[7] In such circumstances, safety net programs can offer a significant buffer against poverty. However, many Latino households, particularly those with immigrants, are ineligible or unwilling to apply for such programs.

Unauthorized immigrants are ineligible for public safety net programs such as cash welfare, supplemental nutrition benefits (i.e., food stamps), and unemployment insurance. Mixed-status households, which include both unauthorized immigrants and U.S. natives—who are often children—are often reluctant or unwilling to apply for safety net programs for which they are eligible for fear of triggering immigration enforcement or jeopardizing future opportunities to procure legal status. When broad pushes for increased immigration enforcement emerge, as happened in 2020 with the Trump Administration's revisions to the "public charge" rule, safety net participation even among Hispanic citizens tends to decrease.[8] Hispanic households are therefore less likely to benefit from safety net programs than other households with similar financial strains.

Socioeconomic well-being also includes access to medical care and healthy food. In 2019, census data showed one in six Hispanics in the United States lacked health insurance compared with one in twenty non-Hispanic whites and one in ten non-Hispanic Blacks.[9] Also in 2019, the same ratio of Hispanic-headed households, one in six, experienced food insecurity, or uncertainty regarding whether they could afford adequate food to meet their needs.[10] Overcrowded housing and lower levels of formal education also tend to exacerbate struggles to achieve sustained socioeconomic well-being among Latino households.

After the onset of the COVID-19 pandemic and federal legislation to provide a pandemic safety net, gaps in coverage emerged across many demographic lines. Hispanic families made up of only U.S. citizens, for example, were less likely to receive CARES Act cash payments than non-Hispanic white families.[11] Mixed-status families were initially deemed ineligible for such payments, restricting aid to those families at the time when it was most needed. High-density housing and multi-generational households also present challenges in the COVID era of social distancing and emergence of highly contagious virus variants. The disproportionate spread of COVID-19 among Hispanic communities has been exacerbated by working conditions that often include lack of health insurance and little or no paid sick leave. COVID-19 cases, hospitalizations, and mortality rates among Hispanics have been higher than among non-Hispanic whites and similar or greater than rates among other minority groups.[12]

The digital divide will remain a challenge for children and families attempting to navigate online or hybrid learning, access social services programs, and find employment.

Looking Ahead

With more than one-half of Latino children growing up in households with income at less than 200 percent of the federal poverty level, younger generations' healthy development and well-being are at risk.[13] The digital divide will also remain a challenge for children and families attempting to navigate online or hybrid learning, access social services programs, and find employment. Latino families may have limited access to reliable broadband or home computers, while language barriers and low levels of formal education may impede parents' abilities to help kids with schoolwork, fill out job applications, and engage in other now-common digital interactions.

Particularly useful policy considerations to improve Latino households' economic well-being include immigration policy, education systems, and access to healthcare. A legalization program creating pathways to citizenship would boost earnings and improve working conditions for unauthorized immigrants. This would also benefit their extended families. Broadening eligibility and scope for pre-K programs would help Latino households overcome barriers to successful educational attainment for children whose parents have little formal education and limited English proficiency. English language instruction, for both children and adults, has many benefits, including both higher earnings and lower poverty.[14] Disproportionate health impacts related to the COVID-19 pandemic and its numerous downstream consequences also impact the largest minority group in the United States. As the country strives to overcome the many challenges present now and in the eventual post-COVID socioeconomic landscape, attention to these overlapping policy considerations should be a priority.■

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[1]This review is a summary of Orrenius, P. & Zavodny, M. (2021, May). How foreign- and U.S.-born Latinos fare during recessions and recoveries. *The Annals of the American Academy of Political & Social Science, 695*, 193–206. https://doi.org/10.1177/00027162211028827

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IRP focus on poverty

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Racial Disparities in Household Wealth Following the Great Recession

Fenaba R. Addo and William A. Darity, Jr.

TAKEAWAYS

Persistent generational wealth gaps are a defining feature of racial inequality in the United States.

The fragility of Black households' middle-class status becomes increasingly evident when seen through the lens of household wealth rather than income alone.

Wealth accumulation is transformative across households and generations; supporting economic mobility and helping to solidify a household's social, political, and economic status.

The persistent over-representation of Black households' wealth position at the bottom of the socioeconomic distribution is a function of cumulative, intergenerational conditions.

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Wealth inequality across racialized groups in the United States is immense, persistent, and well-documented. Being part of a marginalized racial or ethnic group in the United States predicts one's economic position in society more strongly than education, income, or employment status.[1] This pattern held steady throughout the extended period of economic recovery following the Great Recession. In short, increases in economic well-being during the recovery period were not equally distributed and this was especially true for working-class people.

Household income is a narrow lens through which to view economic disparities in the United States. A wealth-based perspective of class status widens the aperture to examine disparities between racialized groups, especially among those afforded subaltern status—people living under conditions of systematic marginalization such as Black Americans in the United States.[2] Wealth accumulation is transformative across households and generations; it supports economic mobility and helps solidify a household's social, political, and economic status. The persistent over-representation of Black households' wealth position at the bottom of the socioeconomic distribution is a function of cumulative, intergenerational conditions—a frustrated denial of long-term efforts to acquire lasting wealth.[3]

In this study, we evaluated wealth values of households headed by non-Latinx Black, Latinx, and non-Latinx white respondents of prime working age (i.e., 25 to 64 years old) and actively participating in the labor force. Our data emerge from the Survey of Consumer Finances (SCF). SCF data allows researchers to generate nuanced and effective measures of household net worth across multiple domains of social class status. Household wealth as we define it includes all financial and non-financial assets minus total household liabilities or debts. Rather than relying on single-unit measures of income, or combined measures of income and educational attainment, household wealth acts as a more robust measure of economic well-being.

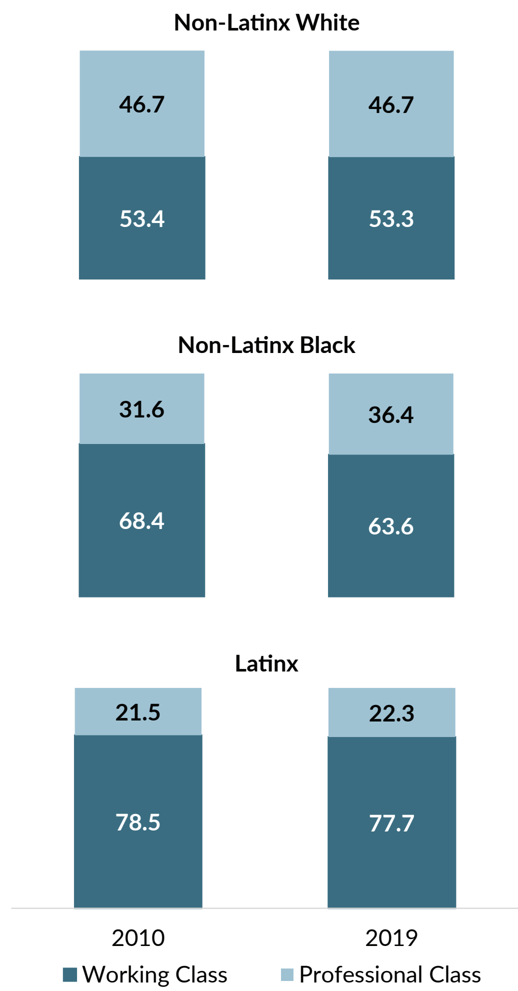
We define working class heads of households as those (1) employed by someone else and (2) not holding managerial or professional positions. Across the post-recession recovery period—from 2010 to 2019—the majority of Black and Latinx households in the labor force remained in working-class rather than professional-class jobs. For non-Latinx white households the ratio of working class to professional class positions is nearly 50-50 whereas for non-Latinx Black households the ratio is closer to two-thirds working-class to one-third professional-class (see Figure 1). Among Latinx populations throughout the recovery period, over three-fourths of labor force participants fell under working-class rather than professional-class status.

Median household wealth held by the poorest white households—those in the bottom 20 percent of the income distribution—is generally larger than the median wealth held by Black households in any income bracket. By the end of the recovery period white households in the lowest end of the income distribution held a median average of $26,340 in assets compared to median household wealth of $24,800 for all Blacks in the United States, according to SCF data. In comparison, Black households in the bottom 20 percent of the income distribution held a median net worth of about $1,900. By 2019, white working-class households had nearly three times the median wealth of Black professional-class households and almost six times the wealth of Black working-class households.

If educational attainment were used as an alternative measure of social class position, similar disparities would hold true. Black heads of household with a college degree, on average, have only two-thirds of the net worth of white heads of household who never finished high school. These stark and persistent gulfs in financial well-being exist for large portions of the U.S. American population.

To compare wealth and income disparities across race and social class status, a similar paradox exists. Black workers with higher levels of income, across the board, tend to have much lower levels of wealth than low-income white households. Between 2013 to 2019, there was a change in the ratio of professional class Black income to working class white income from about $.84 cents to the dollar to about $.87 cents to the dollar. In 2010, Black professionals saw about $.44 cents to the dollar of net worth held by members of the white working class; by 2015, the proportion of net worth held by Black professionals compared to white working-class households dropped to $.15 cents to the dollar, recovering only slightly, to $.17 cents, by 2019.

Figure 1. Although working-class heads-of-household comprise higher percentages of the labor force, ratios differ across racialized categories.

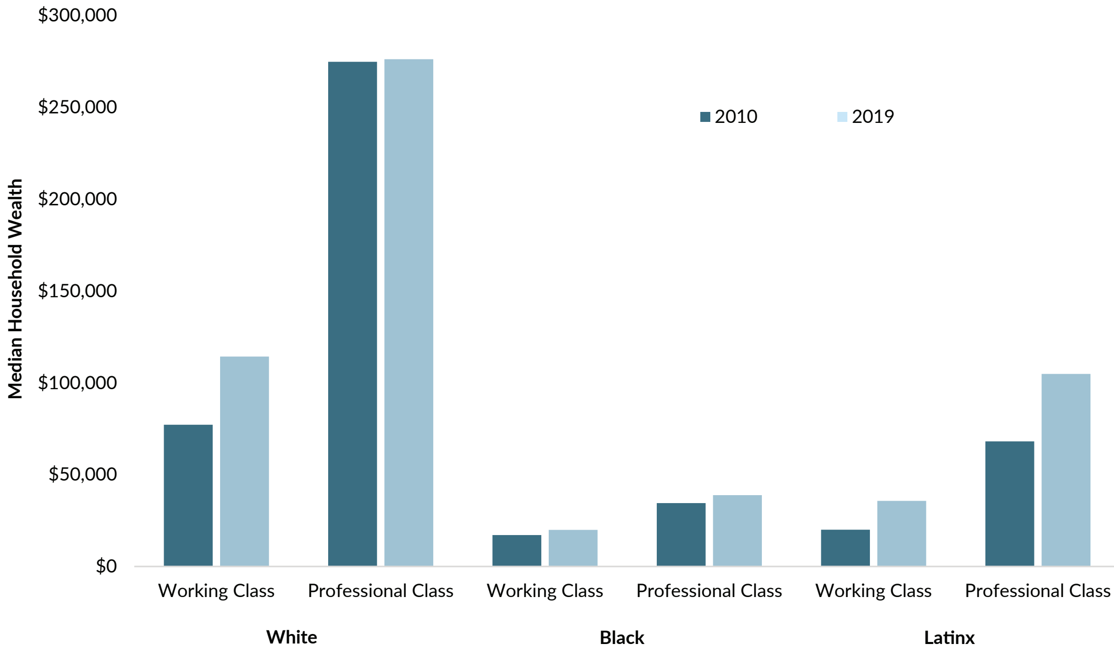


Source: Survey of Consumer Finances.

In the early post-recession years, the gap in Black-white wealth holdings increased so that, by the end of the recovery period, Black households held just one-tenth of the net worth of white households.[4] In short, fewer Black working-class households benefitted from the post-recession economic recovery relative to wealth gains seen among white working-class households. Working-class white households experienced the greatest increase in both absolute and relative wealth accumulation throughout the recovery. Many Black households entered the COVID-19 pandemic in a state of financial precarity and household wealth among the Black professional class continues to lag far behind the wealth position of the white working class.

A large part of wealth accumulation for many Americans is home and property ownership. Home ownership rates for Blacks rose from about 43 percent at the turn of the century to 48 percent just prior to the Great Recession[5] and, in the same period, rose to a record high of about 45 percent for Latinos.[6] Discriminatory practices such as redlining in urban areas have perpetuated persistent residential segregation, created large clusters of low home-equity potential, and conditions within which Black and Latino homeowners found themselves more likely subject to both subprime loan schemes and subsequent involuntary home loss due to foreclosure.[7] Given that racial wealth inequality is driven strongly by differences in assets between Black and white Americans—rather than differences associated with liabilities—higher rates of homeownership loss among Black households is a significant concern. Indeed, as the recovery period evolved, the net worth of white households rose to thirteen times the median wealth of Black households, up from an eight-fold difference prior to the recession.[8]

Figure 2. Median net worth of all Black households remained lower than white working-class households throughout post-recession recovery.



Source: Survey of Consumer Finances.

Wealth transfer across generations, through property wealth such as real estate or other financial assets, is a significant vehicle for the maintenance of intergenerational wealth. Our results show that white households across the range of wealth strata are more likely to receive family financial gifts and inheritances than Black or Latino households. Family wealth transfers among professional households are a primary vehicle for moving parental and grandparental wealth into the hands of younger generations.

Persistent generational wealth gaps are a defining feature of racial inequality in the United States. We point this out because there has been a push among economists at the Federal Reserve Board and elsewhere to suggest that if income differences across race and social class status can be overcome, it will help close the racial wealth gap in the United States. We suggest far more dramatic efforts must be made to effectively close wealth gaps across racial lines. A reparations plan for descendants of formerly enslaved Black Americans, for example, is one such effort that could help disrupt the systemic forces that continue perpetuating such stark differences in racial wealth inequality.[9]

Our work here presents an intersectional analysis of race and class. Focusing on an occupational-based definition of working and professional class allows us to see that economic security and opportunity vary a great deal across racial and ethnic groups. The fragility of Black households' middle-class status becomes even more evident when seen through the lens of household wealth rather than income alone. As the COVID-19 crisis has extended, the precarious nature of Black wealth will persist. For example, research has estimated that by the end of April 2020, about 4 in 10 Black-owned businesses had closed their doors.[10]

The SCF data we draw upon, despite being high quality for household wealth data, does not include any details on intergenerational wealth nor the relative wealth positions of American Indians and Alaska Natives (AIAN) and Native Hawaiian and Pacific Islander (NHPI) groups, therefore creating an incomplete picture working-class demographics overall. Randall Akee's work (also in this edition of *Focus on Poverty*) provides valuable insights into the employment conditions of working-age AIAN and NHPI populations, however.

We have sought to provide pragmatic and nuanced perspectives on racial wealth inequality during and after the Great Recession, particularly among Black working-class populations. These trends can be linked directly to the prolonged persistence of racialized wealth inequality that perpetuates financial precarity for current and future generations of minoritized working-class citizens in the United States.■

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IRP focus on poverty

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Economic Outcomes for Indigenous Peoples in the United States Following the Great Recession

Randall Akee

TAKEAWAYS

Longstanding inequalities experienced by Indigenous peoples in the United States were exacerbated by the economic fallout of the Great Recession.

American Indian and Alaskan Native (AIAN) and Native Hawaiian and Pacific Islander (NHPI) communities saw economic opportunities recover more slowly and less robustly throughout the extended recession recovery period compared to non-Hispanic white populations.

Food service sector workers fared relatively well during the recession's recovery compared to other "working class" job sectors such as janitorial services and construction trades.

While economic impacts on tribal communities were similar to those during the Great Recession, public health impacts related to the ongoing COVID-19 pandemic have been devastating.

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While nearly every social and economic sector of the United States was negatively affected by the Great Recession (2008–2011), widespread recovery also occurred in subsequent years. Even before the Great Recession, however, American Indian and Alaska Native (AIAN) and Native Hawaiian and Pacific Islander (NHPI) peoples were economically disadvantaged compared to their non-Hispanic White (NHW) counterparts. Analysis of available data shows that, like other minoritized communities, AIAN and NHPI communities often saw more severe impacts during the downturn, and slower, less robust recoveries after.[1] AIAN and NHPI groups are smaller in size than other U.S. American minority groups—creating data analysis limitations due to sample size—but measures based on earnings and labor force participation do prove useful for assessing social and economic status over time and by region.

The Unique Status of Indigenous Peoples in the United States and its Territories

Any discussion of AIAN and NHPI peoples must be prefaced by the political and social contexts in which they live. As a distinct political class of sovereign nations within a nation, some (but not all) Indigenous communities maintain self-governing status with the authority to act independently of geographically proximate state and local governments.[2] This also entails the responsibility of tribal governments to provide and maintain many services and infrastructure typically under the purview of state and local authorities. These responsibilities include, for example, educational and health systems, criminal justice and law enforcement, ecological management, and a variety of permitting and other administrative functions.[3] A significant difference for tribal governments, however, is their inability to raise revenue through taxation. As such, funding for services and infrastructure must come through other channels. These constraints played a role in the experience of and recovery from the Great Recession, and in some ways are even more significant in the current COVID-19 pandemic.

In the absence of tax revenue, federally recognized tribal communities rely heavily on income generated by tribal enterprises.[4] While casinos account for a significant portion of that income nationwide, many tribal governments have also invested heavily in tourism, including hotel and leisure ventures.[5] It is vital to note that most employees in tribal enterprises, and the salaries and benefits that are provided to them, are actually non-tribal citizens. Prior to the onset of the COVID-19 pandemic, of the 1.1 million jobs supporting tribal community economies, about 915,000 (83%) were held by non-tribal citizens.[6] That translates to $40.2 billion in worker income to non-tribal employees compared to about $9.3 billion to tribal citizens.

Issues of Indigenous peoples' status in relation to local, state, and federal governmental bodies is not only complicated, but varies by group. For instance, Native Hawaiians do not have government-to-government relations with the U.S. federal government because the Kingdom of Hawaii was annexed without a treaty agreement. Similarly, Pacific Islanders living in territories like Guam or American Samoa are U.S. citizens, but as a group do not have formal governmental relations. Pacific Islanders from other nations who live in the United States will be counted as Pacific Islanders demographically but, if they are not U.S. citizens, will not have access to many services provided for other members of their ethnic group.

As a distinct political class of sovereign nations within a nation, some (but not all) Indigenous communities maintain self-governing status with the authority to act independently of geographically proximate state and local governments.

How Indigenous People in the United States Fared Before, During, and After the Great Recession

Indigenous peoples in the United States share a well-documented history of deep economic inequality compared to other racial and ethnic groups—particularly NHWs. The Great Recession's impact on AIAN and NHPI individuals was significant, and recovery was slower than for their NHW counterparts. Using data from the American Communities Survey from 2007 to 2018, I find that AIAN and NHPI individuals fared worse than NHWs in several areas, including total personal income, employment levels, and educational attainment. However, it is important to note that the socio-economic status of AIAN and NHPI people varies widely, and NHPI individuals often fare worse than American Indians and Alaskan Natives.

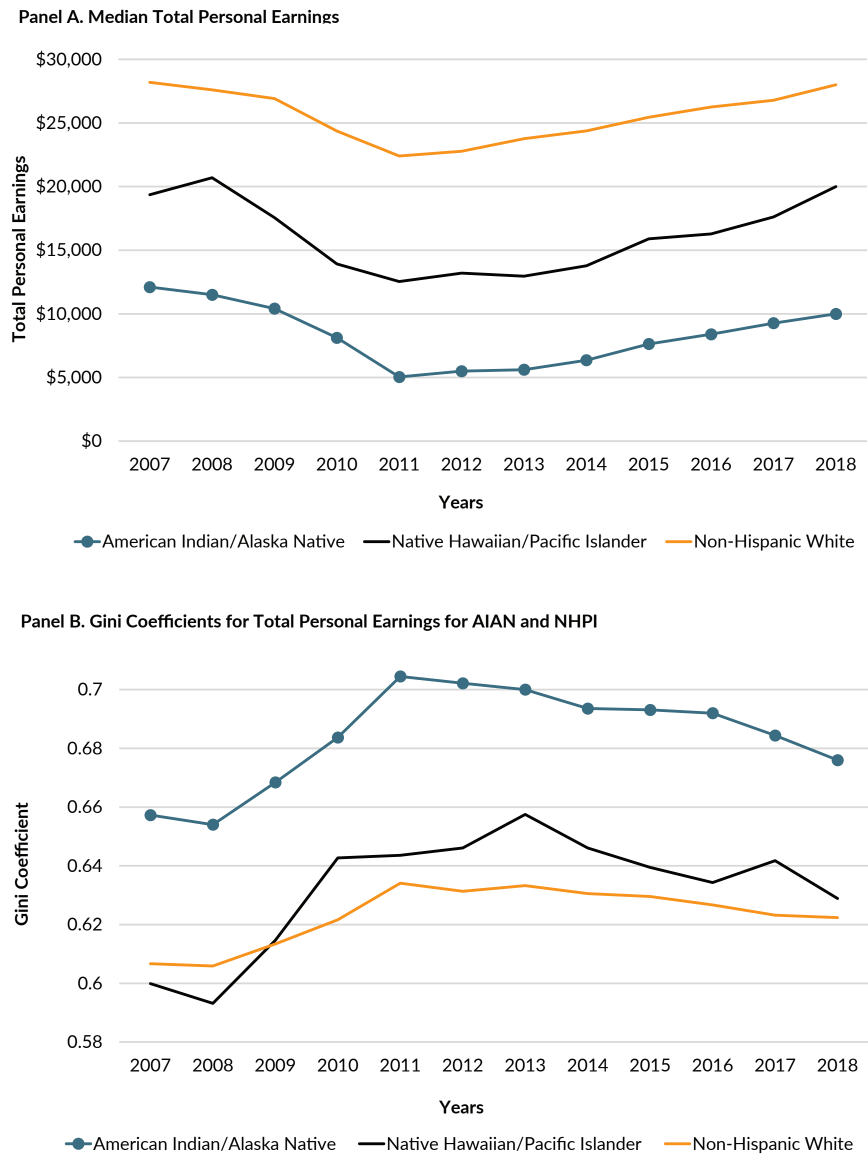
Demographics and Personal Income

In order to focus on working-age adults, I used American Community Survey data via IPUMS to gather information about 15- to 64-year-olds in each year ranging from 2007 to 2018. Overall, AIAN and NHPI individuals in this sample were slightly younger than the NHW comparison group and all were roughly the same ratio of male and female. Marital status rates were 37 percent for AIAN and 42 percent for NHPIs compared to 52 percent for NHWs.

To assess total personal income, all sources of income per year were converted to 2018-dollar values. While income among NHPI populations averaged about $30,000 annually, AIANs earned a little less on average, about $26,000 per year. By comparison, NHWs averaged about $46,000 annually. Considering only personal earnings, which are limited to wages or income from a person's business or farm, those figures average to about $28,000, $22,000, and $41,000, respectively. Median earnings and their respective Gini coefficients (a common measure of inequality) are shown in Figure 1.

I measured educational attainment as either earning a high school degree or not. About 54 percent of the NHW sample had a high school diploma, compared to 42 percent for the NHPI sample and 39 percent for those in the AIAN group. Keep in mind the sample population age group, in total, includes several cohorts below typical high school graduating age. Employment levels between the three groups varied significantly as well. About 62 percent of NHPIs were employed and 53 percent among AIANs compared to nearly 70 percent of NHWs in this sample.

Figure 1. Median Earnings and Gini Coefficients



Note: All dollar values are inflated to 2018 dollars using Bureau of Labor Statistics CPI-Urban Index for June.

Given these differences in employment levels and income and earnings, it is not surprising that poverty rates among the three groups also differ. The AIAN sample was at 236 percent of the federal poverty level, on average, while NHPIs fared better at 283 percent, but were still eclipsed by the NHW sample that averaged 338 percent.

Examining Labor Force Participation and Earnings by Location

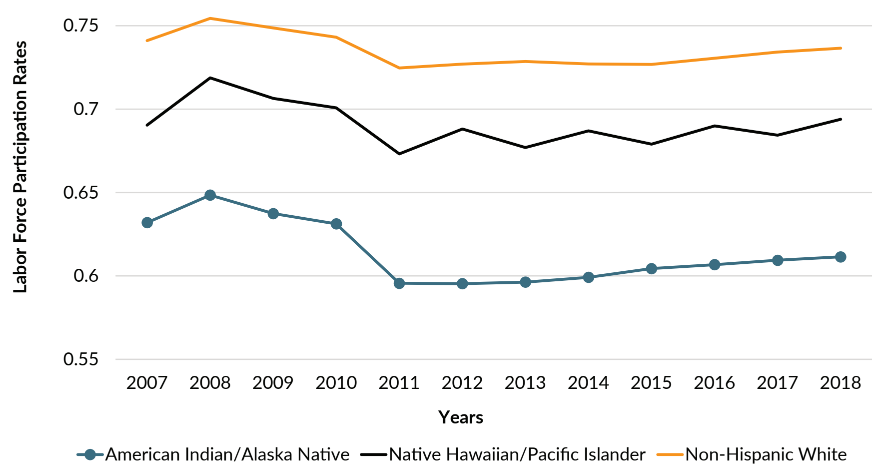
While it will be some time before we know the full impact of the COVID-19 pandemic on workforce participation across groups, reliable data exists regarding impacts of the Great Recession on employment rates. Comparing AIAN and NHPI samples to those of NHWs, all saw a decrease in labor force participation by 2011 compared to robust rates in 2007–2008. But again, those changes were not equal across groups nor by geography.

Such inequalities were even more stark for Indigenous peoples living on and off traditional homelands or reservation lands.

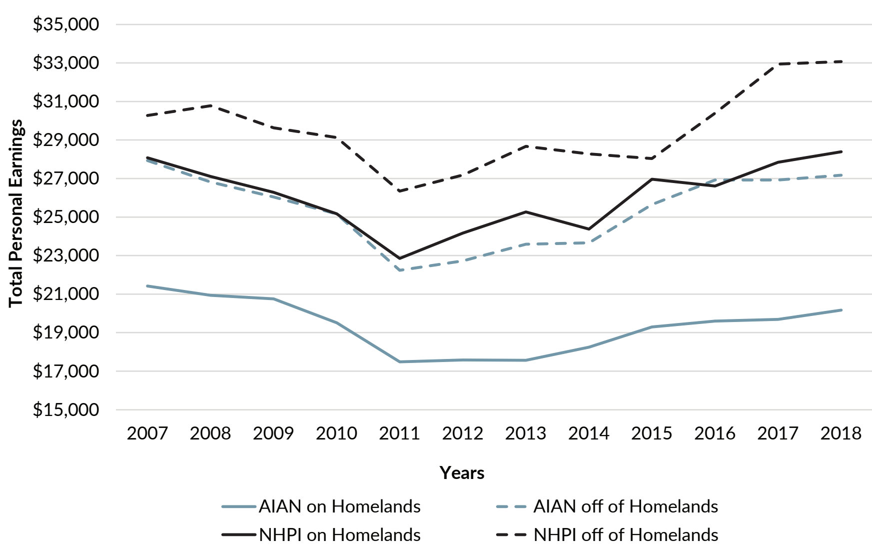
AIAN people living on reservation lands or in Native villages (herein called homelands) had the lowest overall earnings, with a consistent average of approximately $20,000 annually (in 2018 dollars). That is compared with their AIAN counterparts living outside of their homelands who earned on average $5,000 to $7,000 more. This echoes data showing that Native Hawaiians living on homelands earned less than those living outside of those boundaries, as seen in Figure 2B. It is important to note, however, that those data may not tell the entire story. People living in communities that are either self-governing or have additional support systems in place may have access to income or non-financial assistance

Figure 2. Labor Force Participation and Median Earnings by Location

Panel A. Labor Force Participation Rates



Panel B. Total Personal Earnings by Location on or off of Homelands



Note: All dollar values are inflated to 2018 dollars using Bureau of Labor Statistics CPI-Urban Index for June.

or opportunities (e.g., hunting, fishing, foraging, trapping, or farming) that will not show up as formal income. But it may also be the case that the data are reflecting fewer available employment and business opportunities.

Among this AIAN sample, decreased earnings are more pronounced for those with a high school diploma than for those without; and AIAN earnings had not recovered their 2007 level of earnings by 2018. While there is still a loss for the NHPI group, it is not as significant as for the AIAN sample.

Educational Attainment and Occupation Affect Outcomes

NHPI and AIAN educational attainment rates lag behind NHWs for a variety of complex reasons. Regardless of educational attainment, there was a decrease in real earnings for workers in each of these groups following the Great Recession. Among this AIAN sample, decreased earnings are more pronounced for those with a high school diploma than for those without; and AIAN earnings had not recovered their 2007 level of earnings by 2018. While there is still a loss for the NHPI group, it is not as significant as for the AIAN sample. However, while both groups saw some recovery, those with a high school diploma returned to a level closer to their earnings prior to the Great Recession than those without a diploma.

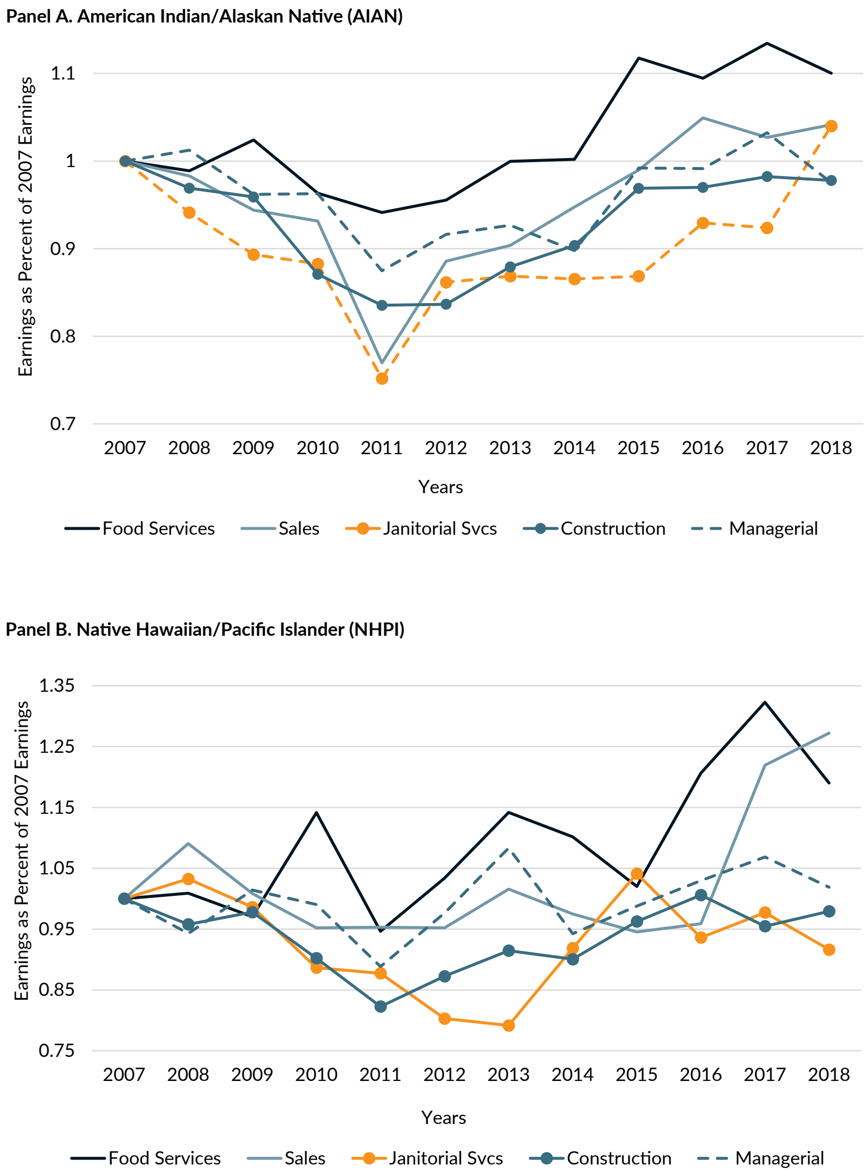
Looking at workers by ethnicity and occupation also sheds light on employment conditions during and after the Great Recession. For this analysis, I selected the traditionally blue-collar occupations of food service, retail sales, janitorial services, and construction, with managerial occupations as a useful comparison. As seen in Figure 3, all these sectors—including managerial—experienced a sharp dip around 2011. Particularly sharp drops in the retail and janitorial sectors occurred for AIAN workers in 2011. Food services, on the other hand, suffered the least decline and workers in this sector fared better by 2018 than in 2007. By comparison, those in the management saw a decline during the recession, but also a rebound towards the end of the data period.

Employment for NHPI workers was more erratic and the trends less clear than for their AIAN peers. Workers in construction and janitorial services saw decreased earnings in 2011 to 2013, relative to 2007, but a noticeable recovery emerged by 2018. As was the case for the AIAN group, NHPIs working in food service weathered the Great Recession better than others in terms of not seeing a significant drop in earnings and, along with their peers in the retail sector, were doing much better by 2018.

Comparing the COVID-19 Pandemic to the Great Recession for Indigenous Peoples

While both the Great Recession and the COVID-19 pandemic created severe economic challenges for many ethnic/racial groups and workers in a wide range of occupations, significant differences exist in the severity of impacts across communities. Food service, for example, has been one sector most affected by the public health crisis of COVID-19, while in the Great Recession, food service workers fared better than their non-managerial counterparts. This is also true for retail workers. The Great Recession was driven in large

Figure 3. Total Personal Earnings by Selected Occupational Categories



Note: All dollar values are inflated to 2018 dollars using Bureau of Labor Statistics CPI-Urban Index for June.

part by financial crises emerging from the subprime housing markets, which significantly affected the construction sector. That element has not been part of the ongoing pandemic.

Looking specifically at how the COVID-19 pandemic has affected Indigenous peoples, a few factors stand out. The COVID-19 pandemic precipitated abrupt and lengthy closures of tribal hospitality enterprises such as casinos, hotels, and restaurants. Public health issues aside, this was a tremendous economic loss for individuals, families, communities, and tribal governments.

Indigenous peoples and other minoritized groups have been disproportionately infected by and dying from COVID-19 compared to non-Hispanic whites. The NHPI death rate in California, for example, has been four times higher than it should be based solely on population figures,[7] and the Navajo Nation experienced one of the highest per-capita infection rates in the country.[8] One factor is their over-representation in occupations deemed "essential" during the pandemic, meaning that they were still working, often in close contact with coworkers and the public, before adequate protections were recognized or implemented.

In a research report from early in the pandemic, my co-authors and I examined what the onset of the COVID-19 pandemic looked like for Indigenous communities, and what factors were exacerbating the public health crisis.[9] Longstanding economic and health disparities between Indigenous peoples and their NHW peers have contributed to higher infection, illness, and death rates. We found that the higher rate of reservation households lacking indoor plumbing—on average, 1 percent versus .4 percent for the United States as a whole, although the Navajo Nation is an extreme at 18 percent without indoor plumbing—was correlated to higher infection rates, likely due to limitations on handwashing and other hygiene activities. Interestingly, we found no connection between household overcrowding and higher infections rates.

English language proficiency introduces a risk factor that is nuanced in its implications. Overall, Indigenous households are English speaking at a higher rate than the overall U.S. population: 82 percent compared to 78 percent. But it is important to note, after English and Spanish, what other languages might be. In the general U.S. population, many secondary languages are spoken by thousands, or even millions, of individuals. Many governmental materials, including public health information, have been translated into those languages (e.g., Spanish, Mandarin, Arabic, Vietnamese, French, etc.). Within Indigenous households, despite many emergent Indigenous language revitalization efforts nationwide, speakers of traditional languages may only have dozens or hundreds of linguistic counterparts. As such, the likelihood is low that critical public health information is translated into these languages.

Finally, the varying status of tribal governments and Indigenous peoples in relation to the U.S. federal government had a tremendous impact on the reach and efficacy of pandemic relief funds and programs. In a series of policy briefs from May 2020, my co-authors and I made the case that the system of recognizing American Indian tribes and counting members—and the formula for distributing CARES Act COVID-19 relief funds—created severe inequalities in who received assistance and in what amounts.[10] These funds were vital not just for individuals and families but also for tribal governments striving to provide critical social and medical services to community members.

With the Tribal Nations and the world still in the grips of the COVID-19 pandemic, the long-lasting ripple effects of this combined health and economic crisis continue to emerge. Where we stand today, it seems clear that the pandemic has exacerbated longstanding inequities between Indigenous peoples and their NHW counterparts. The questions to answer are: How well we will recover, and how long it will take?■

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