

Economics Group

Special Commentary

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Hispanics Still Behind the Curve in Education

Executive Summary

Hispanics have made important inroads within the U.S. economy over the past several decades in terms of education and earnings even though wealth accumulation lags behind other ethnicities. However, while this progress has been important, there are some structural issues that continue to prevent Hispanics from catching up with other ethnicities within the U.S. economy. One of these structural issues that affects the level of education of Hispanics has to do with the low education level of the immigrant Hispanic population that is coming into the United States. Non-immigrant Hispanic population's education achievements are on par with those of other ethnicities, while all together, education achievement of the Hispanic population lags.

Another difference has to do with the rate of unemployment for the different ethnicities, which follow similar cyclical patterns but show important structural differences across the years. Meanwhile, although slow, Hispanic earnings have continued to improve over the decades, and although there is a long way to go, improvements have continued.

Education Levels Dragged Down by Immigration Flows

With the close relation between education and life-time income in the United States it is still worrisome that Hispanics' educational attainment in the United States has continued to lag behind that of their White and Black counterparts.¹ Although data show that Hispanics have made important inroads into a better education profile in the United States, they still trail behind their peers. Although every ethnicity's educational achievements have improved over the last several decades the gap in educational achievements between Whites and Blacks has marginally widened over time. Furthermore, even as Hispanics educational achievements have improved the gap between Hispanics and Whites educational achievements has deteriorated during this period of time. That is, although Hispanics have made inroads, those inroads have not been enough to catch or even approach Whites' and Blacks' achievements in educational attainment over the last several decades.

Still, about 32 percent of Whites had a bachelor's degree or better in 2014 compared to 15 percent of Hispanics and 22 percent of African Americans. What is more striking is that back in 1974 the percentage of Blacks and Hispanics with a bachelor's degree or better were similar, at 5.5 percent, while the percentage of Whites' with a bachelor degree or greater were 14 percent.

The gap in educational attainment between Whites and Hispanics has widened.

¹ We follow the same definition for ethnicities used by the Bureau of Labor Statistics (BLS). The BLS definition of ethnicities is Hispanic or Latino, Black or African American, Whites and Asians.



Figure 1

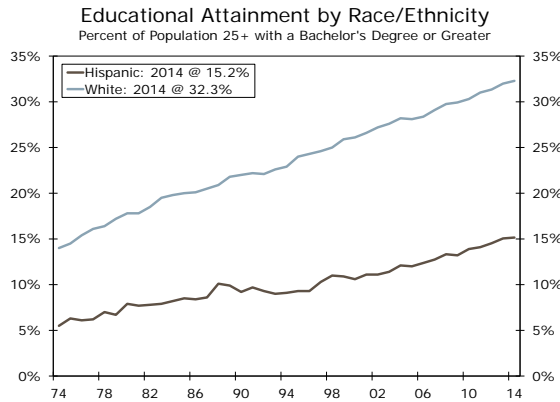
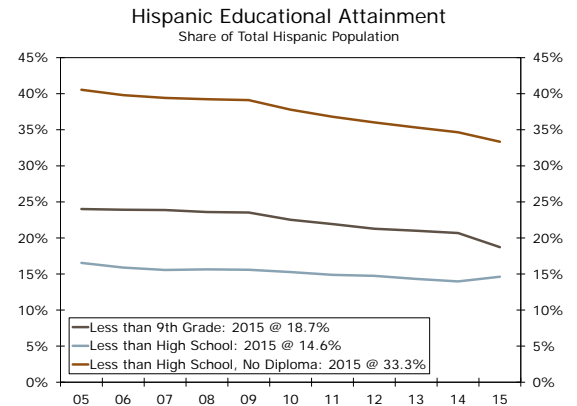


Figure 2



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Hispanic educational attainment has been weighed on by foreign-born individuals.

According to a report from the Census Bureau, one of the reasons Hispanics are lagging in terms of educational attainment is because the educational level of foreign-born Hispanics is very low compared to foreign-born Whites and foreign-born Blacks.² Once you correct for this important difference, the educational attainment of native Hispanics is very similar to that of native-born Blacks. This is something that policymakers and non-profit organizations that are trying to help different ethnic groups catch up with Whites and Asians should be aware of in order to target those deficiencies. For 2015, about 20 percent of native-born Hispanics had a bachelor's degree or higher compared to only 12 percent for Hispanics that were not born in the country, according to the report.

However, what is arguably more concerning is that 33 percent of Hispanics had no high school diploma in 2015, (see Figure 2 above). Moreover, the majority of these individuals have less than a 9th grade education. Granted, this still represents an improvement from the figures in 2005 when 40.5 percent had less than a high school diploma and 24 percent had less than a 9th grade education, but it is still relatively troubling. Compare these figures with the statistics for Blacks, at only 13 percent, and Whites, at 11 percent, in 2015.

Figure 3

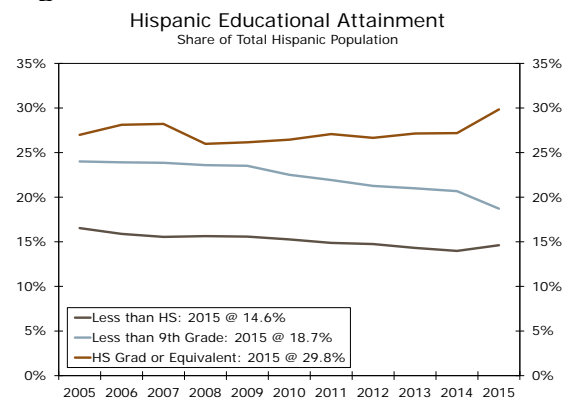
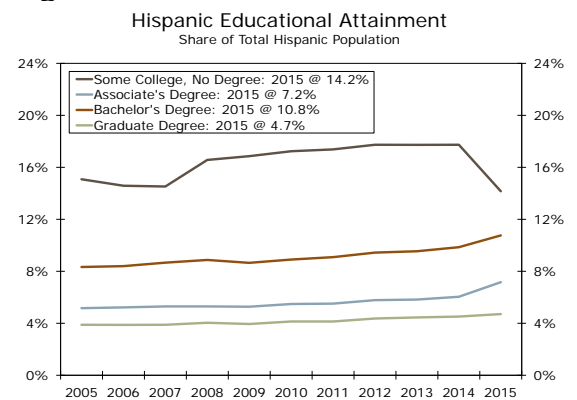


Figure 4



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Again, this large disparity in attainment between these ethnic groups is probably influenced by the aforementioned differences between native and foreign-born individuals, but it nevertheless makes improvements in income and living conditions relatively more difficult for Hispanics.

² "Educational Attainment in the United States: 2015." Population Characteristics, Current Population Reports, by Camille L. Ryan and Kurt Bauman, March 2016.

Indeed, data from the Bureau of Labor Statistics show that median earnings among individuals without a high school diploma are less than half of those for individuals with a bachelor's degree. Thus, this is one of the most pressing issues for Hispanics in this country as well as for policymakers and non-profit institutions engaged in helping to close this gap.

How Does Education Affect Hispanic Employment Possibilities?

There is no easy way of showing how the level of education affects the possibilities for somebody to be employed at any point in time. However, we do have overall unemployment rates for individuals with less than high school, with high school degree, with some college and with a college degree. These data clearly show the importance of education in improving an individual's employment prospects, even during recessions.³ It has also been well documented that having more education is better than having less in terms of lifetime income.

As Figures 5 and 6 show, it is clear that the rate of unemployment for all ethnicities and races follow a traditional cyclical pattern. At the same time, there appear to be important structural differences between the rates of unemployment of Whites, Blacks and Hispanics that are independent of this cyclical pattern. That is, the differences in the rate of unemployment over time between the different ethnicities remain, independently of the stage of the business cycle through which the economy is going. This is not uncommon. This also happens for different age groups within the same ethnicity where younger cohorts have higher unemployment rates than older cohorts, etc.

There are important structural differences in unemployment rates across races and ethnicities.

Other characteristics shown by the data since 2003, which is the first data point available for the Hispanic unemployment rate for individuals 16 years to 19 years old, is that Hispanic women in this cohort tend to have lower rates of unemployment during the economic cycle while males' unemployment rate are much higher, especially during recessions. However, for Hispanic women 20 years and older, the situation is different, with this segment having higher rates of unemployment during the expansionary phase of the business cycle compared to males and then experiencing lower rates of unemployment during the recession.⁴

Figure 5

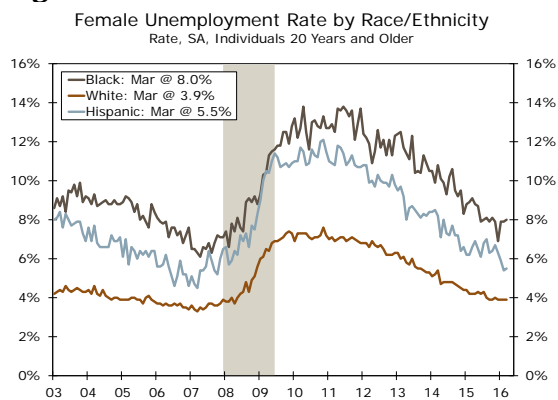
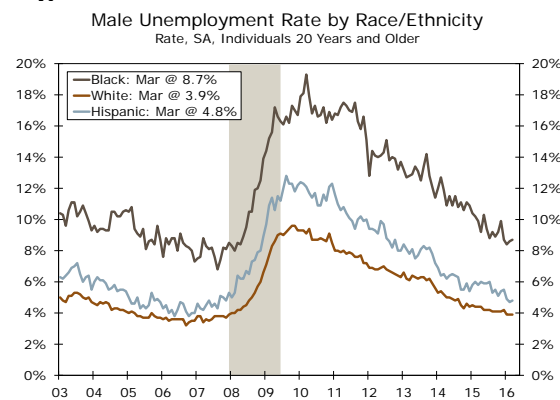


Figure 6



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

Unemployment rates for Blacks, which go as far back as 1976, show similar patterns as those for Hispanics. Indeed, the female unemployment rate is, for the most part, lower than the male unemployment rate. Also, recessionary periods are marked by a much higher rate of unemployment by males while recovery periods are characterized by rates of unemployment between males and females that are much closer to each other. A similar pattern is observed for

³ We do not have access to unemployment rates by both educational attainment and race/ethnicity.

⁴ This is, what we can observe by looking at this series starting in 2003. There was only one recession, the Great Recession, during the period 2003 to today. Thus, we cannot say that we would see a similar pattern in the future.

Blacks 16-19 years old, but here the difference between male and female is very small even though, on average, male unemployment rates are higher than female unemployment rates. Furthermore, for those 20 years and older, the pattern is very similar to the general rate as well as the rate for 16-19 year-olds, but it is clear that the male unemployment rate is much higher than female unemployment rate during recessions.

If we compare across ethnicities, then Whites have generally had a lower overall unemployment rate irrespective of age, with Blacks showing the highest rates of unemployment and Hispanic unemployment rates lying in between those of Whites and Blacks. Interestingly, the rate of unemployment for Hispanic 16-19 years old males is very close to that of Whites for the same age cohort during expansions of the business cycle, while they come closer to the rates of unemployment of Blacks during the recessionary part of the business cycle.

Overall, and across the entire business cycle, Hispanic females over the age of 20 have rates of unemployment that are much closer to those of Black females than those of White females. The opposite is true for Hispanic males 20 years and older.

Hispanic Median Earnings Continue to Improve

Although we continue to see structural differences in the rate of unemployment across different ethnicities, we have seen some improvement, albeit gradual, in earnings over the past two decades.⁵ Back in 1994, Hispanic earnings represented about 67 percent of Whites’ earnings while today they are closer to 73 percent. Much of the improvement has been achieved by Hispanic males, whose earnings represented about 62 percent of White males’ in 1994, while today they are closer to 70 percent (Figure 7). For Hispanic females, the story has been one of little change, on balance, in earnings, although earnings for Hispanic females have varied widely during the period. Back in 1994, Hispanic females’ earnings represented close to 74 percent of White females’, dropping to about 72 percent up until the Great Recession, while today they are closer to 76 percent.

The earnings gap between Hispanics and Whites has narrowed.

Figure 7

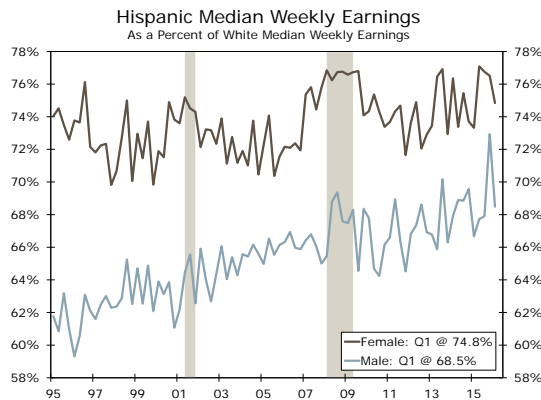
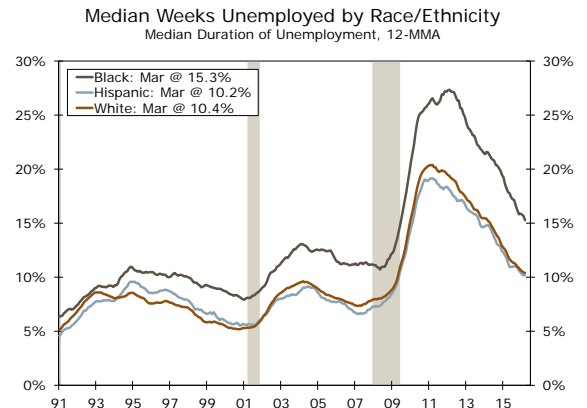


Figure 8



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

Meanwhile, Hispanic earnings have also improved versus Blacks over the past several decades, but especially during the past decade or so. While earnings of Hispanics hovered between 83-88 percent of Blacks’ earnings until the mid-2000, the trend has improved considerably over the last several years with Hispanics currently earning close to 95 percent of what Blacks earn.

Growth in Hispanic earnings was relatively strong before the Great Recession within the 16-24 years old group as well as within the 55+ age group. However, after the Great Recession earnings of the 55+ age group continued to grow at a relatively strong pace, while earnings for the 16-24 age groups took an important hit. Since then, wages for the youngest cohort have continued to grow but below the pace of the older cohort.

⁵ We refer to median usual weekly earnings as “earnings” for the remainder of the report.

Weekly earnings are a function of weekly hours worked and individuals' hourly earnings. We know that, in nominal terms, wages have not risen significantly since the Great Recession, but they have not decreased either. However, we did see the number of weekly hours worked decline during the Great Recession. This downward shift in hours worked was seen across all ethnicities. In fact, no racial or ethnic group has been able to recoup the previous peak number of hours worked per week that were seen before the Great Recession.

Average weekly hours worked by Whites were close to 39.7 hours back in the year 2000. This figure slowly dropped to about 39 hours just before the Great Recession, then plunged to about 37.7 hours during the depths of the recession. Today, Whites' hours worked have partially recovered to about 38.6 hours but are still below the pre-recession level. For Hispanic workers, hours worked were close to 39.2 hours back in 2000 and dropped to about 38.7 hours just before the Great Recession. However, Hispanics' hours worked plunged to about 36.8 hours during the worst of recession and, while they have recovered somewhat, they are still below the previous cycle high of 37.8 hours.

Another important indicator of the severity of the Great Recession was the number of weeks a worker stayed out of a job once being laid off. This measure is called the median duration of unemployment, a measure that sky-rocketed during the Great Recession (Figure 8). Here we can also see differences between the different ethnicities but with one difference. There seems to be little difference between the median duration of unemployment between Whites and Hispanics.

In fact, during the last 15 years the median duration of unemployment of Hispanic workers has been slightly below that of Whites. That is, there is little to no structural differences between Whites and Hispanics in terms of the duration of unemployment. However, there seems to be large structural component between the median duration of unemployment of Whites and Hispanics and that of Blacks. Furthermore, this structural difference seems to have continued to widen over the last several decades.

Conclusion

Hispanic educational achievements have come a long way over the last several decades but continue to be constrained by the strong immigration flows and the low educational achievements of those flowing in. Thus, although the improvements have been important, the characteristic of immigrant flows remain too strong to completely reverse the trend. This has implications for policymakers and for those institutions that are dedicating resources to help these communities achieve better educational levels.

Furthermore, Hispanic earnings have continued to improve and are catching up to those of Whites and Blacks. We expect this trend to continue as the number of hours worked continues to increase and approach pre-recession levels. Perhaps the most positive trait of Hispanic employment is that Hispanics tend to remain unemployed the least amount of time according to the median duration of unemployment.

Hours worked have declined for all races and ethnicities over the past decade or so.

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