

Recession and Recovery Impacts on Foreign- and U.S.-Born Latinos in the United States

Pia M. Orrenius and Madeline Zavodny

TAKEAWAYS

Many established Latino families in the United States have moved out of poverty and into the working class and middle class in recent decades.

The average net worth of Latino/Hispanic families by the end of the economic expansion following the Great Recession was, on average, five times less than a given non-Hispanic white family in the United States.



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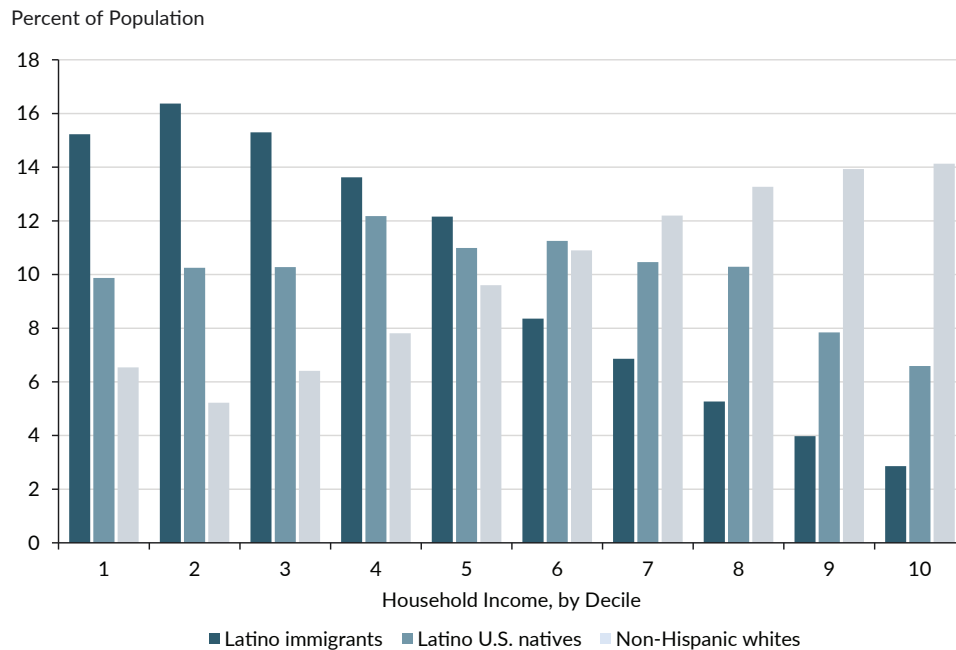
Latinos are the largest minority group in the United States, making it important to understand the economic forces that support or impede their collective well-being. Like most U.S. Americans, Latinos experience gains during periods of economic growth, often at even higher rates than non-Hispanic whites. Latinos also tend to experience greater losses than whites during periods of recession. Since 1994, the United States has seen dramatic shifts in its macroeconomy. In this review, we examine how Latinos have fared since then, focusing on prime-aged Latinos and their families.¹

Since the 1980s, the U.S. American Latino/Hispanic population has diversified and grown.² Latinos have become the principal source of U.S. population growth and are the largest racial/ethnic minority population in the United States, accounting for nearly 20 percent of the prime-aged (25–59 years old) population and more than 25 percent of children under 18 years of age. Most Latinos in the United States are U.S. natives (including those born in Puerto Rico) yet, because of age differences in the populations of foreign- and U.S.-born Latinos, immigrants make up a slight majority of the Latino workforce. In recent decades, increasingly larger streams of people have immigrated to the United States from countries other than Mexico, including asylum seekers and skilled professionals from Central and South America. These trends have created rich heterogeneity in the U.S. Latino workforce, with Latinos working a wide array of jobs in urban, suburban, and rural areas throughout the country.

Many established Latino families in the United States have moved out of poverty and into the working class and middle class in recent decades. We define working class here as households in the second through fourth deciles (between the 10th and 40th percentiles) of the U.S. household income distribution. Overall, Latino households are significantly more likely than non-Hispanic white households to be working class or poor; nearly half of households headed by a Latino immigrant are working class, as are about one-third of households headed by a Latino U.S. native. Despite low-income Latino households being more likely than non-Hispanic white households to be headed by someone who has a job, age differences, low levels of formal education, and language barriers³ cause Latino households, particularly immigrant households, to cluster in the bottom half of the income distribution, as seen in Figure 1.

Hispanic immigrants' earnings rise towards the average of U.S. natives over their first two or three decades in the United States before relative progress appears to stall.⁴ Improvements in economic mobility are likely the result of increased English language proficiency and more suitable employment matches over time. Intergenerational income mobility between Hispanic immigrants and their children also occurs, with U.S.-born Latinos having much higher formal education and typically facing less economic hardship than their immigrant counterparts.⁵ It is important to note that household income is not equivalent to household wealth; differences in wealth and

Figure 1. Latino immigrant households are more likely to be at the bottom of the U.S. American income distribution than Latino U.S. natives or non-Hispanic white households.



Source: Authors' calculations from 2021 CPS ASEC data from IPUMS using household income for the previous calendar year.

Notes: Shown is the distribution of households with a head in the indicated group.

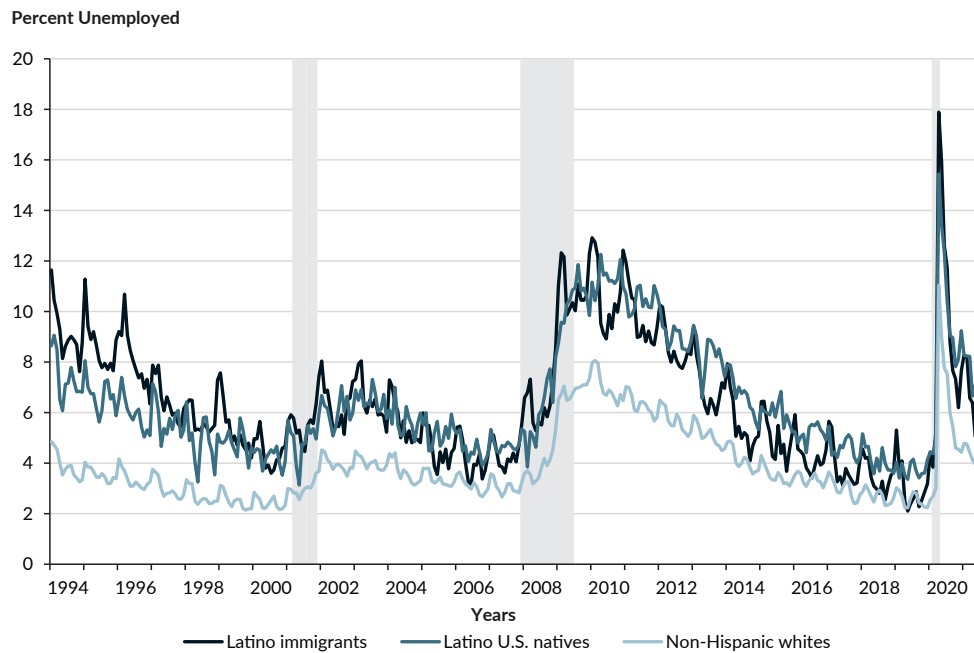
assets are much larger and more lasting than income disparities and have far-reaching effects, particularly in challenging economic conditions. The average net worth of non-Hispanic white families was five times that of Latino/Hispanic families by the end of the economic expansion following the Great Recession. This is a substantial gap yet improved from the six-fold difference seen in 2013.⁶

It remains to be seen how the 2020 recession and protracted COVID-19 pandemic will affect future income and wealth gains by U.S. Latinos. In the interim, we review labor market outcomes and trends in poverty rates while highlighting gaps in the social safety net during the Great Recession and the more recent COVID-19 pandemic. We conclude with suggested policy actions, including immigration and education reforms and expanded access to health insurance.

Labor Markets

Latino immigrant men tend to have higher employment rates than non-Hispanic white men. However, Latino women are much less likely to work outside the home than their white counterparts. Latinos generally have lower employment rates and higher unemployment rates than non-Hispanic whites in the United States. Cyclical swings in unemployment rates affect many Latino households—rising during recessions and falling during expansions, as seen in Figure 2. Lower average levels of formal education, lack of legal status for some individuals, and clustering in employment sectors such as construction—which is seasonal and sensitive to economic fluctuations—all contribute to the strong cyclical nature of employment and unemployment among Latinos.

Figure 2. Unemployment rates are more cyclical for Latino immigrants and Latino U.S. natives in the United States compared to non-Hispanic whites, particularly during and after recession periods.



Source: Authors' calculations using January 1994–August 2021 CPS basic monthly files data from IPUMS.

Notes: Shown is the share of adults ages 25–59 who are unemployed, conditional on being in the labor force. Grey vertical bars represent periods of recession.

Trends in Poverty Rates

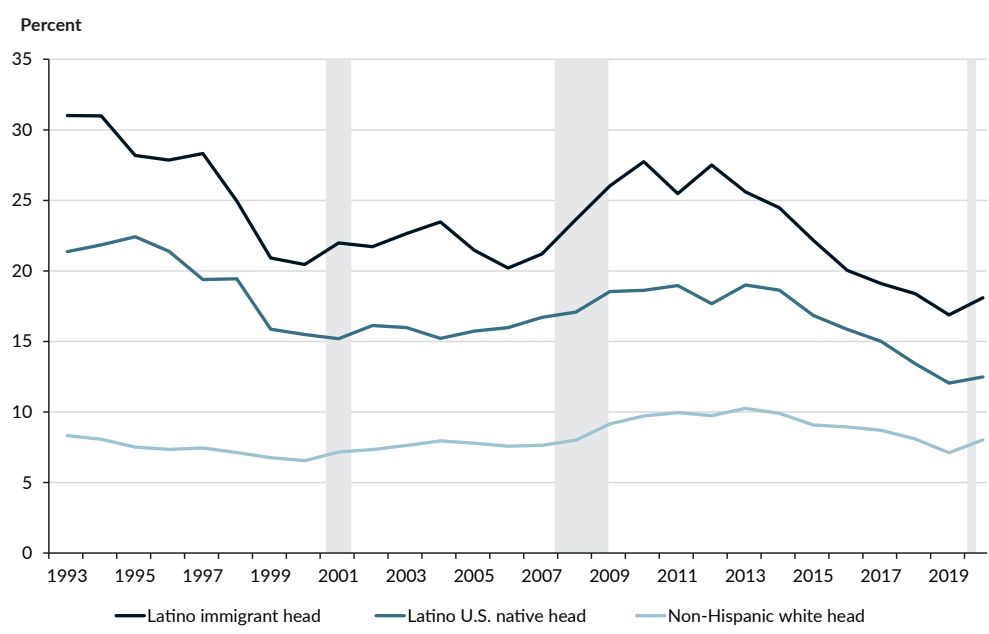
During economic expansions of the 1990s and 2010s, many Latino-headed households moved out of poverty and into working-class or middle-class status, as seen in Figure 3. While the traditional measure of poverty would suggest that the COVID-19 pandemic has increased poverty rates, data using the supplemental poverty measure (see Figure 4) shows that pandemic-response government relief payments helped to maintain overall downward trends in poverty rates for Latino households. While Latino households are still more likely to face poverty than non-Hispanic white households, this gap is smaller for households headed by a Latino U.S. native than for those headed by a Latino immigrant.

A considerable number of Latino working-poor households also exist. Poverty in working households results from various combinations of not enough work, low wages, and larger household size (often the result of multi-generational or extended-family household composition). Whether a household falls under the federal poverty line depends on several variables, including pretax income(s) and household size. As such, larger households are more likely to be considered poor. Low hourly earnings, rather than people not working, contributes significantly to lower cumulative household incomes and, thus, higher poverty rates among U.S. Latino households.

Social Safety Net Gaps

Social safety net programs can serve as important supports for low-income households, particularly during economic downturns. Hispanic households tend to have less savings and fewer assets to draw from during times of increased economic stress in addition

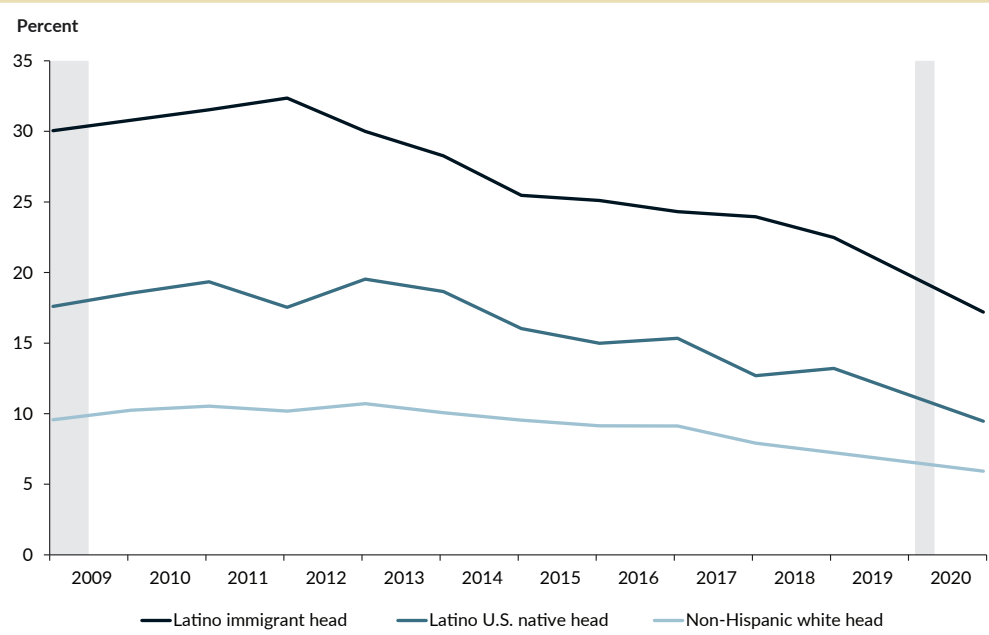
Figure 3. Latino household poverty rates trended down from 1994 into 2020 and, based on the traditional measure of poverty, would appear to have risen during the COVID-19 pandemic.



Source: Authors' calculations from CPS ASEC data from IPUMS using household income for the year indicated (the calendar year prior to the ASEC survey year). Income data through 2020.

Notes: Shown is the share of households with a prime-aged head in the indicated group classified as poor based on federal poverty guidelines. Grey vertical bars represent periods of recession.

Figure 4. Poverty rates from 2009 into 2020 appear to maintain a downward trajectory when using the supplemental poverty measure, which accounts for pandemic-relief payments.



Source: Authors' calculations from CPS ASEC data from IPUMS using household income for the year indicated (the calendar year prior to the ASEC survey year). Income data through 2020.

Notes: Shown is the share of households with a prime-aged head in the indicated group classified as poor based on the U.S. Census Bureau's Research Supplemental Poverty Measure (SPM). Grey vertical bars represent periods of recession.

to more cyclical employment compared with non-Hispanic white households.⁷ In such circumstances, safety net programs can offer a significant buffer against poverty. However, many Latino households, particularly those with immigrants, are ineligible or unwilling to apply for such programs.

Unauthorized immigrants are ineligible for public safety net programs such as cash welfare, supplemental nutrition benefits (i.e., food stamps), and unemployment insurance. Mixed-status households, which include both unauthorized immigrants and U.S. natives—who are often children—are often reluctant or unwilling to apply for safety net programs for which they are eligible for fear of triggering immigration enforcement or jeopardizing future opportunities to procure legal status. When broad pushes for increased immigration enforcement emerge, as happened in 2020 with the Trump Administration’s revisions to the “public charge” rule, safety net participation even among Hispanic citizens tends to decrease.⁸ Hispanic households are therefore less likely to benefit from safety net programs than other households with similar financial strains.

Socioeconomic well-being also includes access to medical care and healthy food. In 2019, census data showed one in six Hispanics in the United States lacked health insurance compared with one in twenty non-Hispanic whites and one in ten non-Hispanic Blacks.⁹ Also in 2019, the same ratio of Hispanic-headed households, one in six, experienced food insecurity, or uncertainty regarding whether they could afford adequate food to meet their needs.¹⁰ Overcrowded housing and lower levels of formal education also tend to exacerbate struggles to achieve sustained socioeconomic well-being among Latino households.

After the onset of the COVID-19 pandemic and federal legislation to provide a pandemic safety net, gaps in coverage emerged across many demographic lines. Hispanic families made up of only U.S. citizens, for example, were less likely to receive CARES Act cash payments than non-Hispanic white families.¹¹ Mixed-status families were initially deemed ineligible for such payments, restricting aid to those families at the time when it was most needed. High-density housing and multi-generational households also present challenges in the COVID era of social distancing and emergence of highly contagious virus variants. The disproportionate spread of COVID-19 among Hispanic communities has been exacerbated by working conditions that often include lack of health insurance and little or no paid sick leave. COVID-19 cases, hospitalizations, and mortality rates among Hispanics have been higher than among non-Hispanic whites and similar or greater than rates among other minority groups.¹²

The digital divide will remain a challenge for children and families attempting to navigate online or hybrid learning, access social services programs, and find employment.

Looking Ahead

With more than one-half of Latino children growing up in households with income at less than 200 percent of the federal poverty level, younger generations’ healthy development and well-being are at risk.¹³ The digital divide will also remain a challenge for children and families attempting to navigate online or hybrid learning, access social services programs, and find employment. Latino families may have limited access to reliable broadband or home computers, while language barriers and low levels of formal education may impede parents’ abilities to help kids with schoolwork, fill out job applications, and engage in other now-common digital interactions.

Particularly useful policy considerations to improve Latino households' economic well-being include immigration policy, education systems, and access to healthcare. A legalization program creating pathways to citizenship would boost earnings and improve working conditions for unauthorized immigrants. This would also benefit their extended families. Broadening eligibility and scope for pre-K programs would help Latino households overcome barriers to successful educational attainment for children whose parents have little formal education and limited English proficiency. English language instruction, for both children and adults, has many benefits, including both higher earnings and lower poverty.¹⁴ Disproportionate health impacts related to the COVID-19 pandemic and its numerous downstream consequences also impact the largest minority group in the United States. As the country strives to overcome the many challenges present now and in the eventual post-COVID socioeconomic landscape, attention to these overlapping policy considerations should be a priority. ■

Pia M. Orrenius is Vice President and Senior Economist at the Federal Reserve Bank of Dallas.

Madeline Zavodny is Professor of Economics at the University of North Florida and research fellow at the Institute of Labor Economics (IZA).

¹This review is a summary of Orrenius, P. & Zavodny, M. (2021, May). How foreign- and U.S.-born Latinos fare during recessions and recoveries. *The Annals of the American Academy of Political & Social Science*, 695, 193–206. <https://doi.org/10.1177/00027162211028827>

²We use Hispanic and Latino interchangeably here. Latinos can be of any race. Hispanic is an ethnic classification, not a racial classification, and ethnicity trumps race in our classification scheme. Likewise, we classify people born in Puerto Rico as U.S. natives; they compose about one-eighth of U.S.-native Latinos in our sample.

³Orrenius, P. & Zavodny, M. (2013). Trends in poverty and inequality among Hispanics. In R.S. Rycroft (Ed.), *The economics of inequality, poverty, and discrimination in the 21st century*, Vol. I, 217–35. Santa Barbara, CA: Praeger.

⁴Peri, G. & Rutledge, Z. (2020). *Revisiting economic assimilation of Mexican and Central American immigrants in the United States*. Institute of Labor Economics Discussion Paper no. 12976. Bonn, Germany. <https://www.iza.org/publications/dp/12976/revisiting-economic-assimilation-of-mexican-and-central-americans-immigrants-in-the-united-states>

⁵National Academies of Sciences, Engineering, and Medicine. (2015). *The integration of immigrants into American society*. Panel on the Integration of Immigrants into American Society, M. C. Waters and M. G. Pineau (Eds.). Committee on Population. Division of Behavioral and Social Sciences and Education. Washington, DC: The National Academies Press. <https://doi.org/10.17226/21746>

⁶Thompson, J.P. & Suarez, G.A. (2017). *Updating the racial wealth gap*. Board of Governors of the Federal Reserve System Working Paper no. 2015-76. Washington, DC. <http://dx.doi.org/10.17016/FEDS.2015.076r1>

⁷See: Report on the Economic Well-Being of U.S. Households in 2019. (2020, May). Board of Governors of the Federal Reserve System. <https://www.federalreserve.gov/publications/2020-economic-well-being-of-us-households-in-2019-executive-summary.htm>

⁸Alsan, M. & Yang, C. (2018). *Fear and the safety net: Evidence from Secure Communities*. NBER Working Paper no. 24731, National Bureau of Economic Research, Cambridge, MA. <https://doi.org/10.3386/w24731>

⁹Keisler-Starkey, K. & Bunch, L.N. (2020, Sept.). *Health Insurance Coverage in the United States: 2019*. U.S. Census Bureau. Report No. P60-271. <https://www.census.gov/library/publications/2020/demo/p60-271.html>

¹⁰USDA Economic Research Service. (2020). Food Security in the U.S. <https://www.ers.usda.gov/topics/food-nutrition-assistance/food-security-in-the-us/key-statistics-graphics.aspx>

¹¹Holtzblatt, J. & Karpman, M. (2020, July). *Who did not get the economic impact payments by mid-to-late May, and why?* Tax Policy Center of the Urban Institute & Brookings Institution. <https://www.taxpolicycenter.org/publications/who-did-not-get-economic-impact-payments-mid-late-may-and-why/full>

¹²See: <https://www.cdc.gov/coronavirus/2019-ncov/covid-data/investigations-discovery/hospitalization-death-by-race-ethnicity.html> (accessed 01 December 2021).

¹³Gennetian, L.A., Guzman, L., Ramos-Olazagasti, M.A., & Wildsmith, E. (2019, Sept.). *An economic portrait of low-income Hispanic families: Key findings from the first five years of studies from the National Research Center on Hispanic Children & Families*. National Research Center on Hispanic Children & Families. <https://www.hispanicresearchcenter.org/research-resources/an-economic-portrait-of-low-income-hispanic-families-key-findings-from-the-first-five-years-of-studies-from-the-national-research-center-on-hispanic-children-families/>

¹⁴Orrenius, P.M. & Zavodny, M. (2013). How immigrants and U.S. natives fare during recessions and recoveries. In *Immigrants in a changing labor market: Responding to economic needs*, Michael Fix, Demetrios G. Papademetriou, and Madeline Sumption (Eds.), 123–166. Washington, DC: Migration Policy Institute. <https://www.migrationpolicy.org/research/immigrants-changing-labor-market-responding-economic-needs>