TRENDS IN POVERTY AND INEQUALITY AMONG HISPANICS

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Trends in Poverty and Inequality among Hispanics[*]

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Abstract: Since the 1970s, the poverty rate has remained largely unchanged among Hispanics but has declined among non-Hispanic whites and blacks, particularly before the onset of the recent recession. The influx of large numbers of immigrants partially explains why poverty rates have not fallen over time among Hispanics. In 2009, Hispanics were more than twice as likely to be poor than non-Hispanic whites. Lower average English ability, low levels of educational attainment, part-time employment, the youthfulness of Hispanic household heads, and the 2007-2009 recession are important factors that have pushed up the Hispanic poverty rate relative to non-Hispanic whites. In addition, income inequality is greater among Hispanics than among non-Hispanic whites, although lower than among non-Hispanic blacks. Income inequality is lower among foreign-born Hispanics than among Hispanic natives.

Key Words: Hispanics, Latinos, poverty, inequality
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Hispanics are a rapidly growing group in the United States and tend to be quite poor. In 2009, one in four Hispanics was poor. The proportion of black non-Hispanics who were poor was almost identical, but fewer than one in ten white non-Hispanics were poor. Income inequality was higher among Hispanics than among non-Hispanic whites. Understanding why poverty and income inequality are so high among Hispanics is important since they are now the largest minority group in the United States.[1]

In 2010, 50.3 million people in the United States, or 16.3 percent of the population, considered themselves to be Hispanic. The Hispanic population grew 43 percent between 2000 and 2010, and it is projected to triple in size and account for almost three out of every ten people in the country by 2050 (Passel and Cohn 2008). This population growth will come from future flows of Latin American immigrants, births to those immigrants once they reach the United States, and births to Hispanics already present in the country.

Immigrants currently play a leading role in the Hispanic population. Almost two-fifths of Hispanics are foreign born, and another 36 percent were born in the United States but have at least one foreign-born parent.[2] Projections suggest that the native born will comprise a growing share of the Hispanic population over time. In the United States, Hispanic births have outpaced immigration from Latin America since 2000, a trend that is expected to continue (Passel and Cohn 2008).

Who is considered Hispanic is an interesting question. Hispanic is considered an ethnicity in the United States, and Hispanics can be of any race (white, black, Asian, etc.). The United

[1] For excellent broader discussions about Latinos, see, for example, Tienda and Mitchell (2006) and Suárez-Orozco and Páez (2009).
[2] Authors' calculations based on March 2010 Current Population Survey data from King et al. (2010).

States has asked about Hispanic ethnicity in major surveys since the decennial census in 1970. Most research on Hispanics uses survey data that includes self-reported Hispanic ethnicity.[3]

Selectivity in who identifies themselves as Hispanic is problematic when examining poverty and inequality. If the likelihood that people identify themselves as Hispanic is related to their income, studies of Hispanics may misreport outcomes related to income. Indeed, research suggests that Hispanics with higher education and earnings are less likely to self-identify as Hispanic (Duncan and Trejo 2009, 2011). In addition, Hispanics with high earnings and more education are more likely to marry a non-Hispanic, which further reduces the likelihood their children will identify as Hispanic (Duncan and Trejo 2009, 2011). Such selectivity in self-identification causes average income to be understated and the poverty rate to be overstated among Hispanics. However, researchers have little choice except to use a self-reported measure of ethnicity when studying Hispanics, particularly the native born. With this cautionary note in mind, we proceed to an examination of poverty and inequality among Hispanics. We first outline trends in poverty and income inequality among Hispanics and then turn to a discussion of the key factors underlying those trends.

Trends in Poverty

Table 1 reports poverty rates by race, ethnicity and national origin using data from the 1970-2000 decennial censuses and from the 2010 March Current Population Survey. The table gives poverty rates based on family pre-tax money income the previous calendar year. Money income includes wages and salaries, Social Security payments, cash welfare benefits, and other sources

[3] Most U.S. data sets (including the ones we use here) ask individuals whether they are Hispanic, not Latino. We therefore treat the two as equivalent here. We also use the terms "immigrant" and "foreign-born" interchangeably in this paper. Immigrants are individuals born abroad who are not U.S. citizens at birth, although we categorize people born in outlying territories, including Puerto Rico, as immigrants here.

of cash income except for capital gains (or losses). It does not include the value of in-kind benefits, such as food stamps. Official poverty status is determined by comparing family income with a poverty threshold based on family size and the age of family members.[4] Poverty status is the same for everyone in a family, and everyone in a household is assigned the head's immigrant status and ancestry.

The poverty rate among Hispanics has remained virtually unchanged since the 1970s. In 2009 (the 2010 data), the poverty rate was almost 16 percentage points higher among Hispanics than among non-Hispanic whites. That gap has fluctuated between 14 and 16 percentage points since 1970. There is little evidence that Hispanics are "catching up" with non-Hispanic whites, although the gap with non-Hispanic blacks has narrowed because poverty has declined considerably among blacks since 1970.

Native-born Hispanics have lower poverty rates than foreign-born Hispanics. Natives benefit from having more education, better English fluency, and being U.S. citizens by birth. However, the poverty rates would be considerably higher in Table 1 among native-born Hispanics, particularly in the 2010 data, if children were classified based on their own place of birth instead of the head's. Children are more likely than adults to be poor in the United States, and Hispanic children are particularly likely to be poor. Over one-third of all Hispanic children were living in poor families in 2009. The poverty rate is even higher—almost 40 percent—among foreign-born Hispanic children. Between 1969 and 1999, the poverty rate rose among children of immigrants, with the largest increase occurring among non-Mexican Hispanics (van Hook et al. 2004).

[4] For a more detailed explanation of how poverty is determined in the United States, see http://www.census.gov/hhes/www/poverty/about/overview/measure.html.

Since 1970, the poverty rate has trended up among foreign-born Hispanics. This reflects a relative decline in education levels among inflows of Hispanic immigrants and a shift toward poorer immigrants, with both trends related to the rise in immigration from Mexico and Central America. Poverty rates differ by national origin and ancestry. Among Hispanic natives, those who report Mexican or Puerto Rican ancestry are considerably more likely to be poor than Cuban-Americans, although the poverty rate has risen among U.S.-born Cubans over time.[5] Looking at the foreign born, poverty rates are highest among immigrants from Mexico and the Caribbean (not including Cuba) and lowest among immigrants from South America. Other research shows a similar pattern of considerable diversity across national-origin groups (e.g., Mogull 2005; Reimers 2006).

Poverty is particularly high among Hispanics who recently immigrated to the United States. Although poverty declines significantly with duration of U.S. residence, poverty rates among Hispanic immigrants do not catch up with those among either Hispanic natives or non-Hispanic whites over time. To illustrate this, Table 2 shows the evolution of the poverty rate over time in the United States for various cohorts of Hispanic immigrants.[6] The top panel includes all Hispanic immigrants while the second panel includes those who were aged 18-34 in the first census year following their arrival; the motivation for this subset is that most people are in that age range when they migrate. The bottom two panels follow Hispanic and non-Hispanic white natives, respectively, who are 18-34 in the census year shown first.

[5] People born in Puerto Rico are U.S. citizens by birth. We follow other researchers, such as Reimers (2006) and Sullivan and Ziegert (2008), and classify them (and other people born in U.S. territories) as immigrants here.
[6] Raphael and Smolensky (2009) present a similar table for all immigrants relative to all natives (not just non-Hispanic whites). People are classified according to their own immigrant status, not the head's, in Table 2.

Trends in Income Inequality

Incomes are less equal among Hispanics than among non-Hispanic whites but more equal than among non-Hispanic blacks. The last column of Table 1 presents the Gini index for various groups using data on 2009 family pre-tax money incomes from the 2010 March Current Population Survey. The higher the Gini index (which must be between zero and one), the less equal the income distribution. The Gini index is higher among Hispanics than among non-Hispanic whites, indicating more inequality in family incomes. Among Hispanics, the top quintile of families takes home 51 percent of all Hispanic income, while the top quintile takes home 49 percent of total income among non-Hispanic whites. The opposite is true with respect to non-Hispanic blacks, where the top quintile gets 52 percent of total black income and the bottom quintile 2.3 percent.

When comparing foreign- versus native-born Hispanics, incomes are more equal among Hispanic immigrants than among Hispanic natives and more equal among immigrants who have been in the United States longer than among recent immigrants. There are interesting differences by national origin as well.

Since about 1973, income inequality has risen considerably in the United States.[7] Real earnings have fallen at the bottom of the distribution while rising sharply at the top. Calculations of Gini indexes in the 1970 census data analogous to those reported here for the 2010 data show an increase in inequality over that 40-year period for every race/ethnicity and nativity group we examine. As in the 2010 data, the pattern of Hispanics having more income inequality than non-Hispanic whites but less than non-Hispanic blacks holds in the 1970 data as well. However, incomes were more equal then among Hispanic natives than among Hispanic immigrants.

[7] See Autor, Katz, and Kearney (2008) for a discussion of the extent and possible causes of the increase in income inequality in the United States.

These stylized facts compare inequality across groups rather than looking at Hispanics' position in the overall income distribution. Consistent with their relatively high poverty rate, Hispanics are disproportionately at the bottom of the income distribution. In 2009, 15 percent of Hispanics were in the bottom decile of family incomes, and only 4 percent were in the top decile. Native-born Hispanics were even more overrepresented than foreign-born Hispanics at the very bottom of the income distribution, but they were also more likely to be at the top of the income distribution, although far less so than non-Hispanic whites.

There has been some improvement over time in Hispanics' position in the income distribution. During the period 1995 to 2005, the fraction of foreign-born Latinos in the bottom quintile of the hourly wage distribution fell. Nonetheless, 36 percent of foreign-born Latinos were in the bottom quintile (the bottom 20 percent) of wage earners in 2005, and only 6 percent were in the top quintile (Kochhar 2007).

Key Factors in Hispanic Poverty and Inequality

Explaining the Gap

Many factors contribute to the relatively high poverty and income inequality among Hispanics. The two are interrelated as well. The increase in income inequality since the 1970s has increased poverty among Hispanics relative to what it otherwise would have been (Iceland 2003). In addition, factors that increase poverty are likely to increase inequality, and vice versa.

We focus here on Hispanic poverty and the roles of immigrant status, education, ability to speak English, employment, and family composition in explaining the poverty gap vis-à-vis other groups. We use a Blinder-Oaxaca decomposition to estimate how much of the difference in the poverty rate between Hispanics and non-Hispanic whites is due to differences in those

factors. To do so, we estimate a probit model of poverty status among household heads. The model includes variables measuring whether the household head is an immigrant, the head's education, English ability, and age (and age squared), the number of people (age 16 and older) working in the family, whether the head was employed all year, the number of people and number of children in the family, whether the head is a single female, and the family's metropolitan status and state of residence.[8] Using the estimated coefficients for non-Hispanic whites from that probit regression, we estimate how much of the difference in poverty rates can be attributed to differences in average characteristics between Hispanics and non-Hispanic whites. The portion that is not attributed to differences in average characteristics is attributed to differences in the estimated coefficients for Hispanics and non-Hispanic whites.[9] We perform the decomposition using data from the 2009 American Community Survey because it has data on self-reported English ability, which the Current Population Survey does not ask about. The data about economic variables therefore refer to the 2008 calendar year.

Differences in immigrant status partially explain why Hispanics are more likely to be poor than non-Hispanic whites. As the second row of Table 3 reports, 0.4 percentage points of the 12.1 percentage point difference in the poverty rate between Hispanics and non-Hispanic whites is due to the greater fraction of Hispanics who are foreign born. In other words, if the fraction foreign born was the same among Hispanics as among non-Hispanic whites, the poverty gap between the two groups would be 11.7 percentage points instead of 12.1 points. This may

[8] Education is measured in four categories: no high school diploma or equivalent, high school diploma or equivalent, some college, and college graduate. English ability is measured using the five categories for self-reported English ability: only speak English, speak English very well, well, not well, and not at all.

[9] For a more detailed discussion of the technique, see Sullivan and Ziegert (2008). Ideally we would have data on how many people in the family were employed full time, year round (at least 35 hours per week for at least 50 weeks), but data on hours worked last year are not available in the 2009 American Community Survey.

seem small, but the model controls for other characteristics that tend to differ considerably between immigrants and natives, namely education and English ability.

Lower educational attainment among Hispanics contributes to the poverty gap. As the third row reports, differences in average education among household heads appear to boost the poverty rate by 1.2 percentage points among all Hispanics, 0.8 percentage points among Hispanic natives, and 1.5 percentage points among Hispanic immigrants relative to non-Hispanic whites. This method probably understates the role of education in poverty among Hispanic immigrants because it treats all education as the same regardless of where it was acquired. The return to education is typically lower for Hispanic immigrants because most of their education is acquired abroad (Duncan et al. 2006).

Limited ability to speak English is the most important factor in explaining why Hispanics are more likely to be poor than non-Hispanic whites. Differences in self-reported English ability among household heads explain 5.7 percentage points of the poverty gap for all Hispanics and 8.6 percentage points—over one-half the gap—for Hispanic immigrants. Interestingly, differences in English ability also matter, albeit less so, for native-born Hispanics.

The Hispanic population is relatively young, and this contributes to the poverty gap. As the decomposition shows, the average age of household heads among Hispanics, which is eight years lower than among non-Hispanic whites, is at least as important as education in explaining the poverty gap.

One common reason why families are poor is because of not enough work. The American Community Survey does not have the ideal variables to measure whether family members worked full time year round, so we use two proxies: how many people currently in the family worked at all last year and whether the current head worked at least 50 weeks (year round) last

year. The results in the table show that the number of employed adults in the family plays little role in the poverty gap. This is not a surprising result since Hispanic immigrant families are more likely to be multigenerational and have more workers than other families. Whether the head worked year round is more important. Differences between Hispanics and non-Hispanic whites in the proportion of heads employed all year boosted the relative poverty rate among Hispanics by about 1.6 percentage points.

The larger number of children in Hispanic families, particularly those headed by an immigrant, tends to boost poverty rates. The average Hispanic family has 0.6 more children than the average non-Hispanic white family. This tends to mechanically increase poverty since having more people in the family raises the income required to be above the poverty threshold and children are unlikely to contribute to family income. However, family size acts to reduce poverty among families headed by a Hispanic immigrant, even after controlling for the number of adult workers in the family.

Female-headed households account for over one-half of poor families in the United States. Families headed by a single female are disproportionately poor because they have only one potential earner, and that adult typically has relatively low educational attainment and does not work full time. Female headship is less common among Hispanic immigrants than among Hispanic natives and therefore reduces the poverty rate among the former while raising it among the latter.

Place of residence appears to affect the poverty gap as well. Differences between Hispanics and non-Hispanics whites in urban status and state of residence actually lower the poverty gap. This may be surprising since many Latinos live in areas with poor housing, schools, and other amenities (Alba et al. 2010), but likely reflects Hispanics' increasing tendency to

locate in regions of the country that experienced strong economic growth during the 2000s, such as the South, Southwest, and Mountain West. Another interesting factor we do not capture is whether families live in a predominately Latino neighborhood, which might boost earnings by giving residents a bigger network or reduce earnings via more competition for jobs.

The Unexplained Poverty Gap

The decomposition results indicate that differences in characteristics, particularly in English ability and year-round employment, play important roles in explaining why Hispanics are more likely to be poor than non-Hispanic whites. Nonetheless, differences in average characteristics cannot fully explain the poverty gap. The bottom row of Table 3 shows how much of the gap is not explained by differences in means for the factors listed earlier in the table. Differences in those factors explain 81 percent of the poverty gap for all Hispanics, 78 percent for native-born Hispanics, and 82 percent for foreign-born Hispanics.

The unexplained portion of the gap is often attributed to discrimination because it is due to differences in the returns to characteristics. There are other reasons why returns to some characteristics might differ, most notably for education, as discussed above. Other research, however, concludes that discrimination is an important factor in why Latinos earn less than non-Hispanic whites (Reimers 1983). That research indicates there are differences in the extent of discrimination across national origin groups, with discrimination appearing to be less important in explaining low wages for Mexicans and Cubans than for other groups of Hispanics (Reimers 1983; Trejo 1997). We do not look here at phenotype, or skin color, which may affect the extent of discrimination among Hispanics.

There are many other factors that are likely to contribute to poverty among Hispanics. One of these is lack of legal status. Nearly two-fifths of Hispanics are foreign-born, and almost one-fifth, or half of the foreign-born Hispanics, are likely to be undocumented immigrants. Unauthorized workers probably have lower earnings than comparable documented workers because they are willing to work for lower wages, in part because they have more difficulty finding an employer willing to hire them. They also change jobs more often, invest less in training, and tend not to take up fringe benefits.

In recent years, partly in response to government changes in the wake of September 11, 2001, employers have become more reluctant to hire unauthorized workers and more diligent in checking documentation, which is another factor that could be affecting the earnings of undocumented workers (Orrenius and Zavodny 2009). Family incomes also are lower because the undocumented are categorically ineligible for all government cash benefit programs. Any U.S.-citizen children in "mixed-status" families are eligible for benefits on the same basis as other U.S. citizens, but parents may be reluctant to file for benefits for fear of revealing their unauthorized status.

The period from late 2007 through mid 2009 marked a deep recession in the United States, which hurt all groups but particularly Hispanics. While the unemployment rate for Hispanics is always higher than for non-Hispanics whites, it is more volatile over the business cycle for Hispanics. In other words, unemployment rises more for Hispanics during recessions but falls more during expansions (DeFreitas 1986; Reimers 2000). Hispanics also become unemployed earlier in economic downturns and stay unemployed longer than non-Hispanics (Ewing et al. 2008). This greater volatility in unemployment is one reason why the business cycle has a bigger impact on incomes and poverty among Hispanics than among non-Hispanic

whites (Cancian and Danziger 2009). Hispanics are more vulnerable to the business cycle because of their relatively low average level of education and concentration in cyclical sectors, such as construction (Orrenius and Zavodny 2010).

Relatively high unemployment takes a toll on Latinos in terms of accumulated work experience as well. A higher probability of not working at a given point in time turns into less accumulated work experience over time. Research shows that Mexican-American young adults earn less than non-Hispanics whites in part because they tend to have fewer years of actual work experience (Antecol and Bedard 2004). For the foreign born, experience accumulated abroad also may matter relatively little to employers.

The low level of the minimum wage also likely plays a role in Hispanic poverty and inequality. Latino workers are disproportionately likely to earn the minimum wage, particularly foreign-born Latinos. While foreign-born Latinos made up only about 8 percent of hourly workers during the period 1994-2007, for example, they accounted for 18 percent of hourly workers paid exactly the minimum wage (Orrenius and Zavodny 2011). Hispanics also are overrepresented among workers who earn less or slightly more than the minimum wage. The federal and state governments tend to raise the minimum wage infrequently, and its real value erodes between increases as a result of inflation. This may increase poverty at the bottom end of the labor market, where many Hispanics are, and may increase income inequality as well.

Other institutional features of the U.S. labor market, such as low union coverage, may also affect poverty and inequality. About 11 percent of Latino workers are union members or represented by a union, slightly below the overall unionization rate (Schmitt 2008). Latino workers who are in a union earn almost 18 percent more than comparable Latinos who are not

represented by a union (Schmitt 2008). Unionization also appears to improve benefits, such as being covered by employer-sponsored health insurance and a pension plan.

In the United States, official poverty status is based on pre-tax cash income. This measure does not include transfers via the tax system, such as the child tax credit and the Earned Income Tax Credit (EITC), or the value of in-kind benefits. It therefore misclassifies as poor some families that receive large government transfers and in-kind benefits. This misclassification is potentially large. For example, according to the Census Bureau, including the EITC would lower the poverty rate among Hispanics by about 4 percentage points.[10] In-kind benefits are another important resource for Hispanics (Reimers 2006). Accounting for these other sources of funds or resources would reduce poverty and inequality among Hispanics.

The above analysis only decomposes poverty status during a single year. Chronic poverty is of more policy concern than poverty at a single point in time. Research indicates that Hispanics have relatively high rates of chronic poverty as well as long spells of poverty (Iceland 2003; Mauldin and Mimura 2001). However, there is no difference between young adult Hispanics and non-Hispanic whites in their exit rate out of poverty, controlling for observable characteristics, which implies that the Hispanic poverty gap may narrow in the future.

What Does the Future Hold for Hispanics?

Average statistics on poverty and inequality paint a bleak picture for Hispanics in America. The poverty rate among Hispanics overall has barely budged during the past 40 years, during which time the poverty rate among non-Hispanic blacks fell by over one-quarter. Inequality is rising among all groups, including Hispanics, and is higher among Hispanic natives than among

[10] See http://www.census.gov/hhes/www/cpstables/032010/rdcall/2_009.htm. Unauthorized immigrants are not eligible for EITC.

Hispanic immigrants. The underlying causes for the poverty gap point out key challenges, such as low average levels of educational attainment and poor English ability, particularly among immigrants.

Hispanics have made little economic progress as a group because of the youthfulness of this population and the high rates of Hispanic immigration and its recency. But it is important to realize that the aggregate statistics mask considerable progress for many individuals. In addition, despite facing high poverty here, most immigrants are better off than they were in their home countries. Hispanic immigrants also tend to experience considerable income gains quickly after arrival in the United States, particularly when the macroeconomy is doing well, and their poverty rates fall significantly over time as a result. Hispanics, both immigrants and natives, have other important pluses as well, such as higher labor force participation rates than any other group considered here and lower unemployment rates than blacks. Hispanics also tend to live in thriving areas, which boosts their employment and earnings.

With native-born Hispanics growing quickly as a share of the Hispanic population, future progress likely depends on them. There are some bright spots. Poverty among Hispanic natives has fallen over time, albeit not as quickly as it has among blacks. When following an age cohort of Hispanic natives across decades, their poverty gap vis-à-vis similar cohorts of non-Hispanic whites shrinks by about 1.2 percentage points per decade. There has been considerable intergenerational progress in educational attainment and earnings among Latinos (Smith 2003, 2006). While 49 percent of Hispanic immigrants lack a high school degree, only 20 percent of second-generation Hispanics and 18 percent of third generation and higher Hispanics lack a high school degree. Despite the improvement, this is still 10 percentage points above the share of non-Hispanic whites that lack a high school degree (8 percent).

Continued educational progress is crucial to narrowing the income and poverty gaps between Hispanics and non-Hispanic whites. Current fiscal woes at the federal, state, and local levels appear likely to boost the cost of higher education and lower the quality of K-12 education for all groups, but the poor will be hardest hit by cuts in education budgets. This may bode ill for progress by native-born Hispanics and other minorities both in the short run and for years to come as these youths move into the labor force.

The widespread movement by Hispanics, particularly Hispanic immigrants, into new destinations across the United States that began in the 1990s is likely to affect income trends. This greater geographic dispersion seems likely to reduce poverty and inequality among Hispanics because the new destinations tend to be better along a variety of dimensions, including labor market opportunities, than traditional immigrant gateways (Alba et al. 2010; Capps et al. 2010). Whether the movement toward new destinations will continue and how growing Hispanic populations will change those communities are interesting questions that will affect poverty and inequality among Hispanics.

There are two troubling trends among native-born Hispanics that deserve attention: the rise in non-marital births to Hispanic women and the growing elderly Hispanic population. Although non-marital births are still relatively uncommon among Hispanic immigrants, they are common among Hispanic natives. Unmarried women account for over one-half of births among Hispanics (Hamilton et al. 2010). This is troubling given the high rate of poverty for female-headed households. It creates intergenerational concerns as well since children who grow up in poverty experience considerable disadvantages. More positively, however, the birthrate for Hispanic teens has been declining (Hamilton et al. 2010). Meanwhile, the elderly Hispanic population is growing. While the elderly tend to experience low poverty rates in the United

States, elderly Hispanics are relatively unlikely to have a pension or receive Social Security benefits and therefore have high poverty rates (Reimers 2006). This population is likely to continue to grow, although the fraction that is poor may eventually decline as the Hispanic population becomes increasingly native-born and therefore more are eligible for Social Security and other government programs.

Future immigration patterns will affect Hispanics in the United States. Changes in U.S. immigration policy that reduce the number of low-skilled immigrants, who primarily enter under family preference categories or are undocumented, would improve the relative standing of the Hispanic population in the United States. The adverse wage effects of low-skilled immigration are the greatest among prior immigrants and low-skilled natives. Educational progress and economic development in sending countries also would benefit Hispanics in the United States by boosting the education levels of new immigrants. Such changes in underlying economic conditions typically occur only slowly, whereas policy can lead to an abrupt change in the characteristics of new immigrants.

Another policy change that would affect poverty and inequality among Hispanics is a legalization program in the United States. The U.S. experience with the Immigration Reform and Control Act in 1986 suggests that a large-scale legalization program would boost earnings and thereby reduce poverty among Hispanic immigrants.[11] There might be intergenerational effects as well, with U.S. citizen children's life prospects improving as their parents benefit from legalization.

[11] Research indicates that Latin American immigrants who legalized their status under the 1986 Immigration Reform and Control Act (IRCA) experienced wage increases in the range of 6 to 13 percent (Kossoudji and Cobb-Clark 2002; Rivera-Batiz 1999)

Conclusion

As the fastest-growing demographic group in the United States, what happens to Hispanic incomes and poverty matters for future U.S. economic prosperity. Hispanic immigrants have relatively high poverty rates, but they experience considerable progress soon after migration and have high labor force participation rates, high geographic mobility, high marriage rates, and low nonmarital birth rates. The future for Hispanics depends crucially on whether today's Hispanic youth can boost their educational attainment and English ability while retaining those positive attributes of Hispanic immigrants. Also important is the state of the macro economy. Hispanic economic outcomes are sensitive to the business cycle; poverty rates rose over 4 percentage points for Hispanic immigrants between 2000 and 2009 and jumped over 2 points among Hispanic natives. An improving macro economy in coming years will disproportionately help Hispanics. Lastly, government policies with regard to education and immigration also will play a key role in determining the future of Hispanic poverty and inequality.

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Table 1. The poverty rate among Hispanics has changed little since 1970.

	Poverty rate					Gini index
	1970	1980	1990	2000	2010	2010
Non-Hispanic whites	10.0	8.5	8.7	7.9	9.5	.456
Non-Hispanic blacks	34.7	28.6	27.9	23.7	25.7	.496
Hispanics	25.2	22.8	24.4	22.1	25.4	.481
Hispanic natives	25.2	20.1	21.6	18.3	20.6	.481
Mexican ancestry	26.9	21.6	23.3	18.8	22.3	.481
Puerto Rican ancestry	10.1	31.7	29.9	24.6	24.8	.477
Cuban ancestry	4.0	14.7	15.2	12.1	15.6	.467
Hispanic immigrants	25.8	26.6	27.6	24.8	29.0	.470
Mexico	31.7	26.9	30.2	26.8	30.4	.453
Puerto Rico	31.5	38.7	33.6	28.8	23.0	.488
Cuba	13.1	12.9	14.6	15.2	19.1	.490
Central America	14.4	21.8	25.9	22.1	23.5	.462
Caribbean	16.0	32.4	32.7	28.5	27.6	.431
South America	13.8	15.8	15.4	15.8	11.6	.433
Recent immigrants (≤10 years)	20.2	28.9	34.5	32.1	32.9	.469
Nonrecent immigrants	28.3	25.6	24.1	22.1	27.9	.467

Source: Authors' calculations from data from the 1970-2000 Censuses from Ruggles et al. (2010) and the 2010 March Current Population Survey from King et al. (2010).
Note: Although people born in Puerto Rico are U.S. citizens by birth, this table lists them as immigrants for simplicity. Puerto Rican natives are people born in the 50 states and District of Columbia who report Puerto Rican as their Hispanic ethnicity, and similarly for Mexican and Cuban natives. Years shown are the survey year; the poverty rate and Gini index are based on family pre-tax money income the previous year.

Table 2. Poverty rates decline over time for immigrants but remain higher than for natives.

	1970	1980	1990	2000	2010
Period of arrival for Hispanic immigrants:					
1965-1970	24.7	17.5	17.5	15.8	13.7
1975-1980		31.5	24.9	18.9	19.1
1985-1990			35.4	23.3	19.7
1995-2000				31.4	27.1
2005-2010					33.1
Period of arrival for Hispanic immigrants ages 18-34 in census year immediately following arrival					
1965-1970	22.4	16.7	16.4	15.2	16.2
1975-1980		28.1	24.2	18.2	20.3
1985-1990			32.6	22.9	19.4
1995-2000				30.3	29.0
2005-2010					32.3
Hispanic natives ages 18-34 in year:					
1970	19.0	14.6	13.2	12.6	11.2
1980		16.8	15.1	12.1	12.2
1990			18.6	13.4	13.7
2000				17.5	14.8
2010					20.8
Non-Hispanic white natives ages 18-34 in year:					
1970	7.5	6.2	5.3	6.0	6.8
1980		8.5	6.4	5.6	7.3
1990			10.0	6.5	7.4
2000				10.7	8.7
2010					12.9

Source: Authors' calculations from data from the 1970-2000 Censuses from Ruggles et al. (2010) and the 2010 March Current Population Survey from King et al. (2010).
Note: Each row of the table shows how the poverty rate for a cohort has evolved over time. The columns show the period of arrival for immigrant cohorts or the year in which natives were ages 18-34.

Table 3. English ability, education, and employment play important roles in poverty among Hispanics.

	All Hispanics	Hispanic natives	Hispanic immigrants
Difference between group poverty rate and poverty rate among non-Hispanic whites	12.1	8.1	15.0
Due to differences in:			
Immigrant status of head	0.4	0.0	0.7
Education of head	1.2	0.8	1.5
English ability of head	5.7	1.7	8.6
Age of head	1.4	1.8	1.1
Number of employed adults in family	0.0	0.1	0.3
Head employed all year	1.6	1.7	1.6
Number of children in family	0.8	0.1	1.4
Family size	-0.6	0.1	-1.0
Head is single female	0.0	0.3	-0.1
Metropolitan area	-0.3	-0.3	-0.4
State	-0.5	-0.4	-0.6
Difference not explained by differences in above characteristics	2.3	1.8	2.7

Source: Authors' calculations from data from the 2009 American Community Survey from Ruggles et al. (2010).
Note: Shown are results from a Blinder-Oaxaca decomposition of how much of the poverty gap between Hispanics and non-Hispanic whites can be attributed to average differences in the characteristics listed here. All rows are expressed in percentage points. The top row gives the total poverty gap and the bottom row gives the poverty gap after accounting for differences in sample means of the characteristics listed here.