

Racial and Ethnic Inequalities in Employment Insecurity across Business Cycles, 1975 – 2012

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Abstract

Employment insecurity is one of the most intensely studied stratification outcomes in recent years, and has been particularly relevant following the Great Recession of the late 2000s. Black-white labor market inequality in these outcomes has also been repeatedly found to be sensitive to business cycles. The severity of the Great Recession motivates both updated examination of these inequalities, and more attention to Latino-white inequalities. Using data from the 1976–2013 March Current Population Survey, this paper analyzes long-term trends in three aspects of employment insecurity: underemployment, unemployment, and long-term unemployment. All three forms of employment insecurity increased considerably in the Great Recession, as did minority-white differences. Residual black-white inequality persisted, and increased during recessions. In contrast, Latino-white differences resulted almost entirely from inequalities in worker characteristics like education and occupational attainment. Overall, these findings highlight starkly different sources of labor market stratification for black and Latino workers, and sensitivity of these sources to business cycles.

Introduction

Economic insecurity has been a prominent topic in social science research for decades, and has become an increasingly common subject in public discourse in recent years. Many highlight employment insecurity or precarity as a defining feature of the “new economy.” Employment insecurity increases during and following economic recessions, and the increase following the Great Recession of the late 2000s was particularly dramatic.

Black-white inequality in unemployment has been repeatedly found to be particularly sensitive to business cycles, often referred to as the “first fired, last hired” hypothesis. The severity of the Great Recession motivates an updated examination of racial/ethnic inequalities in employment insecurity, as well as greater attention to Latino-white inequalities than exists in previous literature.

This study has two primary objectives. First, it documents trends in three forms of employment insecurity through the Great Recession: underemployment (involuntary part-time work), the incidence of unemployment at any point in the past year, and long-term unemployment (longer than 26 weeks). Second, regression analyses assess the extent to which racial/ethnic inequalities in employment insecurity are attributable to differences in worker characteristics across business cycles. Comparisons of inequality due to observable and residual factors during recession and growth periods may illuminate the severity of discrimination faced by minority workers.

Data and Methods

March CPS 1976–2013

Sample includes white, black, and Latino prime-age (25–54 years-old) workers, who reported working for any amount in the previous year. Data for each of the three measures of employment insecurity also come from the previous year, so the observation period for these data is 1975–2012. White and black workers are coded as those choosing white or black as their sole racial category, and not of Latino origin. Latinos include those reporting Latino origin of any race.

Employment Insecurity

- Underemployed** Those working fewer than 35 hours in the usual week last year because they “could not find a full-time job” or due to “slack work.”
- Unemployed** Those who report being unemployed for one week or longer in the previous year.
- Long-Term Unemployed** Those who report being unemployed for more than 26 weeks in the previous calendar year.

Analytic Strategy

- I first estimate trends in employment insecurity by race and sex in the context of economic recessions, as defined by the National Bureau of Economic Research (NBER). All trends are estimated with the three-year moving average.
- I estimate trends in black-white and Latino-white differences in the three employment insecurity variables among male and female workers.
- I estimate regression-adjusted minority-white difference in employment insecurity, which account for group differences in worker characteristics. These trends are calculated using the predicted probabilities of each employment insecurity variable, from the logistic regression,

$$\ln\left(\frac{\Pr(y_{ijt})}{1 - \Pr(y_{ijt})}\right) = \beta_{0,jt} + \text{Race}_{ijt}\beta_{\text{Race},jt} + X_{ijt}\beta_{X,jt},$$

where y_{ijt} represents the specified employment insecurity variable for worker i of sex j . As with the unadjusted the three-year moving averages, the year t also includes the years $t-1$ and $t+1$. The vector Race_{ijt} includes the dichotomous indicators for black and Latino workers, and the vector X_{ijt} includes the variables measuring worker characteristics. The worker characteristics included in the regression models include: age; marital status; household composition; rural residence; geographic region; educational attainment; major occupational group; major industry group.

Results

Trends in Employment Insecurity

- Employment insecurity increased following recessions, particularly underemployment during the Great Recession.
- Employment insecurity declined overall between the 1980s recession and mid-2000s.
- Men’s rates of unemployment and long-term unemployment are more sensitive to recessions than women’s, while women’s rates of underemployment are more sensitive than men’s.

Black-White Differences

- Black-white differences in employment insecurity increased following the 1980s recession and Great Recession, and decreased between them. The increases were larger among men, particularly after the Great Recession.
- The residual black-white differences persisted over time, and increased during recessions. The observed and residual differences converged among men until the early 2000, then diverged in the Great Recession.

Latino-White Differences

- Latino-white differences in underemployment increased considerably in the 1990s and Great Recession, but were relatively low in the early 1980s. Latino-white differences in unemployment and long-term unemployment increased in the 1980s recession and Great Recession, and decreased between them.
- There was little or no residual Latino-white difference in employment insecurity. The residual difference in underemployment was significant among men and women in the Great Recession. However, the residual difference in unemployment and long-term unemployment among men was significantly negative in recent years.

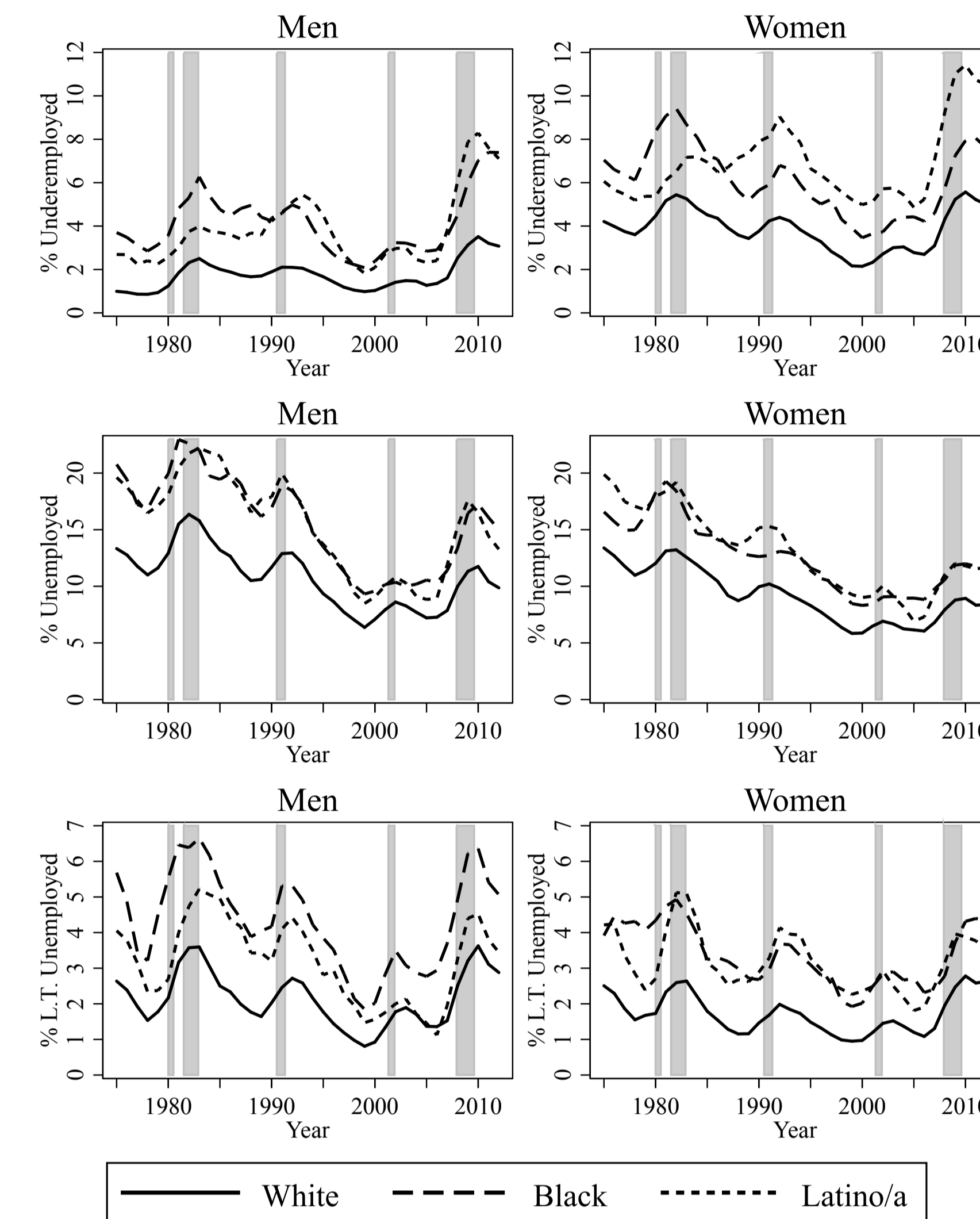


Figure 1: Trends in Employment Insecurity among White, Black, and Latino Workers by Sex. Vertical grey areas indicate economic recessions.

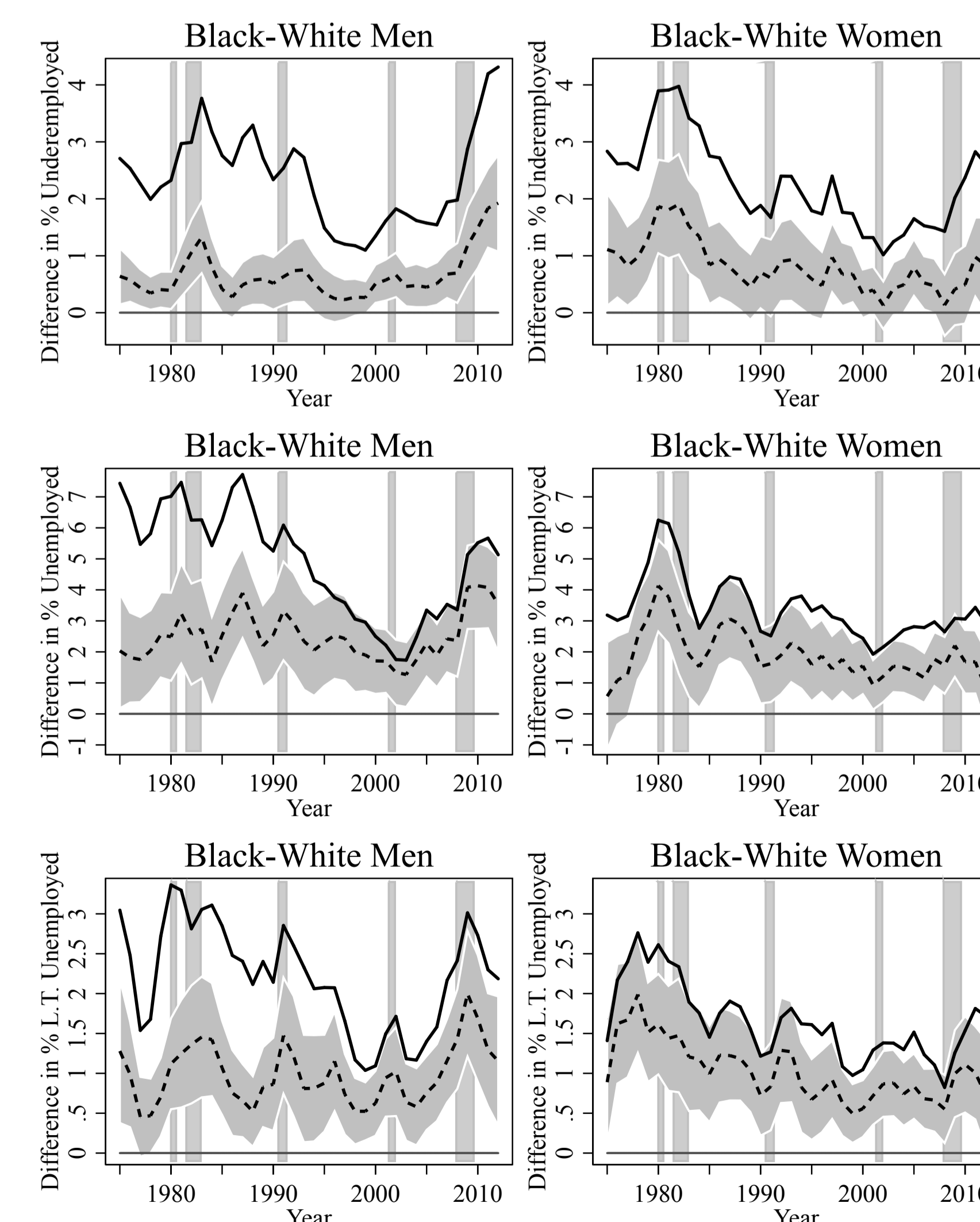


Figure 2: Trends in Black-White Differences in Employment Insecurity, by Sex. Solid lines indicate observed trends; dashed lines indicate regression-adjusted trends. Vertical grey areas indicate economic recessions.

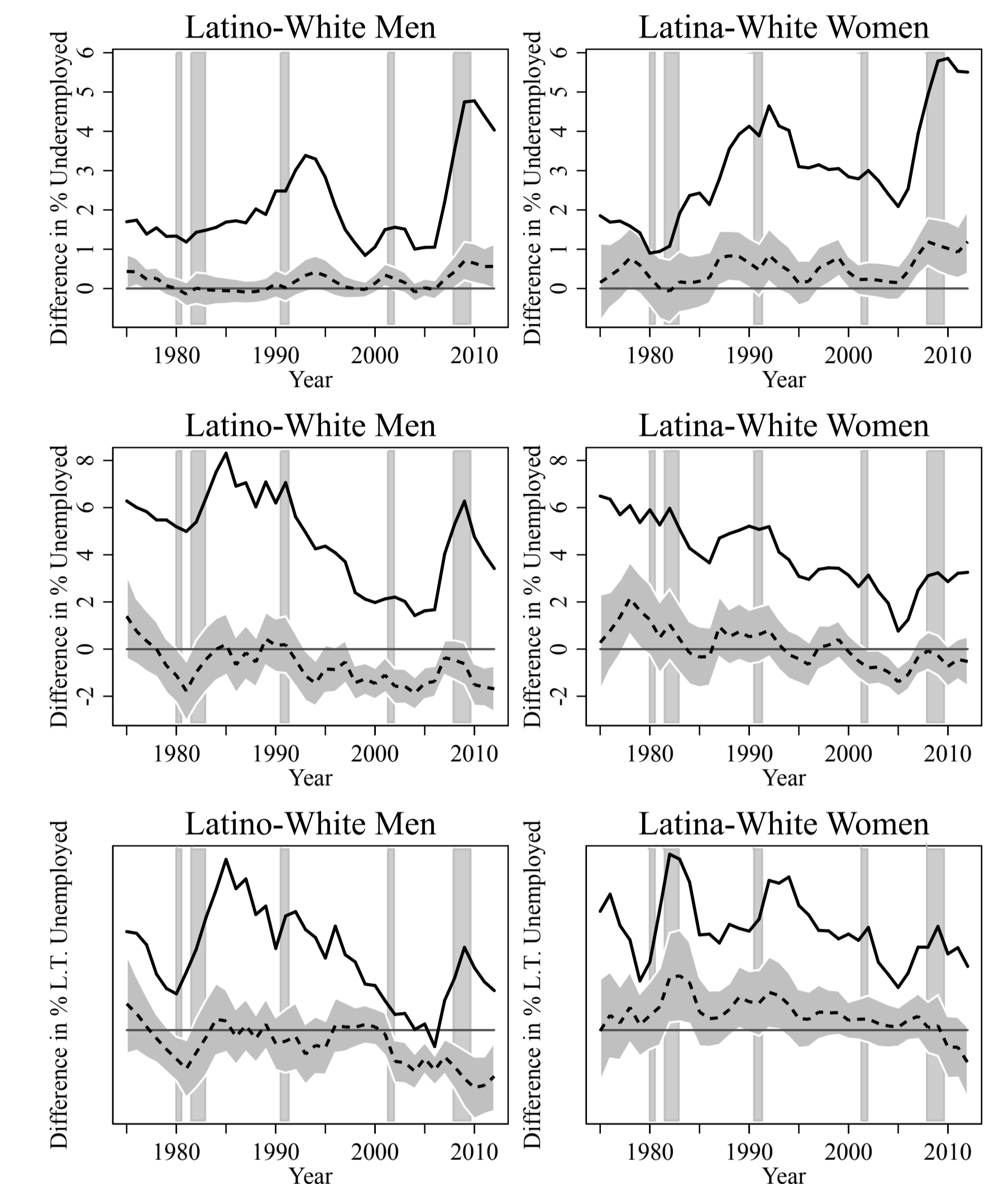


Figure 3: Trends in Latino-White Differences in Employment Insecurity, by Sex. Solid lines indicate observed trends; dashed lines indicate regression-adjusted trends. Vertical grey areas indicate economic recessions.

Conclusions

The results show that all three forms of employment insecurity increased substantially in the Great Recession for all groups. Declines in employment insecurity between the 1980s and mid-2000s is seemingly at odds with arguments that precarious work has substantially grown in recent decades. However, underemployment reached its highest levels in the entire period during the Great Recession, which is more consistent.

Despite declines between the 1980s and 2000s, minority-white differences in employment insecurity also increased during recession periods. The convergence of observed and residual differences among white and black men suggests differences in worker characteristics became less relevant up to the mid-2000s. The subsequent divergence suggests these differences became more salient in the Great Recession.

Regression results indicate that almost all of the Latino-white differences, even during the Great Recession, are generated by group differences in worker characteristics. These findings suggest that the sources of black-white and Latino-white inequalities in employment insecurity are markedly different, with almost all Latino-white inequality stemming from stratification in educational and occupational attainment.

Acknowledgements

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