



DOWNCAST

UNEMPLOYMENT FORECAST

Targeted Job Creation Policies Necessary to Offset Grim 2010 Projections

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The unemployment rate has been hovering around its 25-year high of 10.1% for the past three months, but according to Moody's Economy.com, the rate is destined to hit a peak of 10.7% during the third quarter of 2010.

As disastrous as this projected *national* rate is, it does not adequately reflect just how dire the situation is in some parts of the nation and for some demographic groups, particularly among black and Hispanic workers. We expect to see a huge range of unemployment rates, from a low of 3.3% for whites in North Dakota to a high of 27.0% for African Americans in Michigan (higher than the national unemployment rate that prevailed during the Great Depression). This Issue Brief extends the Moody's projections to include race¹ and gender by state, and provides a detailed picture of the economic situation across the country.

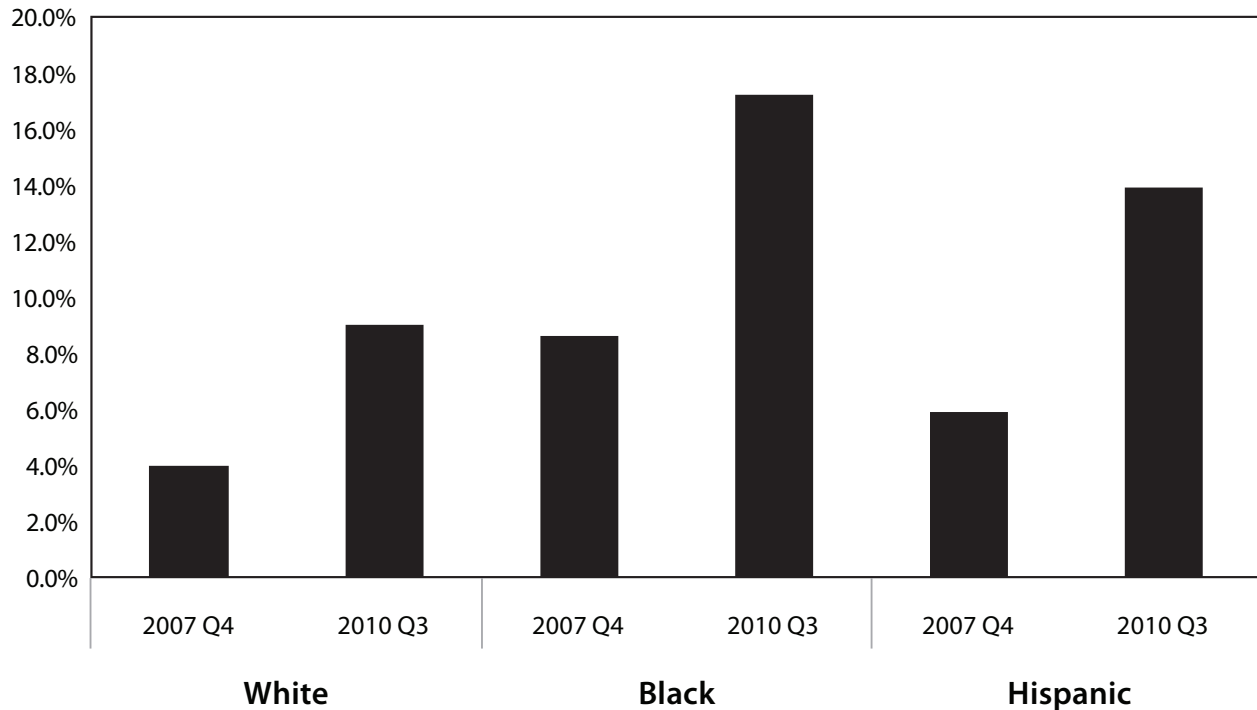
Racial inequality

The gap between white and minority unemployment rates has already grown dramatically during this recession, and it is expected to continue growing. This is despite the fact that minorities began the recession with much higher rates of unemployment than did whites. Among African Americans, the pre-recession unemployment rate of 8.6% was even higher than the current white unemployment rate of 8.1%; in effect, minorities began the recession in a recession.

Although the national unemployment rate for whites will reach a high of 9.0% in the third quarter of 2010, the rates for African Americans and Hispanics will reach 17.2% and 13.9%, respectively (see **Figure A**). In the 18 states for which there is reliable data² and the District of Columbia, the unemployment rate for African Americans will exceed 11.0% by the third quarter of 2010; in five of these states (Alabama, Illinois, Michigan, Ohio, and South Carolina), the rate will exceed 20%. Among Hispanics, the unemployment rate in the third quarter will reach or exceed 12.0% in nine of the 12 states for which we have reliable data; it will reach 22.2% and 17.6% in Nevada and California, respectively.

FIGURE A

**Unemployment rates
before the recession and the projected peak**



SOURCE: EPI analysis of CPS data and projections by Moody's.

Furthermore, after the peak in the third quarter, it will take years before unemployment rates in many places return to their normal levels.³

Nationally, the unemployment rate for whites is expected to have grown by 5.0 percentage points between the start of the recession (December 2007) and the third quarter of 2010, while African Americans and Hispanics will experience increases of 8.6 and 7.9 percentage points,⁴ respectively. This disparity is even larger in some states. In Alabama, the unemployment rate for whites is expected to have gone up by 6.0 percentage points, while for blacks it will have increased by 15.2 percentage points. And in Nevada, the rate for whites will have increased by 7.3 percentage points, while for Hispanics it will have increased by 15.5 percentage points.

Gender inequality

In addition to racial inequality, the labor market is now seeing the largest gap between male and female unemployment since data collection began in 1948. We project that the unemployment rate for men will climb to 11.7% by the third quarter of 2010, while for women it will reach 9.7%. The state with the largest disparity is Michigan, where the unemployment rates for men and women are expected to reach 20.0% and 13.8%, respectively. Because there has never been a gender disparity of this size, there is no way to predict how it will affect family structures or the labor force. However, we do know that a higher unemployment rate for men will convince many of them to drop out of the labor force.

What these projections mean

We highlight these trends for a variety of reasons. First, they make a strong argument that policy makers should target job creation efforts in states with the most severe unemployment rates. North Dakota—where unemployment is lowest in the nation—shouldn't be treated the same way as, say, states like Michigan, California, and South Carolina, which already have or are expected to see unemployment rates above 13%. These states urgently need federal assistance to create jobs in the right places.

In addition to targeting the right places, policy makers need to target particular demographics. These data show the extent of economic inequality between various groups of people, and this inequality is growing.

Furthermore, people can become trapped by their unemployment. Being located in an area with high unemployment makes it difficult to find a job, while the weak housing market makes it difficult to move to a better job market. This predicament is one of the many factors that make this recession so tough for so many.

In short, these data make it clear that the nation must aggressively address the ongoing human tragedy brought on by this recession. These projections, as bad as they are, include the positive impacts of stimulus, such as the American Recovery and Reinvestment Act, that has already been passed. They also assume that more aid, including extensions to unemployment insurance, will pass in the near future. However, more is needed. Unacceptably high rates of unemployment among African Americans, for example, will lead to an African American child poverty rate higher than 50%. There is no reason why we should tolerate such outcomes; elected officials can and must put millions of Americans back to work with bold, targeted job creation policies.

Endnotes

1. The racial categories used here are slightly different than those used by the Bureau of Labor Statistics (BLS), in that these categories (white, black/African American, and Hispanic) are mutually exclusive. As a result, these statistics are not directly comparable to those from the BLS.
2. We only report numbers for subgroups in states with sufficiently large sample sizes.
3. See the Federal Reserve (<http://www.federalreserve.gov/monetarypolicy/fomcminutes20091104ep.htm>), among others.
4. Some may prefer to talk about the percent change in unemployment rates, rather than the percentage-point change highlighted here. I chose the latter for a few reasons. First, for the sake of simplicity—it's easier to understand. And second, because it says more about the number of people affected. For example, an unemployment rate increase from 1% to 3% is a very large (200%) percent change, while an increase from 10% to 15% is a much smaller 50% increase. Assuming equal population sizes, however, many more people will be affected by the 5 percentage-point change than the 2 percentage-point change.

TABLE 1

Unemployment rates in the current downturn, all

	Start of recession (2007 Q4)	Most recent data (2009 Q3)	Projected peak (2010 Q3)	Change from start to projected
United States	4.8%	9.6%	10.7%	5.9
<i>Alabama</i>	3.7	10.4	11.8	8.1
<i>Alaska</i>	6.3	8.2	10.0	3.8
<i>Arizona</i>	4.2	9.1	11.0	6.8
<i>Arkansas</i>	5.0	7.2	8.6	3.6
<i>California</i>	5.8	12.1	13.7	7.9
<i>Colorado</i>	4.1	7.4	8.6	4.5
<i>Connecticut</i>	4.9	8.1	9.5	4.7
<i>Delaware</i>	3.7	8.1	9.1	5.4
<i>District of Columbia</i>	5.7	11.0	11.8	6.1
<i>Florida</i>	4.7	10.9	12.5	7.8
<i>Georgia</i>	4.9	10.2	11.8	6.9
<i>Hawaii</i>	2.9	7.1	8.1	5.2
<i>Idaho</i>	3.4	8.8	10.1	6.7
<i>Illinois</i>	5.5	10.3	11.8	6.3
<i>Indiana</i>	4.6	10.0	10.9	6.3
<i>Iowa</i>	3.8	6.6	7.6	3.8
<i>Kansas</i>	4.0	7.2	8.3	4.3
<i>Kentucky</i>	5.4	11.1	12.3	6.8
<i>Louisiana</i>	3.7	7.5	9.0	5.3
<i>Maine</i>	4.7	8.5	10.1	5.4
<i>Maryland</i>	3.6	7.2	7.8	4.2
<i>Massachusetts</i>	4.5	9.1	10.3	5.8
<i>Michigan</i>	7.3	15.2	17.1	9.8
<i>Minnesota</i>	4.7	7.8	8.2	3.5
<i>Mississippi</i>	6.2	9.5	10.7	4.5
<i>Missouri</i>	5.3	9.4	10.8	5.4
<i>Montana</i>	3.7	6.7	7.7	4.0
<i>Nebraska</i>	3.0	5.0	5.7	2.7
<i>Nevada</i>	5.1	13.0	14.3	9.2
<i>New Hampshire</i>	3.4	7.0	8.0	4.6
<i>New Jersey</i>	4.4	9.6	10.7	6.3
<i>New Mexico</i>	3.6	7.4	8.8	5.3
<i>New York</i>	4.6	8.8	10.6	6.0
<i>North Carolina</i>	5.0	10.8	11.5	6.5
<i>North Dakota</i>	3.1	4.2	5.0	1.9
<i>Ohio</i>	5.7	10.7	12.1	6.4

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TABLE 1 (CONT.)**Unemployment rates in the current downturn, all**

	Start of recession (2007 Q4)	Most recent data (2009 Q3)	Projected peak (2010 Q3)	Change from start to projected
<i>Oklahoma</i>	3.8%	6.7%	7.8%	4.0
<i>Oregon</i>	5.3	11.8	13.3	8.0
<i>Pennsylvania</i>	4.5	8.7	10.1	5.5
<i>Rhode Island</i>	5.8	12.8	13.8	8.0
<i>South Carolina</i>	5.7	11.6	13.0	7.3
<i>South Dakota</i>	2.7	4.9	5.6	2.9
<i>Tennessee</i>	5.3	10.6	11.3	6.0
<i>Texas</i>	4.4	8.0	8.7	4.3
<i>Utah</i>	2.9	6.1	7.2	4.3
<i>Vermont</i>	4.0	6.8	7.8	3.8
<i>Virginia</i>	3.3	6.7	7.8	4.6
<i>Washington</i>	4.6	9.1	10.7	6.0
<i>West Virginia</i>	4.4	8.9	10.3	5.9
<i>Wisconsin</i>	4.5	8.7	10.1	5.5
<i>Wyoming</i>	2.8	6.6	7.2	4.4

SOURCE: EPI analysis of CPS data and projections by Moody's.

TABLE 2

Unemployment rates in the current downturn, whites

	Start of recession (2007 Q4)	Most recent data (2009 Q3)	Projected peak (2010 Q3)	Change from start to projected
United States	4.0%	8.1%	9.0%	5.0
<i>Alabama</i>	3.0	8.0	9.1	6.0
<i>Alaska</i>	4.5	7.5	9.1	4.6
<i>Arizona</i>	3.3	7.2	8.7	5.4
<i>Arkansas</i>	4.4	6.1	7.3	2.9
<i>California</i>	4.6	9.6	10.8	6.2
<i>Colorado</i>	3.5	6.5	7.5	4.0
<i>Connecticut</i>	3.5	7.2	8.4	4.9
<i>Delaware</i>	3.0	6.9	7.7	4.7
<i>District of Columbia</i>	1.7	5.7	6.1	4.4
<i>Florida</i>	3.9	9.0	10.4	6.4
<i>Georgia</i>	3.2	7.7	9.0	5.8
<i>Hawaii</i>	3.8	9.0	10.3	6.5
<i>Idaho</i>	3.2	8.5	9.8	6.6
<i>Illinois</i>	4.4	8.8	10.1	5.7
<i>Indiana</i>	4.1	9.0	9.7	5.6
<i>Iowa</i>	3.5	6.2	7.1	3.6
<i>Kansas</i>	3.5	6.3	7.3	3.8
<i>Kentucky</i>	5.0	10.6	11.8	6.8
<i>Louisiana</i>	2.2	5.9	7.1	4.9
<i>Maine</i>	4.6	8.1	9.6	5.0
<i>Maryland</i>	2.9	5.6	6.1	3.1
<i>Massachusetts</i>	4.5	8.1	9.2	4.7
<i>Michigan</i>	6.1	13.7	15.5	9.4
<i>Minnesota</i>	4.1	6.7	7.0	2.9
<i>Mississippi</i>	3.8	7.8	8.8	4.9
<i>Missouri</i>	4.4	8.4	9.6	5.1
<i>Montana</i>	3.3	6.3	7.3	4.0
<i>Nebraska</i>	2.6	4.3	4.9	2.3
<i>Nevada</i>	4.4	10.6	11.7	7.3
<i>New Hampshire</i>	3.4	6.6	7.5	4.1
<i>New Jersey</i>	3.8	8.0	9.0	5.1
<i>New Mexico</i>	3.0	4.7	5.6	2.6
<i>New York</i>	3.6	7.2	8.7	5.1
<i>North Carolina</i>	4.0	9.6	10.1	6.1
<i>North Dakota</i>	2.0	2.8	3.3	1.3
<i>Ohio</i>	4.6	9.5	10.8	6.2

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TABLE 2 (CONT.)**Unemployment rates in the current downturn, whites**

	Start of recession (2007 Q4)	Most recent data (2009 Q3)	Projected peak (2010 Q3)	Change from start to projected
<i>Oklahoma</i>	3.0%	5.3%	6.1%	3.2
<i>Oregon</i>	5.3	11.0	12.4	7.1
<i>Pennsylvania</i>	4.0	7.8	9.1	5.1
<i>Rhode Island</i>	5.2	11.2	12.0	6.8
<i>South Carolina</i>	3.7	8.4	9.4	5.7
<i>South Dakota</i>	2.0	4.1	4.8	2.8
<i>Tennessee</i>	4.4	9.4	10.0	5.6
<i>Texas</i>	3.5	5.8	6.2	2.7
<i>Utah</i>	2.5	5.6	6.7	4.2
<i>Vermont</i>	4.0	6.6	7.7	3.6
<i>Virginia</i>	2.9	5.4	6.3	3.4
<i>Washington</i>	4.7	8.3	9.8	5.1
<i>West Virginia</i>	4.3	8.8	10.2	5.8
<i>Wisconsin</i>	4.0	6.8	7.8	3.9
<i>Wyoming</i>	2.5	6.3	6.9	4.3

SOURCE: EPI analysis of CPS data and projections by Moody's.

TABLE 3**Unemployment rates in the current downturn, African Americans**

	Start of recession (2007 Q4)	Most recent data (2009 Q3)	Projected peak (2010 Q3)	Change from start to projected
United States	8.6%	15.5%	17.2%	8.6
<i>Alabama</i>	5.3	18.0	20.4	15.2
<i>California</i>	9.8	15.4	17.4	7.6
<i>Delaware</i>	5.1	13.3	14.9	9.8
<i>District of Columbia</i>	10.0	17.6	18.9	8.9
<i>Florida</i>	6.3	15.6	17.8	11.6
<i>Georgia</i>	8.0	15.6	18.2	10.2
<i>Illinois</i>	12.3	18.6	21.3	9.0
<i>Louisiana</i>	8.0	11.3	13.5	5.5
<i>Maryland</i>	5.8	10.4	11.3	5.5
<i>Michigan</i>	15.5	23.9	27.0	11.5
<i>Mississippi</i>	10.9	13.1	14.8	3.9
<i>New Jersey</i>	8.2	15.7	17.6	9.3
<i>New York</i>	7.6	15.5	18.6	11.0
<i>North Carolina</i>	8.2	14.1	14.9	6.7
<i>Ohio</i>	13.7	19.5	22.1	8.4
<i>Pennsylvania</i>	6.9	11.6	13.5	6.6
<i>South Carolina</i>	11.1	20.4	22.8	11.7
<i>Texas</i>	8.1	13.9	15.0	6.9
<i>Virginia</i>	5.1	11.2	13.0	7.9

SOURCE: EPI analysis of CPS data and projections by Moody's.

TABLE 4**Unemployment rates in the current downturn, Hispanics**

	Start of recession (2007 Q4)	Most recent data (2009 Q3)	Projected peak (2010 Q3)	Change from start to projected
United States	5.9%	12.4%	13.9%	7.9
<i>Arizona</i>	5.8	11.6	13.9	8.1
<i>California</i>	7.0	15.6	17.6	10.7
<i>Colorado</i>	5.2	9.8	11.5	6.2
<i>Connecticut</i>	8.3	11.4	13.4	5.1
<i>Florida</i>	5.7	13.1	15.1	9.3
<i>Illinois</i>	5.7	10.5	12.0	6.2
<i>Maryland</i>	2.1	7.0	7.6	5.5
<i>Nevada</i>	6.7	20.1	22.2	15.5
<i>New Jersey</i>	5.0	12.0	13.5	8.4
<i>New Mexico</i>	4.2	10.0	12.0	7.8
<i>New York</i>	6.7	10.4	12.5	5.8
<i>Texas</i>	4.6	9.4	10.2	5.6

SOURCE: EPI analysis of CPS data and projections by Moody's.

TABLE 5

Unemployment rates in the current downturn, males

	Start of recession (2007 Q4)	Most recent data (2009 Q3)	Projected peak (2010 Q3)	Change from start to projected
United States	4.7%	10.5%	11.7%	6.9
<i>Alabama</i>	4.3	9.8	11.1	6.8
<i>Alaska</i>	6.6	9.4	11.4	4.8
<i>Arizona</i>	3.8	10.0	12.0	8.3
<i>Arkansas</i>	5.1	7.2	8.5	3.4
<i>California</i>	5.8	13.0	14.7	8.9
<i>Colorado</i>	3.8	8.0	9.3	5.5
<i>Connecticut</i>	4.8	8.3	9.7	4.9
<i>Delaware</i>	3.6	9.5	10.7	7.1
<i>District of Columbia</i>	4.7	11.3	12.1	7.4
<i>Florida</i>	4.7	11.8	13.5	8.8
<i>Georgia</i>	4.8	10.5	12.3	7.5
<i>Hawaii</i>	2.9	8.2	9.3	6.4
<i>Idaho</i>	3.5	10.0	11.5	8.0
<i>Illinois</i>	5.7	11.1	12.7	7.0
<i>Indiana</i>	5.0	11.5	12.5	7.5
<i>Iowa</i>	3.7	6.7	7.7	4.0
<i>Kansas</i>	3.8	7.8	9.0	5.2
<i>Kentucky</i>	5.2	11.8	13.1	7.9
<i>Louisiana</i>	3.6	8.1	9.7	6.1
<i>Maine</i>	4.6	9.4	11.1	6.5
<i>Maryland</i>	3.2	7.9	8.6	5.4
<i>Massachusetts</i>	4.3	10.6	12.0	7.7
<i>Michigan</i>	6.6	17.7	20.0	13.4
<i>Minnesota</i>	4.6	8.9	9.3	4.7
<i>Mississippi</i>	5.1	11.6	13.1	8.0
<i>Missouri</i>	5.3	10.7	12.2	6.9
<i>Montana</i>	3.6	8.3	9.6	6.0
<i>Nebraska</i>	3.2	5.4	6.1	3.0
<i>Nevada</i>	5.5	14.8	16.4	10.9
<i>New Hampshire</i>	3.3	7.9	9.0	5.8
<i>New Jersey</i>	4.5	9.9	11.1	6.6
<i>New Mexico</i>	3.3	8.0	9.6	6.3
<i>New York</i>	4.5	9.0	10.8	6.3
<i>North Carolina</i>	4.4	12.6	13.3	8.9
<i>North Dakota</i>	3.0	4.4	5.2	2.1
<i>Ohio</i>	6.0	11.7	13.2	7.3

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TABLE 5 (CONT.)

Unemployment rates in the current downturn, males

	Start of recession (2007 Q4)	Most recent data (2009 Q3)	Projected peak (2010 Q3)	Change from start to projected
<i>Oklahoma</i>	3.4%	7.8%	9.0%	5.6
<i>Oregon</i>	4.7	13.3	15.0	10.3
<i>Pennsylvania</i>	5.1	9.3	10.8	5.7
<i>Rhode Island</i>	5.8	13.3	14.2	8.4
<i>South Carolina</i>	5.4	12.9	14.4	9.1
<i>South Dakota</i>	2.9	5.3	6.1	3.1
<i>Tennessee</i>	5.3	12.2	13.0	7.7
<i>Texas</i>	4.1	8.2	8.9	4.8
<i>Utah</i>	2.9	7.0	8.3	5.5
<i>Vermont</i>	4.4	7.8	9.0	4.6
<i>Virginia</i>	3.6	6.7	7.8	4.2
<i>Washington</i>	4.5	10.2	12.0	7.5
<i>West Virginia</i>	4.3	10.9	12.6	8.3
<i>Wisconsin</i>	4.7	10.2	11.9	7.2
<i>Wyoming</i>	2.5	7.7	8.3	5.8

SOURCE: EPI analysis of CPS data and projections by Moody's.

TABLE 6

Unemployment rates in the current downturn, females

	Start of recession (2007 Q4)	Most recent data (2009 Q3)	Projected peak (2010 Q3)	Change from start to projected
United States	4.9%	8.7%	9.7%	4.8
<i>Alabama</i>	2.9	11.1	12.5	9.6
<i>Alaska</i>	5.9	6.9	8.4	2.6
<i>Arizona</i>	4.7	8.0	9.7	5.0
<i>Arkansas</i>	4.9	7.2	8.6	3.7
<i>California</i>	5.8	11.1	12.5	6.8
<i>Colorado</i>	4.3	6.6	7.7	3.4
<i>Connecticut</i>	4.9	7.9	9.3	4.4
<i>Delaware</i>	3.9	6.7	7.5	3.6
<i>District of Columbia</i>	6.7	10.8	11.5	4.9
<i>Florida</i>	4.6	9.8	11.3	6.7
<i>Georgia</i>	5.1	9.7	11.3	6.2
<i>Hawaii</i>	3.0	5.9	6.7	3.7
<i>Idaho</i>	3.4	7.3	8.4	5.0
<i>Illinois</i>	5.2	9.4	10.7	5.5
<i>Indiana</i>	4.1	8.3	9.0	4.9
<i>Iowa</i>	3.9	6.5	7.5	3.6
<i>Kansas</i>	4.3	6.5	7.5	3.3
<i>Kentucky</i>	5.7	10.2	11.3	5.6
<i>Louisiana</i>	3.8	6.9	8.3	4.5
<i>Maine</i>	4.9	7.6	8.9	4.1
<i>Maryland</i>	4.1	6.4	7.0	2.9
<i>Massachusetts</i>	4.7	7.5	8.5	3.8
<i>Michigan</i>	8.1	12.3	13.8	5.7
<i>Minnesota</i>	4.8	6.6	6.9	2.1
<i>Mississippi</i>	7.4	7.3	8.2	0.8
<i>Missouri</i>	5.4	8.1	9.2	3.8
<i>Montana</i>	3.8	4.9	5.7	1.9
<i>Nebraska</i>	2.8	4.5	5.1	2.4
<i>Nevada</i>	4.6	10.7	11.8	7.2
<i>New Hampshire</i>	3.6	6.0	6.8	3.2
<i>New Jersey</i>	4.3	9.2	10.3	6.0
<i>New Mexico</i>	3.9	6.7	8.0	4.1
<i>New York</i>	4.7	8.6	10.4	5.7
<i>North Carolina</i>	5.6	8.9	9.4	3.8
<i>North Dakota</i>	3.1	4.1	4.9	1.7
<i>Ohio</i>	5.5	9.7	10.9	5.5

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TABLE 6 (CONT.)**Unemployment rates in the current downturn, females**

	Start of recession (2007 Q4)	Most recent data (2009 Q3)	Projected peak (2010 Q3)	Change from start to projected
<i>Oklahoma</i>	4.2%	5.5%	6.4%	2.2
<i>Oregon</i>	6.0	10.1	11.4	5.4
<i>Pennsylvania</i>	3.9	8.0	9.3	5.4
<i>Rhode Island</i>	5.8	12.4	13.3	7.4
<i>South Carolina</i>	6.1	10.1	11.3	5.3
<i>South Dakota</i>	2.5	4.4	5.1	2.6
<i>Tennessee</i>	5.3	8.9	9.5	4.1
<i>Texas</i>	4.8	7.8	8.4	3.6
<i>Utah</i>	3.0	4.8	5.7	2.7
<i>Vermont</i>	3.7	5.7	6.6	2.9
<i>Virginia</i>	2.9	6.8	7.9	5.0
<i>Washington</i>	4.7	7.8	9.1	4.4
<i>West Virginia</i>	4.5	6.5	7.5	3.0
<i>Wisconsin</i>	4.4	7.1	8.2	3.8
<i>Wyoming</i>	3.1	5.3	5.7	2.6

SOURCE: EPI analysis of CPS data and projections by Moody's.