

AFL-CIO LABOR DAY 2013 REPORT ON LATINOS

The Elusive American Dream: Lower Wages, High Unemployment and an Uncertain Retirement for Latinos



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INTRODUCTION

ON LABOR DAY, workers from across the country will come together to recognize and celebrate the value of work. This holiday is also a good opportunity to remember how racial and ethnic minorities have been disproportionately affected by the weak economic recovery and growing income inequality. Many Latinos continue to be unemployed or *underemployed*, receive below-average wages and face bleak retirement prospects.



Unemployment

The Great Recession affected all workers, leaving thousands without any source of income.

Thousands of Latinos continue to be out of work:

- In the fourth quarter of 2012, nationwide unemployment rates were 6.3% for whites, 9.8% for Latinos and 14.0% for African Americans. These elevated rates are projected to remain essentially unchanged at the end of 2013.¹

And many people of color are underemployed:

- About one in five Latino workers (18.9%) and African American workers (22.4%) are underemployed. As EPI economist Heidi Shierholz writes, “The ‘underemployment rate’ is a more comprehensive measure of slack in the labor market than the official unemployment rate, which counts only jobless workers who report that they are actively seeking work. The underemployment rate includes workers who meet this official definition of unemployment as well as: (1) those who are working part time but want and are available to work full time (‘involuntary’ part-timers), and (2) those who want and are available to work and have looked for work in the last year but have given up actively seeking work (‘marginally attached’ workers).”²

Historically, the unemployment rate has been higher among Latinos, who were severely affected during the Great Recession. According to unemployment statistics over the last 34 years³:

- Latino unemployment rates have been at least one-and-a-half times as high as for whites since 1979. Throughout the 1990s, they were more than twice as high.
- The Latino-white unemployment gap peaked in 1998, when the Latino unemployment rate was 2.12 times that of whites.
- At the end of 2012, the Latino unemployment rate stood at more than one-and-a-half times (1.56) that of whites.
- The national Latino unemployment rate at the end of 2012 was 9.8%. In 11 states, the unemployment rate for Latino workers was higher than the national average for Latino workers.

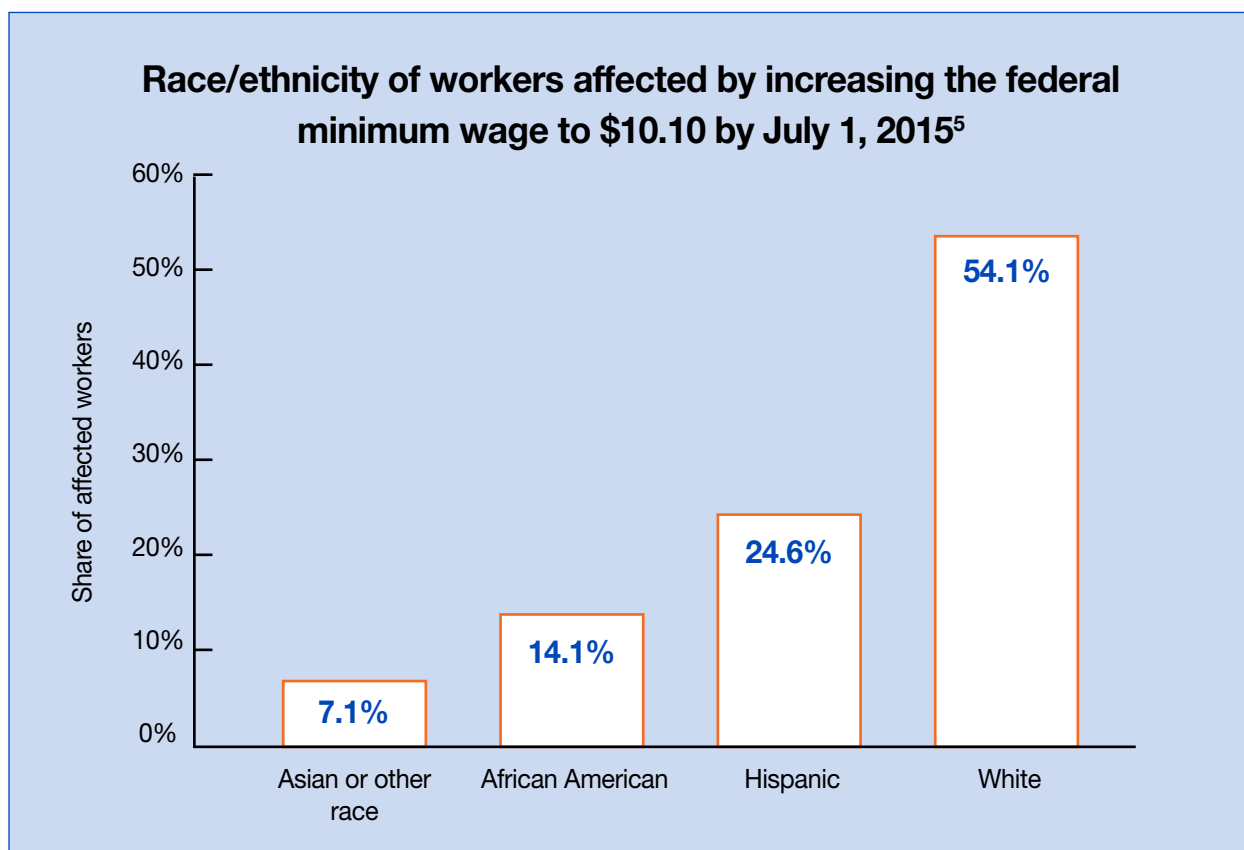
Wages⁴

Latinos' wages increased between 2000 and 2007, but they made less than whites and African Americans:

- For full-time male workers, weekly wages decreased by 0.7% between 2000 and 2007. Latino men saw an increase of 3.6%, from \$556 to \$576; white men saw a decrease of 1.1%, from \$883 to \$873; and African American men saw the highest decrease in weekly earnings, 2.3%, from \$680 to \$665.
- For full-time female workers, weekly wages increased by 3.4% in the 2000–2007 period. Latino women saw a 7.3% increase, from \$488 to \$524; white women saw a 3.6% increase, from \$669 to \$693; and African American women saw the smallest increase, 3.2%, \$572 to \$590.

Between 2007 and 2012, among full-time workers—those who work 35 or more hours per week—median weekly earnings overall were essentially flat, declining by 0.2%, from \$770 to \$768, while productivity grew by 7.7% over this period. **Although Latinos' wages increased, they continued to earn smaller wages than other ethnic groups:**

- For full-time male workers, weekly wages increased 0.7% during this period (2007–2012). The earnings of Latino men increased the most, 2.8%, from \$576 to \$592, but they remain well below what white and African American men earn. White men saw a 0.7% increase, from \$873 to \$879, while African American men saw virtually no change, from \$664 to \$665.
- For full-time female workers, weekly wages increased 1.6% over the same period. However, Latina women saw a 0.5% decline, from \$524 to \$521. By contrast, white women saw an increase of 2.4%, from \$693 to \$710, and African American women saw a 1.5% increase, from \$590 to \$599.



Retirement⁶

Not only do Latinos have a steeper climb to prosperity during their adult life, elderly Latinos also are more likely to spend retirement at or near the poverty level:

- The majority of elderly African Americans and Latinos are economically vulnerable: 70.1% of Latinos ages 65 and older have incomes less than two times the supplemental poverty threshold, the threshold for the most basic level of subsistence. In comparison, 43.8% of whites are economically vulnerable. In other words, Latinos and non-Latino African Americans are more at risk of falling into poverty than non-Latino whites.
- Taken together, Latinos and African Americans constitute 15.4% of the elderly population, but more than one-fifth (21.9%) of the vulnerable elderly. Latinos constitute 7.1% of the elderly population and 10.7% of the vulnerable elderly. It is clear that non-whites make up a disproportionate share of the economically insecure.
- Latino elderly adults are 26.3 percentage points, or 60%, more likely to be economically vulnerable than whites. Latinos and African American elderly adults also are much more likely than elderly whites to fall below the supplemental poverty threshold. Only 13.0% of whites fall below this level, compared with 24.9% of African Americans and 27.2% of Latinos.
- Latino seniors are more than twice as likely to live below the supplemental poverty threshold as white seniors.

CONCLUSION

Although the Great Recession was devastating to workers generally, leaving millions without any source of income, African American and Latino workers were hit particularly hard. Unemployment rates were higher among these two groups than among whites three years after the recession ended nationwide. Among the employed, roughly one in five Latino and African American workers is underemployed. Between 2007 and 2012, both Latino and Latina workers earned less in wages than either whites or African Americans. Latino and African American seniors are more likely than whites to spend retirement mired in poverty.

Policy makers have identified several solutions to address these problems. For example, Economic Policy Institute policy analyst Mary Gable notes that a disproportionate share of the jobs that would be created by “large public infrastructure projects” would go to Latino and African American workers, “and would begin to reduce the black-white and Hispanic-white unemployment gaps.”

Steven Pitts, a labor policy specialist at UC Berkeley’s Center for Labor Research and Education, proposes **other measures to close longstanding racial disparities in employment and compensation:**

- Expansionary fiscal policies, such as direct federal job creation programs;
- Legislation to increase the minimum wage to \$10.58 and to increase the minimum wage for tipped workers; and
- Other efforts to raise labor standards, including measures to combat wage theft; support for the right of workers to organize unions; community workforce agreements that combine local hire

provisions with project labor agreements that preserve job quality on construction projects; and responsible contracting agreements that ensure public-sector outsourcing does not sacrifice quality of services.⁷

EPI President Lawrence Mishel and EPI economist Heidi Shierholz, in turn, **recommend the following policies to generate wage growth:**⁸

- Rapidly lower unemployment through large-scale ongoing public investment and the re-establishment of state and local public services that were cut in the Great Recession and its aftermath;
- Restore the bargaining power of low- and middle-wage workers by aggressively increasing the minimum wage to half the average worker's wage;
- Re-establish the right to collective bargaining for higher wages and addressing workplace concerns;
- Not allowing immigration policy to be dictated by employers' desire to bring in temporary workers lacking basic labor market protections in order to undercut wages in both high- and low-wage occupations;
- Establish citizenship for undocumented workers currently vulnerable to exploitation; and
- Take executive action to ensure federal dollars are not spent employing people in jobs with poverty-level wages.

Regarding protection for the financial security of the elderly, EPI Director of Health Policy Research Elise Gould and EPI economic analyst David Cooper recommend "strengthening social protections for the elderly," avoiding imposing "greater out-of-pocket medical costs" on this population and avoiding reductions in their "annual Social Security cost-of-living adjustments."⁹

Endnotes

1 Austin, Algernon. "Unemployment rates are projected to remain high for whites, Latinos, and African Americans throughout 2013." Released Feb. 25, 2013. www.epi.org/publication/unemployment-rates-whites-latinos-african-americans

2 Shierholz, Heidi. "Roughly One in Five Hispanic and Black Workers Are 'Underemployed.'" Released Aug. 22, 2013. www.epi.org/publication/roughly-hispanic-black-workers-underemployed/

3 Gable, Mary. "Ongoing joblessness: A national catastrophe for African American and Latino workers." Released May 29, 2013. www.epi.org/blog/ongoing-joblessness-national-catastrophe/

4 Mishel, Lawrence and Heidi Shierholz. "A Decade of Flat Wages: The Key Barrier to Shared Prosperity and a Rising Middle Class." Released Aug. 21, 2013. https://docs.google.com/viewer?url=http://www.epi.org/files/2013/BP365.pdf&hl=en_US&embedded=true

5 Source: Cooper, David and Doug Hall. Analysis of Harkin/Miller proposal using Current Population Survey Outgoing Rotation Group microdata. Released March 13, 2013. www.epi.org/publication/bp357-federal-minimum-wage-increase/

6 Gould, Elise and David Cooper. "Financial Security of Elderly Americans at Risk: Proposed changes to Social Security and Medicare could make a majority of seniors 'economically vulnerable.'" Released June 6, 2013. www.epi.org/publication/economic-security-elderly-americans-risk/

7 Pitts, Steven. "Addressing the Black Jobs Crisis." Spotlight on Poverty and Opportunity. Released May 20, 2013.

8 Mishel, Lawrence and Heidi Shierholz. "A Decade of Flat Wages."

9 Gould, Elise and David Cooper. "Financial Security of Elderly Americans at Risk."