What Will it Take to Close the Gap?
Findings from Dallas Fed Research on Hispanic Wages and Poverty

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Disclaimer: The views expressed herein are those of the presenter; they do not necessarily reflect the views of the Federal Reserve Bank of Dallas or the Federal Reserve System.
Road Map

Among Hispanics

- Population and geographic trends
- Demographic characteristics and labor market outcomes
- Wage and poverty gaps
- Explaining the gaps
- Concluding thoughts
POPULATION AND GEOGRAPHIC TRENDS
Hispanic well-being: Important question

- Rapid growth of Hispanic population
  - Increased 53 percent (2000-2013)
  - Accounted for 54 percent of U.S. growth

- Hispanics number > 53 million
  - As share of population: 17.1 percent
  - Largest minority group; 5.2 of 10 foreign-born

- Hispanics are young
  - One-third are under age 18
  - Make up nearly one-fourth of all U.S. children
Hispanic population by state

- California: 27.3%
- Texas: 18.8%
- Florida: 8.6%
- New York: 6.7%
- Illinois: 3.9%
- Arizona: 3.7%
- New Jersey: 3.1%
- Colorado: 2.1%
- All other states: 25.9%
Hispanic well-being: Important question

Geographic dispersion increasing
- In 1990, 86 percent lived in top 9 states
- In 2013, 76 percent lived in top 9 states

Fastest-growing populations of Hispanics
- South Carolina, Alabama, Tennessee, Kentucky
- Arkansas, North Carolina, Maryland, Mississippi
- South Dakota, Delaware, Georgia, Virginia
Hispanic population by county: 2010

Source: U.S. Census Bureau, 2010 Census Summary File 1.
Hispanic population by county: percent change 2000-2010
WHAT ABOUT TEXAS?
Hispanic population share much higher in Texas

Source: 1970-2000 Census; 2013 ACS
Latino labor force share larger in Texas than U.S.

Note: U.S. figures exclude Texas. Includes ages 16-64.
### Education and labor market outcomes by race/ethnicity

<table>
<thead>
<tr>
<th>Population (age 18+)</th>
<th>White Non-Hispanics</th>
<th>Black Non-Hispanics</th>
<th>Hispanics</th>
</tr>
</thead>
<tbody>
<tr>
<td>In labor force</td>
<td>64.0</td>
<td>63.8</td>
<td>69.8</td>
</tr>
<tr>
<td>Employed</td>
<td>93.4</td>
<td>85.4</td>
<td>90.4</td>
</tr>
<tr>
<td>Wage</td>
<td>50,195</td>
<td>33,610</td>
<td>31,172</td>
</tr>
<tr>
<td>Family income</td>
<td>94,575</td>
<td>61,543</td>
<td>63,265</td>
</tr>
<tr>
<td>Education (age 24+)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than high school</td>
<td>4.6</td>
<td>9.0</td>
<td>30.3</td>
</tr>
<tr>
<td>High school</td>
<td>24.7</td>
<td>29.3</td>
<td>27.4</td>
</tr>
<tr>
<td>Some college</td>
<td>31.8</td>
<td>37.4</td>
<td>25.8</td>
</tr>
<tr>
<td>College or above</td>
<td>38.9</td>
<td>24.3</td>
<td>16.4</td>
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Source: 2013 American Community Survey
### Demographics by race/ethnicity

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<tbody>
<tr>
<td>Median age</td>
<td>42</td>
<td>33</td>
<td>28</td>
</tr>
<tr>
<td>Average family size</td>
<td>2.6</td>
<td>2.8</td>
<td>3.5</td>
</tr>
<tr>
<td>Average number of children</td>
<td>0.8</td>
<td>1.0</td>
<td>1.3</td>
</tr>
<tr>
<td>Married</td>
<td>55.6</td>
<td>33.6</td>
<td>46.7</td>
</tr>
<tr>
<td>Divorced</td>
<td>12.6</td>
<td>12.1</td>
<td>9.2</td>
</tr>
<tr>
<td>Single female head</td>
<td>12.7</td>
<td>24.6</td>
<td>11.8</td>
</tr>
<tr>
<td>Speaks English well</td>
<td>99.6</td>
<td>99.2</td>
<td>78.6</td>
</tr>
</tbody>
</table>

Source: 2013 American Community Survey
Hispanics more likely to be at bottom of the income distribution

Source: Authors’ calculations from IPUMS data from the 2013 American Community Survey.
LATINO WAGES AND THE WAGE GAP
Latino wages far below non-Hispanic whites’ wages

Median weekly earnings

Non-Hispanic Whites, Texas
Non-Hispanic Whites, U.S.
All Latinos, U.S.
All Latinos, Texas

Notes: Shaded areas represent U.S. recessions. 2014 dollars.
The Latino wage gap persists and is bigger in Texas

Some of the Latino wage deficit is due to immigration

Median weekly earnings

Note: 2014 dollars.
Same in Texas, but wage trends here far more favorable

Median weekly earnings

Native Latinos, Texas

Latino Immigrants, Texas

Note: 2014 dollars.
Wage gap decomposition

- Latino pay gap 46 points in Texas
  - Education explains over half (-25)
  - Age, gender, marital status matter little (-1)
  - Citizenship, foreign birth (-3)
  - Left with 17 point unexplained gap overall
    - 15 point gap for Hispanic natives

POVERTY GAP
Hispanic poverty

Defining poverty

Poverty thresholds vary according to family size and age of family members.

If family cash income falls below the poverty threshold, all family members are considered “poor.”

- In-kind income, such as food stamps, is not included.

In this study, kids are assigned the nativity of the household head.
Hispanic poverty rates are high, haven’t improved since 1970 (U.S.)

Hispanic poverty rates have remained consistently high since 1970, with a slight improvement in the early 2000s. The chart shows the poverty rates for Hispanics, non-Hispanic whites, and non-Hispanic Blacks from 1970 to 2013.

Source: Authors’ calculations from IPUMS data from the 1970-2000 Censuses and the 2013 American Community Survey.
In Texas, minority poverty rates have fallen steeply but are still high.

Source: Authors’ calculations from IPUMS data from the 1970-2000 Censuses and the 2013 American Community Survey.
Poverty puzzle

In U.S., poverty rates for non-Hispanic blacks dropped 8 points since 1970
Poverty rates for Hispanics stagnant
Why?
  - Immigration?
## Hispanic education and labor market outcomes by nativity

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<tr>
<td>In labor force</td>
<td>69.3</td>
<td>70.6</td>
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<td>Employed</td>
<td>92.0</td>
<td>88.7</td>
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<tr>
<td>Wage</td>
<td>29,403</td>
<td>33,091</td>
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<tr>
<td>Family income</td>
<td>56,496</td>
<td>70,913</td>
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Source: 2013 American Community Survey
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Source: 2013 American Community Survey
Hispanic immigrant-native poverty gap at record high in 2013

Source: Authors’ calculations from IPUMS data from the 1970-2000 Censuses and the 2013 American Community Survey.
So far…

Hispanics

- Improvement in poverty rates limited to natives
- Poverty rates for immigrants and natives worsened in recession
- What if we follow groups over time?
  - New immigrants have higher poverty than established immigrants
  - Among natives, poverty rates fall with age
Hispanic immigrant cohorts: poverty rates drop with time in U.S.

Source: Authors’ calculations from IPUMS data from the 1970-2000 Censuses and the 2013 American Community Survey
Hispanic natives: poverty rates drop with age

Source: Authors’ calculations from IPUMS data from the 1970-2000 Censuses and the 2013 American Community Survey
POVERTY GAP DECOMPOSITION
What explains the poverty gap?
Hispanics vs. non-Hispanic whites

Source: Authors’ calculations from IPUMS data from the 2013 American Community Survey.
What explains the poverty gap?

Hispanic natives vs. non-Hispanic whites

Source: Authors’ calculations from IPUMS data from the 2013 American Community Survey.
What explains the poverty gap?
Hispanic immigrants vs. non-Hispanic whites

% points

1. English
2. Education
3. Employment
4. Children

Source: Authors’ calculations from IPUMS data from the 2013 American Community Survey.
Poverty gaps

Explained by

- English speaking ability
- Year round employment
- Age/Number of children
- Education
CONCLUDING THOUGHTS
What else matters in Hispanic wages and poverty?

Lack of legal status
- Lower wages: Work for less, change jobs more often, less training, fewer promotions, no benefits
- Less public assistance: No cash welfare
- Less access to credit, banks

Great Recession; other trends
- Employment polarization, rising inequality
- Declining minimum wage, falling unionization
What does the future hold for Hispanics?

Danger signs
- One-third Hispanic children live in poor families

Troubling trends
- Rise in non-marital births
- Growing elderly population

Bright spot: rising education levels

Helpful policies
- English instruction, education, immigration reform
THANK YOU!