

A Conversation with Marie T. Mora

Hispanic Workforce Faces Smaller but Persistent Education, Wage Gaps

Marie T. Mora, a past president of the American Society of Hispanic Economists, is an expert on labor-market issues, particularly along the U.S.–Mexico border. She is coauthor with Alberto Dávila of the forthcoming book Hispanic Entrepreneurs in the 2000s and is a professor of economics and Vice Provost Faculty Fellow at the University of Texas–Pan American in Edinburg.

Q: How do Hispanics fare in the labor market relative to other demographic groups?

Hispanics tend to trail non-Hispanics with respect to many—though not all—labor market measures. They earn less on average, tend to work in relatively low-skilled jobs, are less likely to have health insurance and experience higher unemployment rates than non-Hispanics.

To illustrate the earnings disadvantage, I estimate that Hispanics age 25 to 64 earned almost 33 percent less on average than non-Hispanics in 2010, based on the American Community Survey. However, it should be noted that most (28 percentage points) of this wage gap can be explained by education differences between the groups. The average schooling levels were 11.6 years among Hispanic workers versus 14.1 years among non-Hispanics. About 32 percent of Hispanic workers did not have a high school diploma or equivalent that year versus only 5 percent of non-Hispanics. Nearly 16 percent of Hispanic workers were college graduates, compared with 38 percent for non-Hispanics.

The unemployment rate among Hispanics was 9.8 percent—two percentage points higher than the 7.8 percent unemployment rate for the overall civilian workforce in fourth quarter 2012, according to the Bureau of Labor Statistics (BLS).

Despite Hispanics' higher unem-

ployment rate, they had a higher employment rate—as measured by the employment/population ratio—at 59.6 percent versus the national average of 58.7 percent in fourth quarter 2012, according to BLS. They also had a higher labor force participation rate, 66.1 percent, compared with a 63.7 percent national average in the same quarter.

Most national surveys, including those conducted by the government, identify Hispanics simply through self-reporting. This means that anyone who claims he or she is Hispanic is counted as such. Moreover, when people report they are not Hispanic, they are excluded from the Hispanic population numbers even if they have Hispanic ancestry/national origin. This is an issue when it comes to tracking intergenerational progress.

Q: How do Hispanic employment patterns reflect the prevalence of the foreign born?

A relatively large share of immigrants among Hispanics affects employment patterns. According to my estimates, immigrants represented 58 percent of Hispanics age 25 to 64 but only about 12 percent of non-Hispanics in 2010. Because foreign-born Hispanics tend to have lower education levels and lower rates of English-language proficiency than their U.S.-born counterparts, many don't qualify for high-paying jobs.

It is, therefore, not surprising that

foreign-born Hispanics earn less on average than their U.S.-born peers—28 percent less among workers age 25 to 64 in 2010. This immigrant/native earnings gap contrasts with the non-Hispanic foreign born, whose average earnings slightly exceeded those of U.S. natives in 2010.

With the datasets I use, I cannot determine who is unauthorized, but legal status is another factor likely affecting foreign-born Hispanics' employment opportunities. The Pew Hispanic Center estimates that almost 60 percent of all unauthorized immigrants in the U.S. in 2010 were from Mexico.

Q: What role does Hispanic entrepreneurship play?

Entrepreneurship has become increasingly important in shaping Hispanic labor market performance. The number of Hispanic-owned businesses rose from 1.6 million to 2.3 million firms between 2002 and 2007, the most recent Survey of Business Owners found. This 43.7 percent growth is more than triple the 14.5 percent rate for non-Hispanic-owned firms.

Moreover, my upcoming book co-authored with Alberto Dávila (*Hispanic Entrepreneurs in the 2000s*) notes such changes are not merely the result of a rapidly growing population. Within the Hispanic population, entrepreneurial tendencies have also intensified. For example, we found that self-employment rates of Hispanic workers age 25 to 64 rose from 7.9 percent to 9.1 percent between 2000 and 2010. During that period, these rates fell among non-Hispanics.

Even during the Great Recession, the self-employment rates of Hispanic immigrants rose, which was not the case for Hispanic natives. This indicates that many foreign-born Hispanics have been generating employment in the U.S., at least for themselves, even amid weak labor market conditions.

Q: Does the Hispanic education deficit vis-à-vis other groups dissipate over time?

Although Hispanic educational attainment has lagged behind that of non-Hispanics, the gap has narrowed.



▶ *“In 2010, Hispanics represented 1 out of every 3 workers in Texas, compared with approximately 1 out of 8 outside of the state.”*

For example, between 2000 and 2010, the share of Hispanic workers age 25 to 64 without a high school diploma or equivalent fell from nearly 4 out of 10 to 1 out of 3, while the proportion of college graduates rose from 13 to 16 percent. These numbers translated into an increase in average schooling levels from 11 years to 11.6 years, exceeding non-Hispanic workers’ gain from 13.8 to 14.1 years.

A disproportionate presence of immigrants doesn’t fully explain Hispanics’ lower average schooling. U.S.-born Hispanics also trail non-Hispanics with respect to educational attainment and other socioeconomic measures, including earnings. In 2010, for example, among U.S.-born workers age 25 to 64, about 12 percent of Hispanics were high-school dropouts, compared with 5 percent of non-Hispanics. Within that same overall age group of workers, 22 percent of Hispanics were college graduates versus 36 percent of non-Hispanics. Overall, Hispanic natives averaged almost a year less of education than their non-Hispanic peers—13.2 years versus 14.1.

Such differences largely explain why U.S.-born Hispanics’ earnings are relatively low. On average, they made nearly 16 percent less than U.S.-born non-Hispanics in 2010. When accounting for differences in education, the wage gap shrinks to 5 percent. It is also worth noting that this earnings differential among U.S.-born workers is smaller than the one that exists for the foreign born. In 2010, Hispanic immigrants earned about 47 percent less on average than non-Hispanic immigrants. Even when controlling for education, the gap remains considerable at 20 percent.

Q. How does Hispanic labor market performance in Texas compare with Hispanic outcomes elsewhere in the country?

The Hispanic population in Texas is proportionately more than twice as large as in the nation overall. In 2010, Hispanics represented 1 out of every 3 workers in Texas, compared with approximately 1 out of 8 outside of the state.

Texas Hispanics, as a group, tend to lag behind their counterparts in the rest of the country, earning 9 percent less on average in 2010. Among non-Hispanics, average wages were similar within and outside Texas, at least in 2010. Immigration does not appear to explain the relatively low earnings of Texas Hispanics. Immigrants represented 47 percent of Hispanic workers in Texas in 2010, compared with 60 percent in the rest of the country.

In terms of education, combining immigrants and U.S. natives, the average schooling levels of Texas Hispanic workers (at 11.5 years) in 2010 just slightly trailed those in other states (11.6 years). Statistically, this difference accounted for 1 percentage point of the Texas/non-Texas wage gap.

At the same time, education disparities between Hispanic Texans and non-Texans became more apparent, separating U.S. natives from immigrants. For example, in 2010, U.S.-born Hispanic workers age 25 to 64 in Texas had an average of 12.8 years of education—a half-year less than U.S.-born Hispanics in other states. The average education of foreign-born Hispanic workers in Texas was 0.6 years less than the level of their peers in other states that year.

It is worth noting that Mexican-Americans represent a considerably higher share of Hispanic workers in Texas (86 percent) than Hispanics in

the rest of the nation (56 percent). Puerto Ricans, who account for 1 out of 10 Hispanic workers outside of Texas, represent fewer than 2 percent of these workers in the state. It follows that the socioeconomic and demographic makeup of the Hispanic population in Texas differs from that of the nation as a whole.

Q. What are the biggest obstacles facing Hispanic youths today? What can be done to improve their chances of success?

Even though Hispanics have narrowed the education gap with non-Hispanics, educational attainment remains a major obstacle. It has become quite difficult to find a good-paying job without a four-year college degree.

Because Hispanics have less schooling on average than non-Hispanics—even among U.S. natives—it is likely they will continue to trail their non-Hispanic counterparts with respect to labor market income and many other socioeconomic indicators. And because Hispanics are less likely than non-Hispanics to complete high school—or, according to Pew, earn a general educational development (GED) degree—disproportionate numbers of Hispanic youths remain ineligible to go to college. Addressing high-school completion rates might be a way to improve the longer-term college graduation rates.

Importantly, these obstacles don’t just affect Hispanic communities. Given the size of the Hispanic population, its economic well-being affects the nation as a whole. The economic impact of Hispanics is even greater in states such as Texas, where their presence is considerably stronger than the national average.