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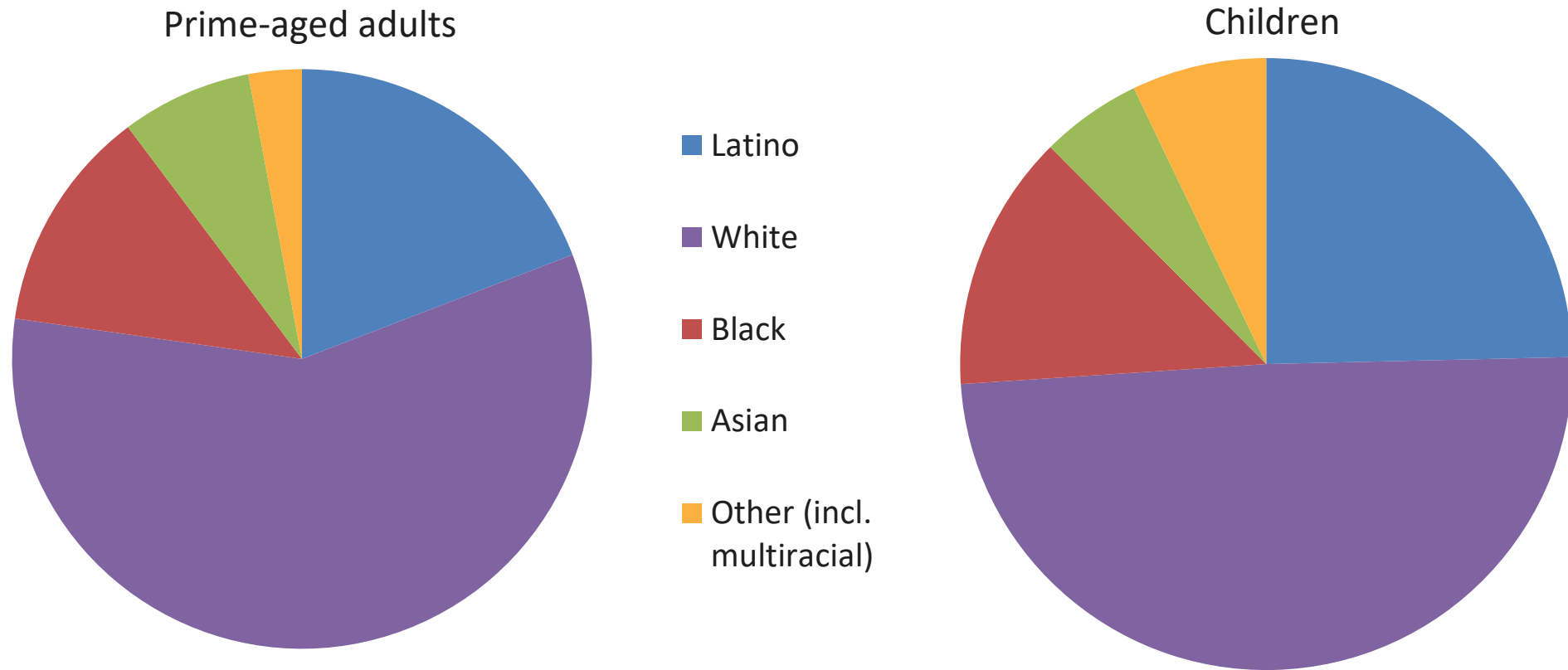
How Foreign- and US-Born Latinos Fare During Recessions and Recoveries

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Overview

- Latino economic well-being an important question
 - Largest ethnic minority group, 20 percent of prime-age population and growing
 - Majority of Latino population is US-born (two-thirds)
 - Progress reflects on US institutions
 - Foreign-born Latinos increasingly diverse
 - Implications for immigrant assimilation
- Results show Latino progress in labor market outcomes, poverty
 - Moving up in the income distribution over time, poverty down
 - Challenges
 - Outcomes very sensitive to the business cycle, pandemic
- Policy reforms could further boost Latinos' prospects
 - Education, health care
 - Immigration

Latinos are largest minority group in the United States



NOTES: Authors' calculations using 2020 CPS ASEC data from IPUMS.

Latinos have less education, larger households, lower income than non-Hispanic whites

	Hispanic		Non-Hispanic
	Immigrant	U.S. native	White
Age	42.5	37.9	42.3
Married	0.64	0.45	0.63
Male	0.50	0.50	0.50
Mexican-descent	0.57	0.68	--
Highest education level:			
Less than high school graduate	0.36	0.10	0.04
High school graduate	0.31	0.32	0.24
Some college	0.15	0.31	0.27
Bachelor's degree or higher	0.18	0.26	0.45
Number of hhld members	3.9	3.5	3.0
Number of children in hhld	0.57	0.47	0.41
Household income previous year	\$64,540	\$82,000	\$104,626

NOTES: Authors' calculations using 2020 CPS ASEC data from IPUMS. Only prime-aged adults are included. Median household income is shown; the other variables are means or shares.

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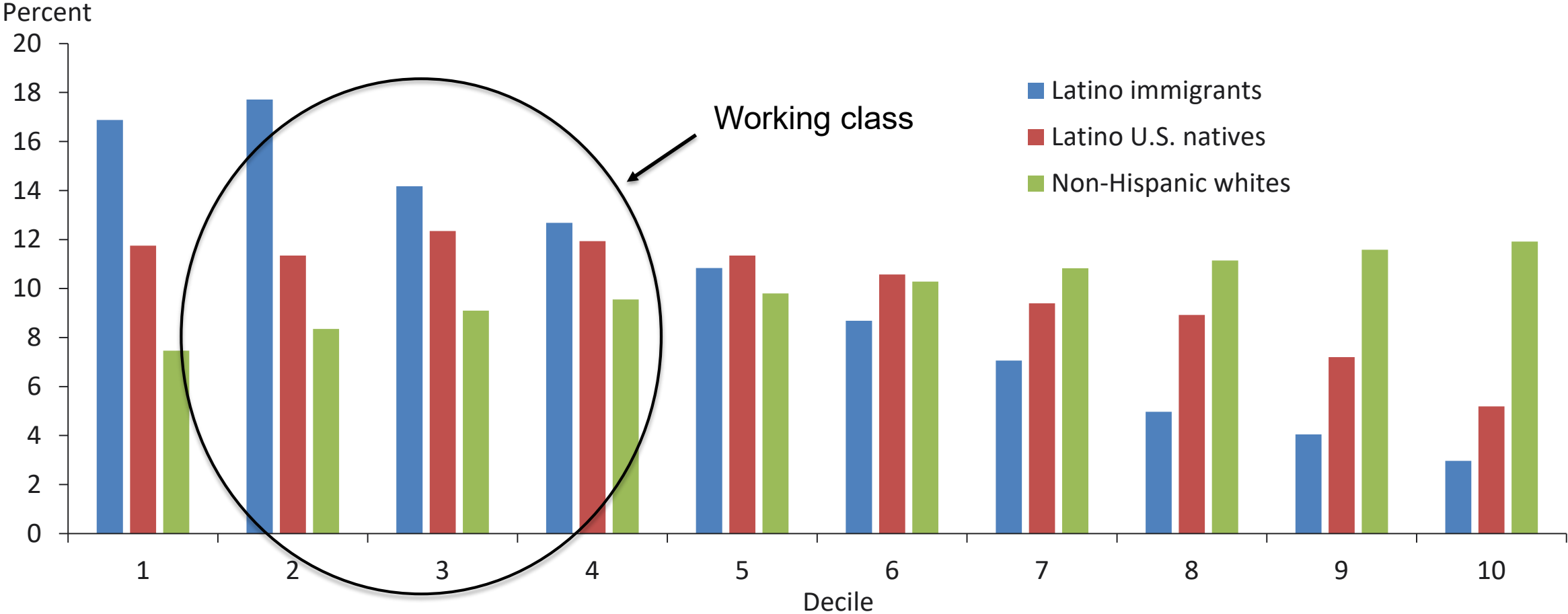
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Latinos are more likely to be in working class, bottom of income distribution

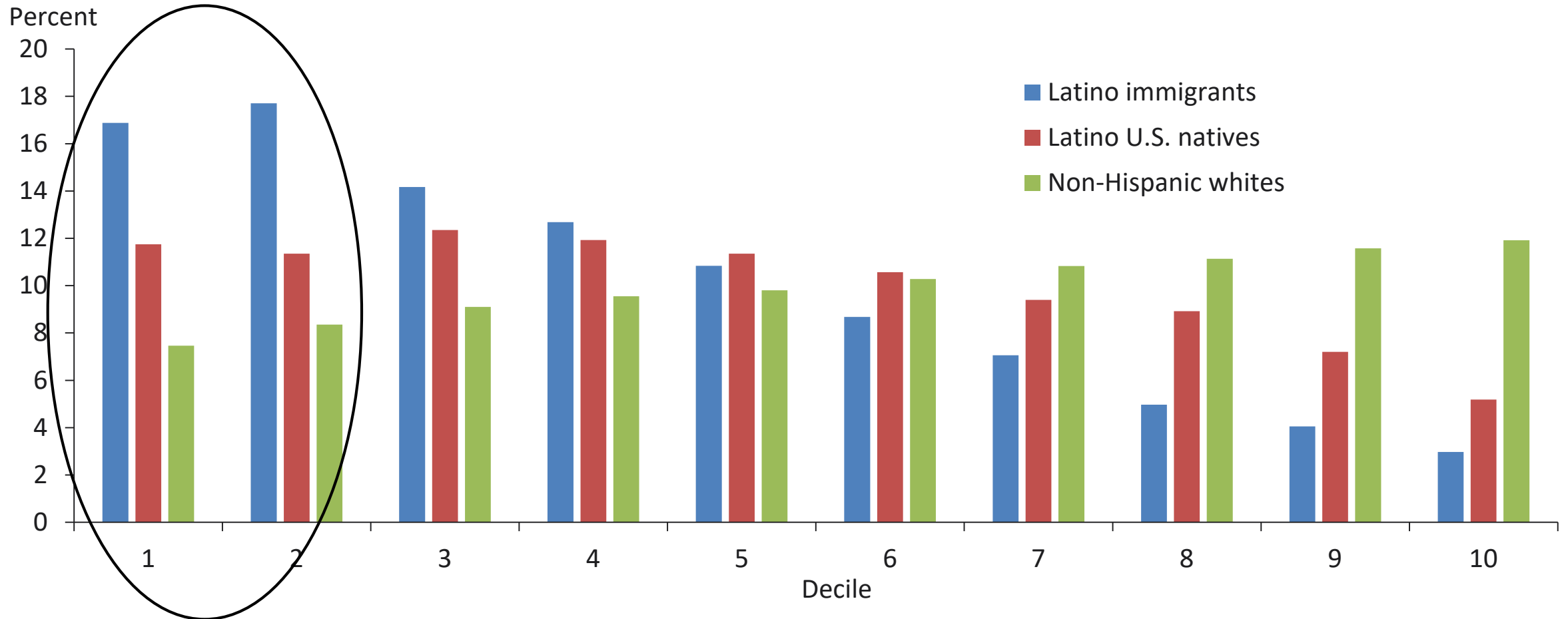
- About 40 percent of Latino households are working class
 - Working class: households with income in the 2nd to 4th income deciles
 - One-third of native Latino households are working class
 - Half of immigrant Latino households are working class
- Reasons for low income
 - Low levels of education
 - Younger
 - Limited English proficiency
- Caveat
 - High employment rates among Latino immigrant men, higher than non-Hispanic whites

Latino households more likely to be working class (share of households by income decile)



NOTES: Shown is the distribution of households with a head in the indicated group. Authors' calculations from 2020 CPS ASEC data from IPUMS using household income for the previous calendar year.

Latino immigrant households most likely to be at bottom of income distribution (share of households by income decile)

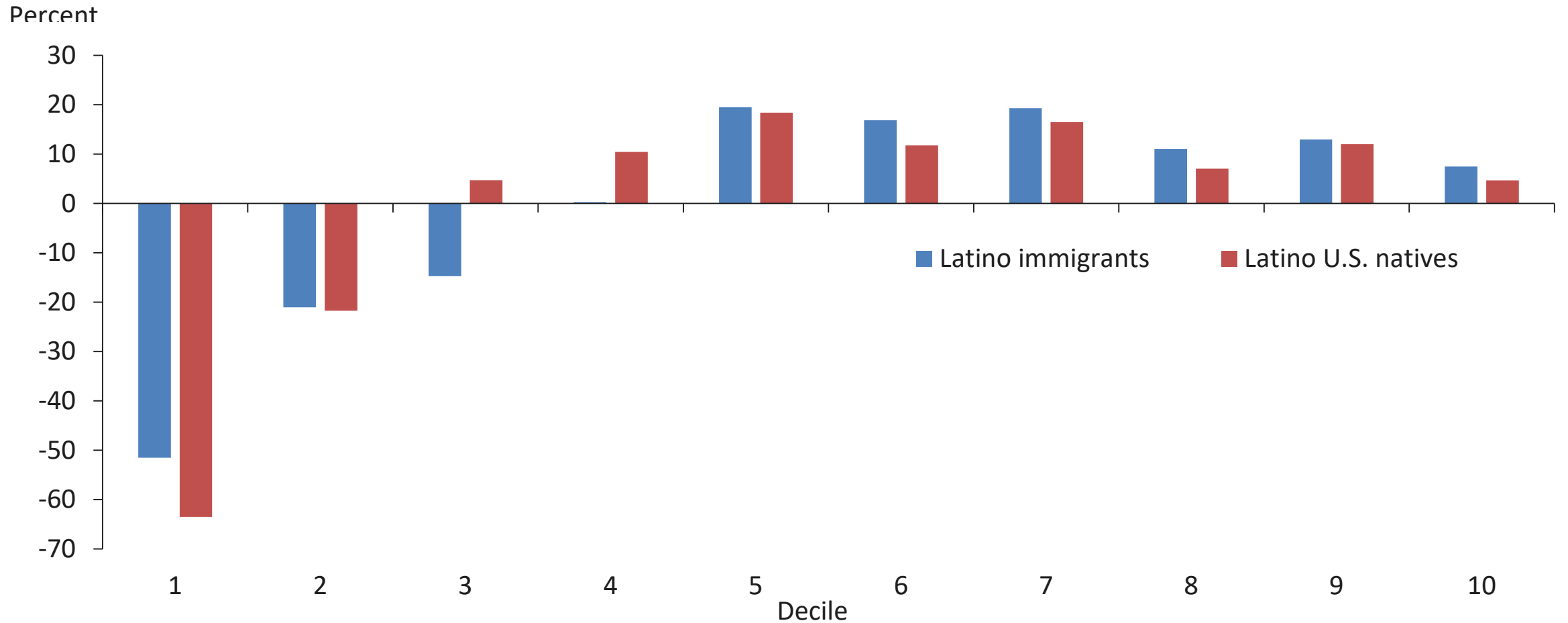


NOTES: Shown is the distribution of households with a head in the indicated group. Authors' calculations from 2020 CPS ASEC data from IPUMS using household income for the previous calendar year.

Latino progress out of bottom of income distribution...

- Latino households moved up in the income distribution over the past 25 years
 - Share Latino households in the lowest income decile fell by
 - > 60 percent for Latino natives
 - > 50 percent for Latino immigrants
 - Progress fueled by strong economic conditions, increased time in US
 - Hampered somewhat for native Latinos b/c lag in education persists
- Wealth rising too but gaps are much larger, more persistent
 - Wealth gains: After losses during the 2000s and early 2010s, Hispanic families saw their net worth rise between 2013 and 2019
 - Average gains outpaced those among non-Hispanic white and black families
 - Wealth gap: Average net worth of non-Hispanic white families five times that of Hispanic families in 2019, down from a six-fold gap in 2013

Latino households moved out of bottom of income distribution over last 25 years (change in share of households by decile)

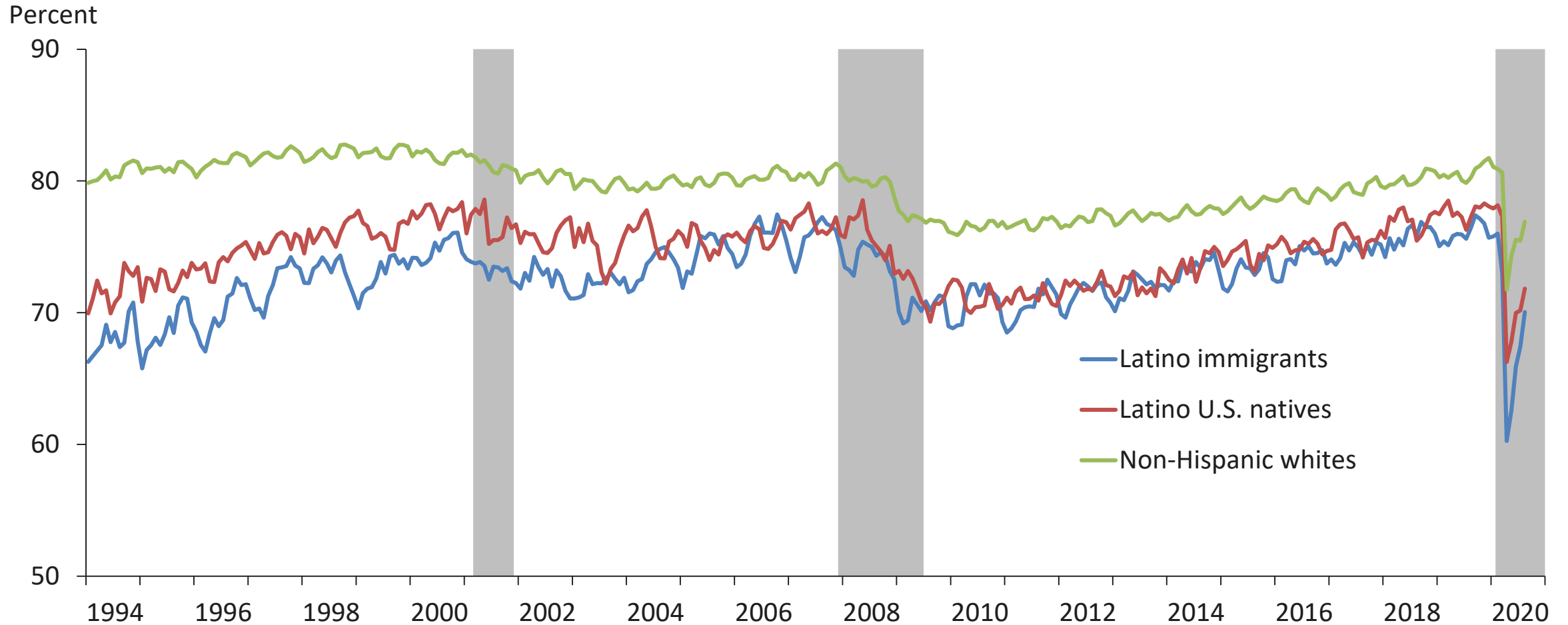


NOTES: Shown is the relative change of the share of households in each decile of the income distribution with a head in the indicated group. Authors' calculations from March 1994-96 and 2018-20 CPS ASEC data from IPUMS using household income for the previous calendar year.

Latinos in the labor market

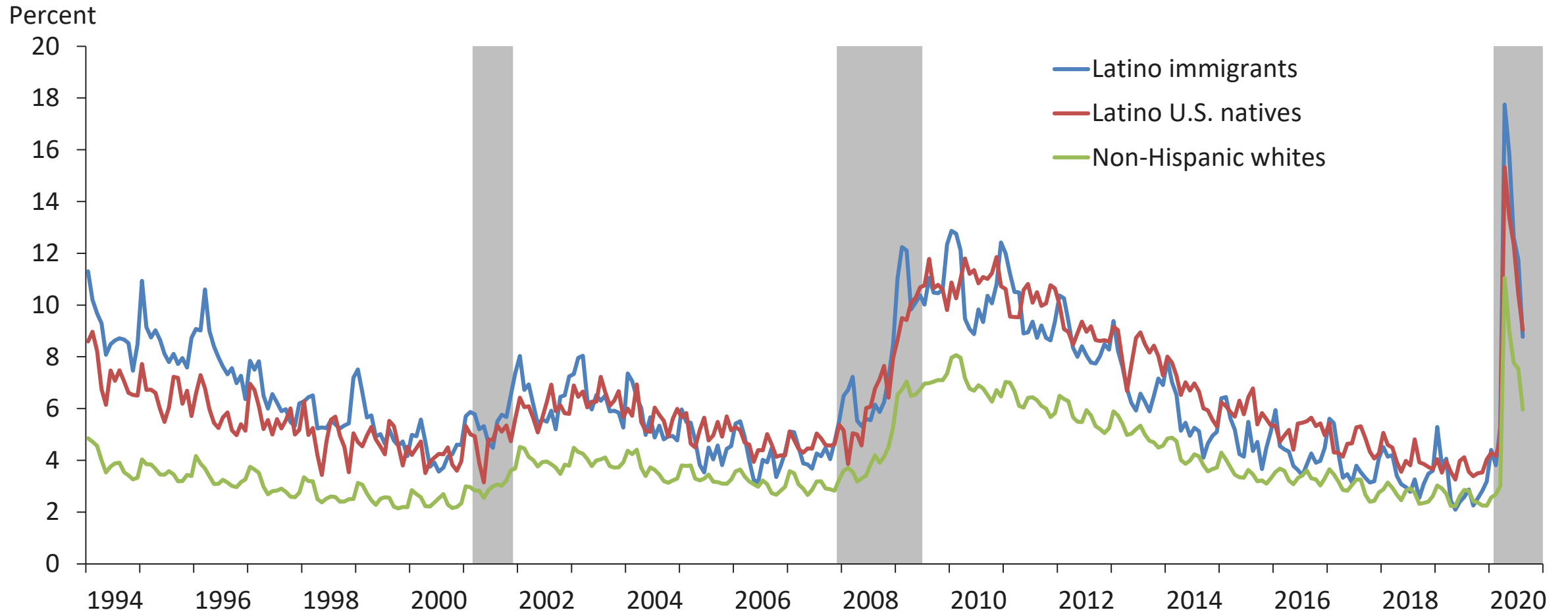
- Latinos have lower employment rates, higher unemployment than non-Hispanic whites
 - Among immigrants, lower employment rates due to lower participation of women
- Cyclical swings larger for Latinos, especially immigrants
 - Latino-white employment gaps widen in recessions, narrow over expansions
 - Before pandemic, Latino unemployment rate had reached that of non-Hispanic whites
- Factors underlying cyclicality
 - Lower education
 - Within education groups: industry/occupation distribution, employer characteristics
 - Latinos more likely in construction, leisure & hospitality
 - More likely work for small business, be self-employed
 - Among immigrants, lack of legal status

Employment is more cyclical among Latinos



NOTES: Shown is the share of adults ages 25-59 who are employed. Authors' calculations using January 1994-August 2020 CPS basic monthly files data from IPUMS.

Unemployment rates are even more cyclical for Latinos

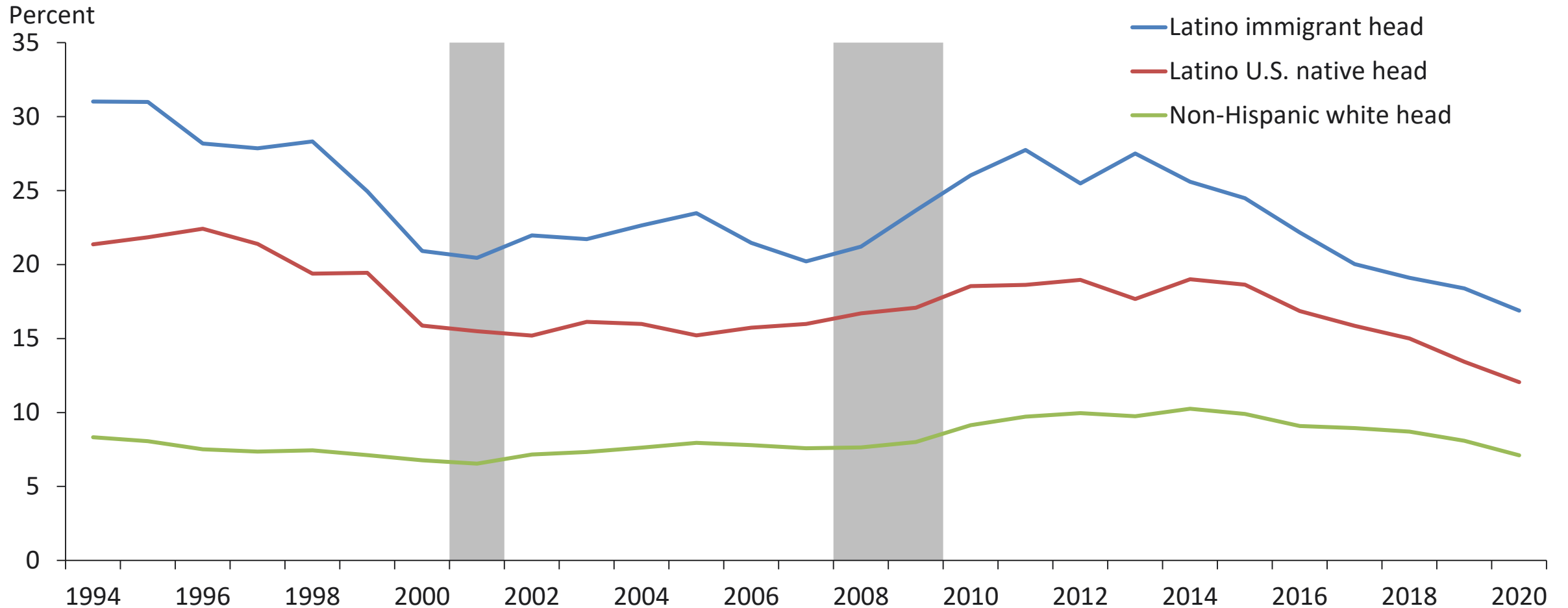


NOTES: Shown is the share of adults ages 25-59 who are unemployed, conditional on being in the labor force. Authors' calculations using January 1994-August 2020 CPS basic monthly files data from IPUMS.

Latino poverty rate on decline (pre-pandemic)

- Latino poverty rates exceed those of whites, but declined in 1990s, 2010s
 - Latino poverty is significantly lower today than in early 1990s
- Immigrants made the most progress
 - Assimilation
 - Compositional effect: Progress boosted by fewer new arrivals
- Poverty can be related to not working, but many Latino poor are working poor
 - Low hours, low wages, large household size
 - Less access to safety net
 - Lack of legal status or fear of taking up government programs among those eligible

Poverty rates have trended down over time for Latinos



NOTES: Shown is the share of households with a prime-aged head in the indicated group classified as poor based on federal poverty guidelines. Authors' calculations from CPS ASEC data from IPUMS using household income for year indicated (the calendar year prior to the ASEC survey year).

Pandemic likely to set Latinos back, increase poverty

- Pandemic increasing Latino poverty in short and longer run
 - Safety net spotty
 - Less access to unemployment benefits
 - No first-round stimulus payments to mixed-status households
 - Labor market vulnerabilities
 - Exposed to either job loss/cut in hours
 - Doing essential work, exposed to COVID
 - Health concerns
 - Susceptibility to severe symptoms; live in multigenerational households
 - Lack health insurance
 - Schooling challenges
 - Less access to reliable internet connection
 - Parents less willing to send kids to school where possible, but also less able to help with schooling

Summary and policy implications

- Summary
 - Normal times: Latinos do well in the labor market, move out of the bottom of income distribution
 - But recessions put them back, and they accumulate relatively little wealth
 - Health shocks are detrimental; more likely to lack health coverage
 - Pandemic hurts Latinos in short and long run
 - Other worrisome trends include rise in out of wedlock births; aging and incidence of disease and disability
- Helpful policies
 - Immigration reform
 - Education reform
 - Greater access to affordable healthcare