



# Monitor Hispano

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## Hispanics Economic Status

- **Over the last 10 years, 45% of total new jobs have been filled by Hispanic workers**
- **In the last five years the occupational status of Hispanics worsened in relative terms; yet, in absolute terms they increased their presence even in professional occupations**
- **The housing sector cooling off would likely affect job creation for Hispanics more than for Non Hispanics**
- **The disparity in earnings between Hispanics and Non Hispanics has increased; yet, in absolute terms the earnings of Hispanics have increased sharply**

### I. Introduction

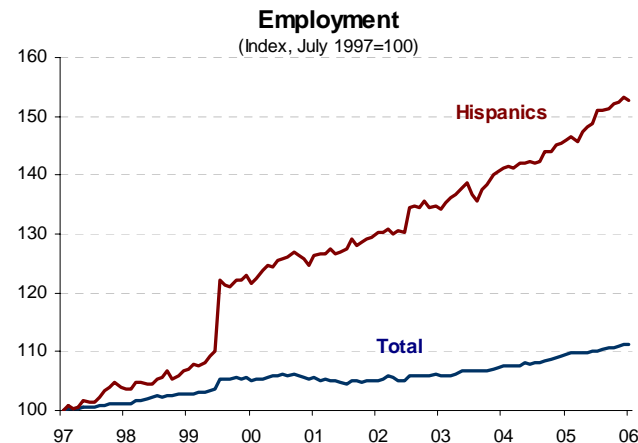
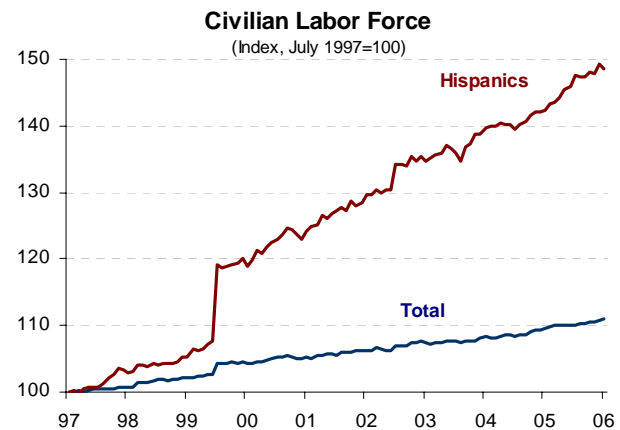
In the last ten years, the total labor force increased by 15.1 million or 11.0%, while the Hispanic labor force increased sharply by 6.8 million (48.6%), mainly fueled by higher levels of immigration. The increase in Hispanic labor force helps to explain almost half (48.9%) of total in that period, even though it only represents 13.6% of total labor force. Over the last ten years the economy has generated 14.5 million new jobs, of which 6.8 million (44.9%) have been filled by Hispanics --almost 1 of every two new jobs. The increasing relative importance of Hispanics in the labor market raises concerns on its impact on native-born workers.

As we showed more extensively in previous *Monitor Hispano* numbers, and contrary to popular belief, immigrants do not push natives out of jobs; in fact, they tend to work in low-skilled positions that natives cannot or will not fill in sufficient numbers to meet demand. In other words, the main determinant of immigration is labor demand and thus it is cyclical, that is, it increases when economic growth and job creation are higher and vice versa, which implies that immigrant workers tend to be a complement --and not a substitute-- of native-born workers, particularly of those with higher training and better skills. According to Federal Reserve's former president A. Greenspan, "As the influx of foreign workers in response to the tight labor markets of the 1990s showed, immigration does respond to labor shortages" (Testimony before the Senate Special Committee on Aging, February 27, 2003).

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The increasingly important presence of Hispanics in the labor force has also drawn interest in their economic status and well-being. The focus of this Hispanic Monitor is on the economic status –measured by employment and earnings- of Hispanics and on how they compare to Non Hispanics. Has the economic status of Hispanics worsened in relative terms? Is there a growing gap with respect to Non Hispanics or a catching up? Would an economic deceleration, driven mainly by the housing sector cooling off, affect more Hispanics than Non Hispanics?

## II. Differences between Hispanic and Non Hispanic workers

### • Unemployment rates

Hispanics have higher unemployment rates, tend to perform occupations with lower wages and are concentrated in few occupations. During the second half of the 90's the unemployment rate (UR) for Hispanic workers averaged 7.9% while that for non-Hispanics 4.9%. In the last five years, the former has averaged 6.8% while the latter 5.4%. Thus, although the difference has dropped from 3.0 percentage points (pp) to 1.4% and confirms an important catching up, the UR of Hispanic workers is still considerably higher.

### • Occupations

Hispanics are a complement to native-born workers; that is, they perform different types of work in the labor market and thus, their earnings vary accordingly. The occupations in which Hispanics are concentrated rank low in wages due to poor experience and lower skills and educational requirements. A distinctive characteristic of the employment profile of Hispanic workers is their low representation in professional occupations.

### • ¿Have occupational dissimilarities widened?

The occupational differences across Hispanics and Non Hispanics increased between 2000 and 2005. These occupational trends for Hispanics are reinforced by immigration, given the usually low skills among recently arrived immigrants. According to the 2000 Decennial Census, Hispanics had an 18.1% presence in professional occupations in 2000 which decreased to 17% in 2005. In contrast, Non Hispanic workers increased their relative importance among professional occupations to 37.4% from 35.4% in the same period. Moreover, Hispanics relative importance in low-skilled jobs (farming, construction, maintenance, production and transportation) increased marginally in the last five years (from 37 to 37.7%), while that of Non Hispanics decreased almost two pp (from 23.3 to 21.4%). During this time, Hispanic workers expanded their presence mostly in construction and service occupations. On the other hand, Non Hispanic workers were much more likely to be employed in professional occupations in 2005 than in 2000.

Despite the growing differences in relative terms, in absolute terms Hispanic workers have increased their presence in each and every main occupational group. It is true that they mainly expanded their presence in production, service and construction services, but it is also true that in the last five years 0.8 million Hispanic workers have been employed in professional occupations. Therefore the rate at which Hispanics fill high skill jobs is lower than the rate at which they enter the labor market. Several factors could have contributed to the growing difference in the occupational distributions of Hispanics and Non Hispanics. One important factor is education. Hispanics are less likely to be college educated and thus, have a professional occupation. Moreover, the important flow of recent immigration in the past five years, likely contributed to this growing dissimilarity because recent

Percentage point change in the Occupational Groups  
2000 to 2005

	Hispanics			Non Hispanics		
	2000 %	2005 %	Diff. pp, (B)-(A)	2000 %	2005 %	Diff. pp, (B)-(A)
Professional	18.1	17.0	<b>-1.1</b>	35.4	37.4	<b>2.0</b>
Service	21.8	23.8	2.0	14.1	15.2	1.1
Sales	23.1	21.5	-1.6	27.1	26.0	-1.1
Construction	13.1	16.9	<b>3.8</b>	9.0	9.2	0.2
Production	21.2	18.6	-2.6	14.8	11.8	-3.0
Farming	2.7	2.2	-0.5	0.5	0.4	-0.1

Absolute change in the Occupational Groups  
2000 to 2005

	Hispanics	Non Hispanics
	Millions	
Professional	<b>0.8</b>	<b>4.8</b>
Service	1.5	2.2
Sales	0.9	0.4
Construction	<b>1.4</b>	<b>0.9</b>
Production	<b>1.7</b>	<b>-2.7</b>
Farming	0.0	-0.1

arrival immigrants are less-skilled and educated. In addition, the housing boom of recent years has changed demand conditions in the labor market. The elevated housing activity growth rate caused the demand for construction workers to increase at a higher than average rate, which favored Hispanic workers who are disproportionately concentrated in that industry. That surely played an important role in the widening occupational differences between Hispanics and Non Hispanics.

• ¿Would the weakening housing sector affect more Hispanics than Non Hispanics?

Over 2004-July 2006, the housing boom has worked in favor of Hispanics workers. In that period, job creation directly linked with construction activity increased 10.4%, compared with a 3.8% rate of generation in all other private industry jobs. In other words, even though construction employment is only 6.6% of total private employment, it contributed with 14.9% of total job creation over that span. Nonetheless, the accumulating signs of weakening in the interest-sensitive housing sector have already started to affect the employment growth rate of the construction sector. Even though it is still growing at a faster rate than other private industry jobs, it has begun to decelerate sharply and will likely continue to do so. If the housing sector continues to decelerate, residential investment could decrease next year and it is unlikely that jobs would be generated in the sector, affecting mainly Hispanic workers which are disproportionately concentrated in that occupation.

• Earnings

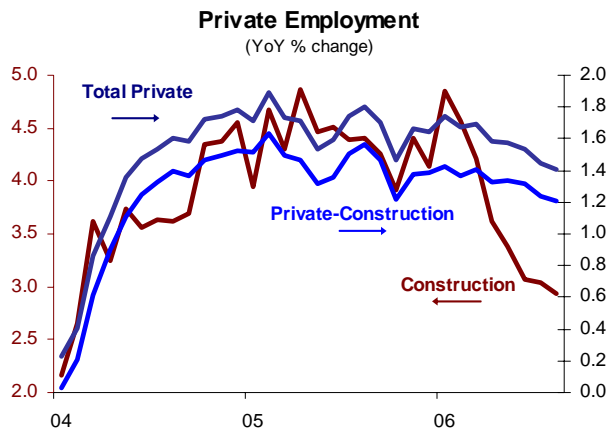
It is not surprising that the most important determinant of earnings is occupation. Thus, as we should expect from the discussion of occupational status, the disparity in earnings between Hispanics and Non Hispanics has increased over the last years. For example, in 1999 Hispanics earned 29% less than Non Hispanics, compared with 31% in 2005. In other words, compared to Non-Hispanics they have not advance as much in absolute terms since 1999. While the median weekly earnings for Hispanics increased 73 dollars (18%), they rose 104 dollars (21%) for Non Hispanics. However, in absolute terms the story is much more positive. The annual income for Hispanics Households in 2004 increased 4,617 dollars compared to 1999 at stands at 33,373 dollars. Moreover, in relative terms compared with the minimum wage of for example, a Mexican worker (the more likely to immigrate), Hispanics in the US earn 15.8 times more.

III. Conclusions

The importance of Hispanic workers has increased sharply: almost 1 out of every 2 new jobs is filled by Hispanics. Lower education and poor skills imply that Hispanics have lower wages and higher unemployment rates than Non-Hispanics. The attractiveness of earning between 5 and 15 times more is strong enough to provide an ample supply of immigrants. Nonetheless, the housing sector cooling off could provide a restraint to labor demand, particularly of new immigrants. The life-cycle of immigrants suggests that in the long-run, Hispanics will achieve higher educational levels and with it, higher incomes and better opportunities.

References

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 Greenspan, A. 2003. *Testimonio ante el Comité Especial del Senado sobre Envejecimiento*, Febrero 27. Washington, D.C.  
 Rakesh Kochhar. Pew Hispanic Center. 2005. "The Occupational Status and Mobility of Hispanics". Washington, D.C.



Median Weekly Earnings of Full-Time Workers (Dollars)

	1999	2005	% Change	Abs. Change
<b>Total</b>	<b>547</b>	<b>651</b>	<b>0.19</b>	<b>104</b>
<b>Non Hispanics</b>	<b>561</b>	<b>681</b>	<b>0.21</b>	<b>119</b>
<b>Hispanics</b>	<b>398</b>	<b>471</b>	<b>0.18</b>	<b>73</b>

