Closing Latino Labor Market Gap Requires Targeted Policies To End Discrimination

By Ryan Zamarripa  October 21, 2020

Author’s note: CAP sometimes uses “Latino,” “Latina,” and/or “Latinx” to refer to individuals with Latin American roots. In this issue brief, the author opted to use “Latino” when referring to this community generally.

The COVID-19 pandemic has thrown labor markets into a tailspin. The overall U.S. unemployment rate reached an all-time recorded high of 14.7 percent in April 2020, and weekly claims for unemployment insurance peaked at 6.2 million—nearly six times higher than any pre-pandemic level since data were first recorded.1 Prior to the onset of this coronavirus-generated recession, the narrative around the American economy would suggest that workers were enjoying some of the lowest unemployment rates of all times. But this aggregation hid a bleak reality of inequality in the United States: Labor market conditions for Latino workers consistently lag behind those of their non-Hispanic white counterparts. This trend, which has held since 1976 when the U.S. Bureau of Labor Statistics (BLS) first started tracking employment data by ethnicity, reveals that the Latino unemployment rate has generally remained between 1.6 and 1.9 times higher than the non-Hispanic white unemployment rate, and it has never dropped below a ratio of 1.2.2

The persistency of this particular gap is evidence that the United States is far from achieving racial and ethnic equity in the labor market, and there exist other employment data that also point to tough conditions for Latinos. Instability, underemployment, and discrimination are common issues disproportionately afflicting Latino workers. There are several potential reasons—such as a lack of educational opportunities, occupational segregation, anti-immigrant sentiment, and discriminatory policies and practices—as to why these problems are more prevalent in the Latino community.

But no matter the causes of this disparity, strong evidence still supports the idea that endogenous factors are not responsible for the stark differences in labor market outcomes between Latino and non-Hispanic white Americans. There are systemic reasons linked to ethnic discrimination, xenophobia, and racism—not personal choices—that are preventing full employment and participation in the labor force among Latinos in this country. Fortunately, there exists a slew of targeted policy proposals that would drastically change the status quo of Latino employment outcomes.
Instability, underemployment, and discrimination

Consider first the relatively high instability facing Latino workers. A 2016 report by the BLS highlights that high levels of involuntary part-time status disproportionately harm Latino workers, especially during recession years when rates of Latinos involuntarily working part time increase much more dramatically than rates for non-Hispanic white workers.³

One potential explanation for this disparity could be the nature of work in which Latinos are engaged, which tends to skew toward industries that are more seasonal and more prone to economic shocks. In 2018, Latino workers represented just 17.8 percent of the workforce overall but constituted 27.6 percent in construction; 31.6 percent in agriculture, forestry, fishing, and hunting; and 23.8 percent in the accommodation and food services industries.⁴ These industries are more closely tied to the business cycle than the economy overall, and their higher cyclicality results in less stable employment for their workers. Latinos are overrepresented in these industries, which tend to have workers with lower levels of educational attainment, potentially due to the lower percentage of Latino workers with a college education. In 2018, 17 percent of all Latinos older than age 25 had a bachelor’s degree or higher; for non-Hispanic white people, that figure was 36.3 percent.⁵

Moreover, a relatively high percentage of the Latino workforce is foreign born, and evidence suggests that immigrant populations in the United States are not only more acutely subjected to changes in the labor market, but also face higher barriers to stable employment. A 2018 paper in the *IZA Journal of Development Migration* found that immigrant workers’ employment status is more closely tied to the business cycle than that of nonimmigrants.⁶ Using BLS Current Population
Survey data to track the relationship between nativity and cyclical sensitivity in employment and labor force participation status, the study concludes that immigrant workers are the first to be fired in economic downturns. And while in 2018, 34.4 percent of U.S. residents of Hispanic or Latino origin were foreign born, this figure was only 4.8 percent for non-Hispanic white residents.\(^7\)

Moreover, a 2012 paper in *Social Problems*, a journal that examines the intersection of issues related to race, gender, labor, the environment, and human rights, among other things, surveyed a sample population of male Latino immigrants in Durham, North Carolina. It found that they faced severe impediments to stable and consistent employment—partially as a result of the nature of the work in which those surveyed were engaged but also due to anti-immigrant sentiment and hostile employment laws.\(^8\)

Yet these factors cannot wholly explain the discrepancies in unemployment rates between Latino and non-Hispanic white workers. For starters, the unemployment rate for prime-age, native-born Latinos is typically higher than that for their non-Hispanic white counterparts; in 2018, the two figures were 5.3 percent and 3.4 percent, respectively. And examining prime-age unemployment rates by educational attainment reveals that disparities remain.\(^9\) The prime-age unemployment rate for Latinos with less than a high school diploma is lower than that for non-Hispanic white people without a high school diploma, but when both cohorts have high school diplomas, their unemployment rates are nearly identical. The introduction of postsecondary education in both populations, however, leads to worse relative outcomes for Latinos. Since 2000, the average annual prime-age unemployment rate for Latinos without a high school diploma was 4 percentage points lower than that for their white counterparts. But the annual prime-age unemployment rate for Latinos with at least a bachelor’s degree was actually 1.4 percentage points higher over the same time period. (see Figure 2) As Latinos become more educated, they experience increasingly poor labor market outcomes relative to their non-Hispanic white counterparts.
These disparities matter greatly. For starters, earnings are less stable when there is higher uncertainty in labor markets, meaning plans for the future—such as home purchases, starting a family, and retirement—become more difficult to keep. Moreover, a higher rate of employment churn can have negative long-term effects on a worker’s choice to stay in the labor market, which only compounds these problems. The data bear this out: Between 2000 and 2018, the Latino prime-age labor force participation rate was at least 3 percentage points lower than the rate for non-Hispanic white people. Another metric used to describe labor market conditions, the prime-age employment-to-population ratio, has likewise historically been lower for Latinos than for non-Hispanic white workers. And although these gaps between the two groups in prime-age labor force participation rates and employment-to-population ratios have been trending toward equality, the progress in recent years has stopped. While the prime-age employment-to-population ratio gap between the two groups stood at 13.2 percentage points in 1990, it has remained slightly more than 4 percentage points since 2016.

Latinos also tend to be far less likely to work as much as they want—a sign of underemployment—than their non-Hispanic white counterparts. The Federal Reserve Board’s 2019 edition of the Survey of Household Economics and Decisionmaking, which measures household economic well-being, found that underemployment disproportionately afflicts Latino households. Some 49.8 percent of Latinos surveyed expressed that they wanted to work or work more, compared with only 26.5 percent of the non-Hispanic white respondents. Among women who responded affirmatively to that question, 18.1 percent of Latinas cited
child care obligations as the reason for not being able to work more, while 10.4 percent cited other family or personal obligations. Among non-Hispanic white women, those same figures were 15 percent and 8.7 percent, respectively.

**FIGURE 3**
Gaps in labor market outcomes between Latinos and non-Hispanic whites have stopped closing in recent years

Percentage-point differences in prime-age employment-to-population and labor force participation ratios, 1980–2018

Even when Latinos are employed, they are often paid far less than their non-Hispanic white counterparts. The ratio of prime-age median-wage income between the latter and the former group has remained virtually unchanged since 2000, fluctuating between 1.6 and 1.5. The ratio of average-wage income between the two groups has remained around 2 during the same period. Moreover, Latinas face a significant wage gap due to the intersecting effects of gender, ethnic, and racial biases, earning just 55 cents for every dollar earned by white, non-Hispanic men. And because 60.3 percent of Latina mothers are the primary or co-breadwinners for their families, Latino households rely heavily on Latina earnings to stay financially afloat. Some 3 million families in the United States are financially led by Latinas, nearly one-third of whom live below the poverty level.

Geographic disparities in labor market strength also tend to fall along ethnic lines. In February 2020, when the national unemployment rate was at a historic low of 3.5 percent, nine of the 10 metropolitan statistical areas (MSAs) in the United States, excluding Puerto Rico, with the highest seasonally adjusted unemployment rates were majority Latino; two were experiencing double-digit unemployment rates. The El Centro, California, MSA—with a population that was 84.6 percent Latino in 2018, the latest year for which data are available—had the highest seasonally adjusted unemployment rate at 18.5 percent, followed by the Yuma, Arizona, MSA with a 64.3 percent Latino population and an unemployment rate of 16.4 percent. And while these areas are heavily associated with agriculture—and with it, the impacts of seasonality on employment—only in Madera, California, were more than 5 percent of all workers employed in the agriculture, forestry, fishing, and hunting sector.
TABLE 1
9 of the 10 metropolitan statistical areas in the United States with the highest unemployment rates prior to the COVID-19 recession were majority-Latino

Seasonally adjusted unemployment rate and percentage of the population that is Hispanic or Latino, February 2020

<table>
<thead>
<tr>
<th>10 metropolitan statistical areas with the highest unemployment rate in February 2020</th>
<th>Unemployment rate</th>
<th>Percentage of the population that is Hispanic or Latino</th>
</tr>
</thead>
<tbody>
<tr>
<td>El Centro, CA</td>
<td>18.5%</td>
<td>84.6%</td>
</tr>
<tr>
<td>Yuma, AZ</td>
<td>16.4%</td>
<td>64.3%</td>
</tr>
<tr>
<td>Visalia-Porterville, CA</td>
<td>9.4%</td>
<td>65.2%</td>
</tr>
<tr>
<td>Merced, CA</td>
<td>7.8%</td>
<td>60.2%</td>
</tr>
<tr>
<td>Hanford-Corcoran, CA</td>
<td>7.7%</td>
<td>55.0%</td>
</tr>
<tr>
<td>Bakersfield, CA</td>
<td>7.5%</td>
<td>54.0%</td>
</tr>
<tr>
<td>Ocean City, NJ</td>
<td>7.3%</td>
<td>7.9%</td>
</tr>
<tr>
<td>Fresno, CA</td>
<td>6.9%</td>
<td>53.5%</td>
</tr>
<tr>
<td>Madera, CA</td>
<td>6.7%</td>
<td>58.3%</td>
</tr>
<tr>
<td>McAllen-Edinburg-Mission, TX</td>
<td>6.5%</td>
<td>92.4%</td>
</tr>
</tbody>
</table>


Progress and solutions

Policymakers can completely close these gaps by developing policies that directly address the issues, such as occupational segregation and discrimination, that are likely leading to these disparities. One potential bright spot among these bleak disparities is how they have modestly improved over a longer time period. Consider, first, the ratio of overall unemployment rates between Latinos and non-Hispanic white workers. While the ratio averaged 1.7 in the 1980s and 2 in the 1990s, the 2000s saw a steady decline in the ratio, but in the 2010s, the same ratio averaged 1.5 with little to no discernible downward trend. In the same vein, both the differences in the labor force participation rates and employment-to-population ratios shrunk considerably between 2000 and 2010 but have since remained largely unchanged. Thankfully, each of these positive gains has resulted from overall improvements in the Latino measurements and not backtracks in the non-Hispanic white ones. It is possible, however, that some of this is also related to the shifting patterns in the nonresponse rate to government surveys in the undocumented Latino population or the reversal of migration trends between the United States and Latin America.
The higher risk that Latino workers face in the labor market should be countered by increased social insurance, stronger enforcement of anti-discrimination legislation, and more employment training opportunities. A 2019 study by the Opportunity and Inclusive Growth Institute at the Federal Reserve Bank of Minneapolis examines the effects of such labor markets on worker welfare and finds that governments can offset the negative effects of volatility on vulnerable workers by “adjusting the social insurance system optimally.” This includes measures such as unemployment insurance, rental assistance, and supplemental income for families with children. Conversely, the paper finds that government inaction has massive costs on the economy overall, as increased job displacement risk leads to drops in consumption among those who were displaced. As such, it is in the government’s best interest to ensure that workers do not have to draw substantially from their savings during economic hardship if its ultimate goal is to provide citizens with economic stability, safety, and security.

Increasing social insurance can come in the form of more robust unemployment insurance, including providing larger payments and covering a wider range of work arrangements, such as self-employment and independent contracting. The COVID-19 employment shock has demonstrated clearly that traditional unemployment payments are not even enough to afford basic needs such as shelter and food, let alone to allow displaced workers to maintain former levels of consumption. Other programs, such as work sharing and wage subsidies, can likewise smooth the negative effects associated with high labor market volatility.
Importantly, noncitizens are not eligible for many, if not most, of the social insurance programs mentioned above, and the labor market discrepancies between Latinos and non-Hispanic white workers will not be resolved until undocumented and noncitizen workers are granted legal status. Providing a pathway to legalization and citizenship is perhaps one of the most important ways to achieve equality; it will also ensure fair wages, give voice to some of the most exploited workers, and help prevent discrimination.

Policies to increase labor force participation would also help shrink the labor market and earnings disparities between Latinos and non-Hispanic white workers overall as well as those between Latinas and non-Hispanic white men. Ensuring that all workers have access to paid sick leave and paid family and medical leave would ease the burdens that many Latinos face when managing their caregiving responsibilities while trying to participate in the labor market. Moreover, increasing the federal minimum wage to $15 per hour and eliminating the subminimum wages for tipped workers would help narrow the earnings gap, as some 33.4 percent of all Latino workers would see wage increases as a result.

Closing the gender and racial wage gaps through comprehensive equal pay legislation is also critical to raising Latinas’ earnings. The Institute for Research on Labor and Employment at the University of California, Berkeley, recommends relatively straightforward solutions to help close this gap, such as not prohibiting workers from discussing pay with colleagues, not basing pay on salary history, and making salary information public. Providing more pathways to college for Latinos and ensuring that they complete their degrees would also help shrink both the employment and earnings gaps. The Obama administration was able to improve Latino educational outcomes through a mix of policies aimed at increasing Latino college and career readiness, ending race- and ethnicity-based bullying, and cracking down on for-profit institutions that preyed on vulnerable students. Strengthening these programs, as well as making higher education more affordable for Latinos, would also help shrink the employment and earnings gaps.

Unfortunately, there is only so much that these targeted policies can do to increase Latino labor force participation and ease the transition period between jobs when so many of those making hiring and firing decisions hold discriminatory views against Latinos. As noted in the 2012 Social Problems paper on immigrant Latino employment, "The current anti-immigrant atmosphere and emphasis on employer sanctions has resulted in an extremely precarious labor market position for both legal and undocumented Hispanic immigrants, who suffer from multiple, overlapping elements of disadvantage." Moreover, higher Latino participation in the workforce means more exposure to exploitation, abuse, and discrimination, and as such, any proposals to increase labor force participation must be accompanied by other structural policies to ensure that Latino workers are amply protected. According to a 2017 collaborative study by the Harvard T.H. Chan School of
Public Health, the Robert Wood Johnson Foundation, and NPR, 33 percent of Latinos have personally been discriminated against because of their ethnicity when applying for jobs, while 32 percent felt discriminated against when being paid equally or considered for promotions. In total, 78 percent of Latinos believe that there is discrimination against them today, 37 percent of whom believe that such discrimination is engrained in laws and government policies.

The process of shifting dominant attitudes toward Latinos in the workplace is a task that will take more than policy changes, but there are several ways to start the process of ending structural racism. For starters, strengthening worker power through increased union membership has been shown to reduce racial and ethnic inequality through increased earnings and more stable economic conditions for minorities. Passing legislation such as the Protecting the Right to Organize Act, which would protect workers’ right to strike and protest, is a good start. Lastly, a federal jobs guarantee—a program in which the government acts as an employer of last resort—would ensure that anyone willing to work would have access to a stable and well-paying job as well as increased bargaining power to counter monopsonist practices. In areas and among communities that have historically experienced high unemployment and underemployment, a targeted jobs guarantee would drastically increase labor market outcomes for Latinos and move the overall economy substantially closer to full employment.

Conclusion

Latinos were subjected to some of the worst unemployment rates at the onset of the COVID-19 pandemic, and they continue to be disproportionately affected by both the coronavirus and the recession it generated. As of early October 2020, Latinos had the highest infection rate of any race or ethnicity in the United States: 1,984 out of every 100,000 have been infected with the coronavirus, compared with per-100,000 rates of 1,889 for African Americans and 894 for white people. More than a dozen states—including California, Texas, and Florida—registered a Latino unemployment rate of at least 14 percent in the second quarter of 2020. Latinos are more likely to live in overcrowded conditions and less likely to have access to remote work and affordable health care. In late August 2020, 44 percent of Latinos expressed difficulty in meeting household expenses; 48 percent who were behind on rent see eviction as a likely outcome; and 55 percent felt sad, depressed, or hopeless.

As this country grapples with how to rebuild the economy, lawmakers should focus on constructing one that prioritizes equality. People who are willing to work should not face disproportionate barriers to do so based on race or ethnicity, and allowing the current economic system to continue unchecked will only serve to constrain the recovery and, ultimately, the United States’ economic output.
Unfortunately, the relief implemented so far has not done enough. Undocumented workers, a crucial group of the American labor force, were largely excluded from the first three stimulus bills passed during this pandemic. In order to ensure a quick and equitable recovery, future negotiations must include aid for all workers. Latinos, who represent an ever-increasing share of the labor force, are too important to the American economy to continue ignoring their needs.

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4. The agricultural, forestry, fishing, and hunting industry comprises NAICS sectors beginning with the digits 11; the construction sector comprises NAICS sectors beginning with the digits 23; and the accommodation and food services sector comprises NAICS sectors beginning with the digits 72. See U.S. Census Bureau, “NAICS Codes," available at https://www.census.gov/programs-surveys/industries/naics.html (last accessed October 2020).

5. Ruggles and others, "IPUMS USA: Version 10.0."


7. Ruggles and others, "IPUMS USA: Version 10.0."


9. Due to the nature of the data, there is reason to believe that the smaller sample size in the Latino workforce may be a contributing factor in the increased volatility. However, higher volatility in Latino employment is still observed in average annual unemployment rates and has been more common in recent years, likely indicating that the trend reflects labor market conditions and not noise in the data.


12. Ruggles and others, "IPUMS USA: Version 10.0."


28. Ibid.