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# Hispanic Economic Outlook

## 2009 – Quarter I

The Quarterly Report of the Hispanic Economic Outlook Committee

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*Welcome to the first quarterly report by the Hispanic Economic Outlook Committee of the American Society of Hispanic Economists. Formed in early 2009, the HEO Committee was designed to monitor and report on a host of Hispanic economic issues on a quarterly basis. The reports will regularly feature Hispanic employment conditions, while other topics will vary.*

### In This Issue

#### **Hispanic Employment Conditions –**

Marie T. Mora

Page 2

#### **Hispanic Homeowners and Worries about Housing –**

Mark Hugo López

Page 5

#### **The Current State of Workers' Remittances –**

Isabel Ruiz and Carlos Vargass-Silva

Page 6

#### **About the HEO Committee –**

Page 8

### Quick Stats

Hispanic Unemployment at 11.4% – Highest Rate since October 1993

Hispanic Employment/Population Ratio at 12½ year low at 60.3%

Ratio of part-time to full-time workers increased from 15.8% to 17.6% among Hispanics last year

Among Hispanic homeowners, 9% missed a mortgage payment in the last year; 3% received a foreclosure notice

More than one-third of Hispanic homeowners worry some or a lot that their home may go into foreclosure this next year

Migrants sent \$300 billion back to their home countries during 2007

Remittances to Latin America have slowed; those to Mexico have fallen for the first time in a decade

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The American Society of Hispanic Economists (ASHE)—a member of the Allied Social Science Association—is a professional association of economists and other social scientists who are concerned with the under-representation of Hispanic Americans in the economics profession and with the lack of research generated on Hispanic American economic and policy issues. Our primary goals include:

1. Promoting the vitality of Hispanics in the economics profession through education, service, and excellence;
2. Promoting rigorous research on economic and policy issues affecting U.S. Hispanic communities and the nation as a whole; and
3. Engaging more Hispanic Americans to effectively participate in the economics profession.

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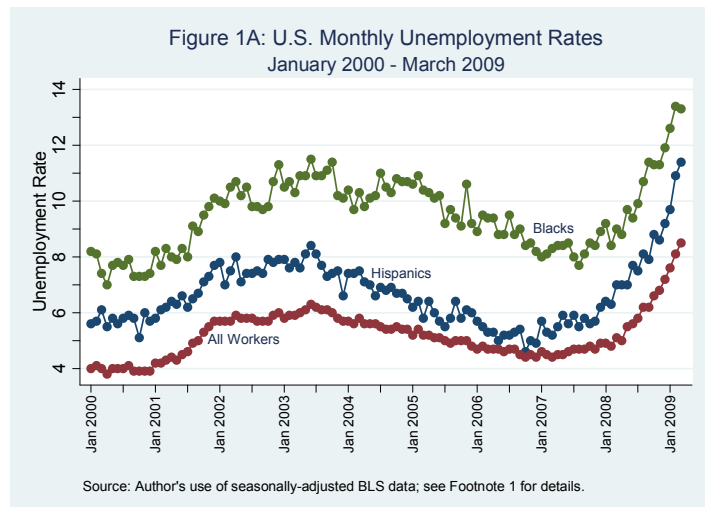
## Hispanic Employment Conditions

Marie T. Mora\*

In March 2009, 2.54 million Hispanic workers were unemployed, and the seasonally-adjusted Hispanic unemployment rate was 11.4%, up from 10.9% the month before and 9.7% in January.<sup>1</sup> Hispanic unemployment now stands 4.4 percentage points higher than just one year ago, and 6.8 points (2.5 times) higher than its nadir of 4.6% (October 2006). Hispanics have not had such high unemployment rates since October 1993.

The 0.5 percentage-point rise in unemployment between February and March 2009 was the fourth consecutive monthly increase for Hispanics. This increase was also slightly higher than the 0.4 point increase that occurred in the nation as a whole (which rose from 8.1% to 8.5%), indicating that the severity of the recession is continuing to hit Hispanics hard.<sup>2</sup> This is not to understate the deterioration in labor market conditions for the nation overall, as the U.S. unemployment rate had not been above 8% in the past 25 years until February 2009. Blacks experienced a slim unemployment-rate decrease (from 13.4% to 13.3%) between February and March 2009, but their employment levels also fell.<sup>3</sup>

Blacks have generally had higher unemployment rates than Hispanics since the federal government began regularly reporting Hispanic employment figures in 1973. However, given the larger increase in the unemployment rate among Hispanics in comparison to Blacks, the difference between the two has narrowed in the past several months. This is apparent in Figure 1A, which shows the monthly unemployment rates for Hispanics, Blacks, and the total civilian workforce (labeled “All Workers”) between January 2000 and March 2009.<sup>4</sup> Between 2004 and 2006, the Hispanic unemployment rate fell more quickly than for Blacks and the workforce as whole, such that in December 2006, the



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<sup>1</sup> See Table A for recent statistics. Unless otherwise noted, the data reported here are from the Bureau of Labor Statistics (BLS), downloaded from [www.bls.gov](http://www.bls.gov) between March 6, 2009 and April 3, 2009. The figures are seasonally adjusted and pertain to non-institutionalized civilians ages 16 and higher in the Current Population Survey.

<sup>2</sup> For a recent discussion about Hispanics at the beginning of the recession, see Kochhar, R. (2009) “Unemployment Rises Sharply among Latino Immigrants in 2008,” *Pew Hispanic Center Report*, Feb 12, 2009.

<sup>3</sup> Because Hispanics can be of any race, the figures for Blacks include some Hispanics.

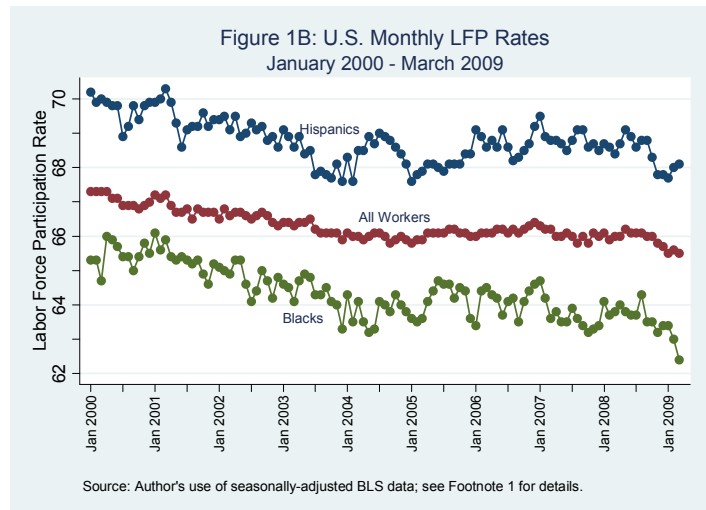
<sup>4</sup> For more detailed discussions of changes in Hispanics labor market outcomes in the early 2000s, see Dávila, A., M.T. Mora, and A.D. Hales (2008) “Income, Earnings, and Poverty: A Portrait of Inequality among Latinos/as in the U.S.,” in H. Rodríguez, R. Sáenz, and C. Menjivar (Eds.), *Latinos in the United States: Changing the Face of America*, New York: Springer Publishing, pp. 181-95; Austin, A., and M.T. Mora (2008) “Hispanics and the Economy: Economic Stagnation for Hispanic American Workers throughout the 2000s,” *Economic Policy Institute Briefing Paper 225*; and Kochhar, R. (2009) “Unemployment Rises Sharply among Latino Immigrants in 2008” *Pew Hispanic Center Report*, Feb 12, 2009.

Hispanic unemployment rate reached parity with the national average. Since 2007, however, the unemployment rate among Hispanics has been rising more quickly in general than for Blacks and the overall workforce.

A small part of the increased unemployment among Hispanics between February and March 2009 likely relates to the slight increase in their labor force participation (LFP) rate, from 68.0% to 68.1%. Between February and March 2009, the LFP rate decreased from 63.0% to 62.4% among Blacks, and from 65.6% to 65.5% in the nation as a whole.

Nevertheless, the slight rise in the Hispanic LFP rate did not restore them to their LFP rates of 2008, which had already declined considerably since the decade began (see Figure 1B). Compared to March 2000, for example, the current Hispanic LFP rate is 1.9 percentage points lower.

The deterioration in LFP rates in recent years indicates that the growing number of unemployed workers has been accompanied by growing numbers of individuals outside of the labor force. For example, using their average LFP rates from 2000, an estimated 537,000 Hispanics and 960,000 Blacks were “missing” from the labor force in March 2009. As such, their unemployment rates should have been higher had labor force attachment remained steady during the past decade.<sup>5</sup>

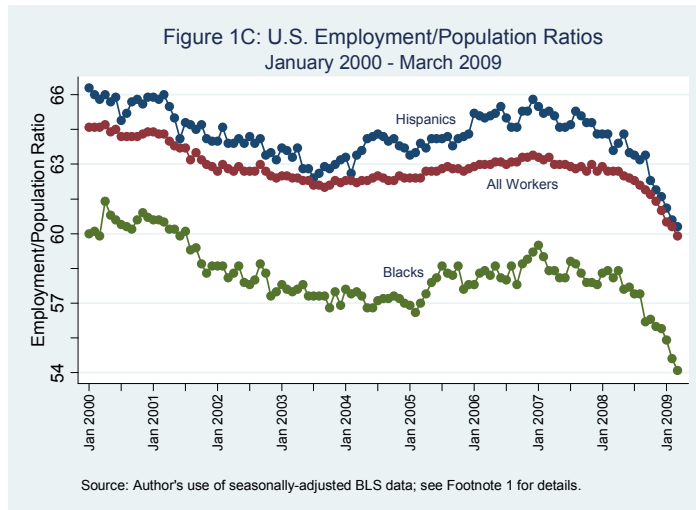


Given that changes in LFP rates can distort patterns in unemployment rates over time, the employment/population (EP) ratios represent another way to gauge changes in employment opportunities. The EP ratio fell for the sixth month in a row among Hispanics to 60.3% in March 2009 (a 12.5-year low), and for the fifth consecutive month among Blacks to 54.1% (a 16-year low). The national EP ratio also declined for the eleventh consecutive month to 59.9%, a near 24-year low.

Despite having higher LFP rates than the national average, the EP ratio of Hispanics has been nearing the national EP ratio during the past several months (see Figure 1C), further illustrating the recent erosion of their labor market opportunities. Blacks in particular have lost ground *vis-à-vis* the population as a whole with respect to employment rates in recent months.

Changes in EP ratios tend to mask changes in the nature of the employment, such as shifting from full-time to part-time work. Indeed, along with a rising unemployment rate and a declining employment/population ratio, Hispanic workers experienced a non-trivial shift from full-time to part-time status in the past year.

<sup>5</sup> To illustrate, including these missing individuals with the officially unemployed yields an unemployment rate equivalent to 13.5% for Hispanics, and 17.8% for Blacks. Similar to the official unemployment rates, these imputed rates for Hispanics have more than doubled in the past two years. Holding the LFP conditions of 2000 constant, the imputed unemployment rate for nation as a whole was 10.7% in March 2009.



In 2008, the part-time/full-time ratios among Hispanic and Black workers were 17.6% and 16.8% respectively (racial/ethnic estimates for 2009 are not yet available). These ratios were higher for both groups than in 2007, before the economic recession began. This was the case particularly for Hispanics, whose ratio of part-time to full-time workers increased by 1.8 percentage points (from 15.8%) between 2007 and 2008. The increase of 0.4 percentage points (from 16.4%) in this ratio among Blacks was slightly less than the 0.5 percentage-point increase (from 20.6% to 21.1%) observed for workers in general during this time.

**Table A:** Selected Labor Market Statistics for Hispanics, Blacks, and All Civilian Workers in the U.S.

Measure (Seasonally Adjusted)	March 2008	January 2009	February 2009	March 2009	QIV 2008	QI 2009
<i>Unemployment Rate:</i>						
Hispanics	7.0%	9.7%	10.9%	11.4%	8.9%	10.7%
Blacks	9.0%	12.6%	13.4%	13.3%	11.5%	13.1%
U.S.	5.1%	7.6%	8.1%	8.5%	6.9%	8.1%
<i>LFP Rate:</i>						
Hispanics	68.4%	67.7%	68.0%	68.1%	68.0%	67.9%
Blacks	63.8%	63.4%	63.0%	62.4%	63.4%	62.9%
U.S.	66.0%	65.5%	65.6%	65.5%	65.9%	65.6%
<i>Employment/Population Ratio:</i>						
Hispanics	63.6%	61.1%	60.6%	60.3%	61.9%	60.6%
Blacks	58.1%	55.4%	54.6%	54.1%	56.1%	54.7%
U.S.	62.7%	60.5%	60.3%	59.9%	61.3%	60.3%

Notes: Hispanics can be of any race. These seasonally-adjusted BLS data pertain to non-institutionalized civilians ages 16 and above in the Current Population Survey. See Footnote 1.

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## Hispanic Homeowners and Worries about Housing

Mark Hugo López\*

The current economic and housing crises are affecting Hispanics and their communities in many ways. According to the Pew Hispanic Center, overall almost six-in-ten (59%) Hispanics say there have been foreclosures in their communities in the past year.<sup>1</sup> Currently, half of all Hispanic adults own their own homes.

Nationally, mortgage loan delinquency and foreclosure rates have increased in recent years. According to the Mortgage Bankers Association (MBA), the national delinquency rate among all outstanding home mortgage loans was 7.9% in the fourth quarter of 2008. The MBA also reports that 3.3% of all mortgage loans were in some part of the foreclosure process in the third quarter of 2008.<sup>2</sup> Among Hispanic homeowners, similar shares report they are experiencing difficulty meeting their home loan obligations. According to the Pew Hispanic Center, nearly one-in-ten (9%) say they have missed a mortgage payment in the last year, and 3% say they have received a foreclosure notice in the last year.

While a small, but significant, share of Hispanics have missed a mortgage payment, many more are worried they may lose their homes to foreclosure. More than one-third (37%) of Hispanic homeowners say they worry some or a lot that their home may go into foreclosure in the next year. This is particularly true of Hispanic immigrants. Among them, over half (53%) say they worry some or a lot that their homes may end up in foreclosure.

According to the Standard & Poor's Case-Shiller Home Price index, nationally housing prices declined by 18.2% between the fourth quarter of 2007 and the fourth quarter of 2008.<sup>3</sup> Just as the nation as a whole has seen declines in housing prices, Hispanic homeowners also report that their home values have fallen. Nearly half (47%) say their homes have declined in value in the last year. And among those homeowners who have seen a decline in their home prices, more than half (53%) say the value has fallen by more than 10% in the last year.

The housing and credit crises have affected not only current Hispanic homeowners but also potential future homeowners. According to the Pew Hispanic Center, 44% of Hispanics say they have delayed plans to buy a home in the past year. Nearly one-in-ten (8%) homeowners said their application for a home equity loan had been denied, and 8% said a home refinance application was not approved in the past year. Among Hispanic renters, one-in-ten (10%) say they had a home mortgage loan application denied in the last year, and 5% said that a home they owned went into foreclosure in the last year.

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<sup>1</sup> This report follows closely the Pew Hispanic Center report "Hispanics and the Economic Downturn: Housing Woes and Remittance Cuts" by M. H. Lopez, G. Livingston, and R. Kochhar, Jan 8, 2009.

<sup>2</sup> See the Mortgage Bankers Association delinquency survey press release, March 5, 2009. Note that foreclosure information by race and ethnicity is not available. As a result, the only available information on how the housing crisis is affecting Hispanics is available through self-reports such as those in the Pew Hispanic Center's survey upon which this report is based.

<sup>3</sup> See Standard & Poor's press release for [Feb 24, 2009](#).

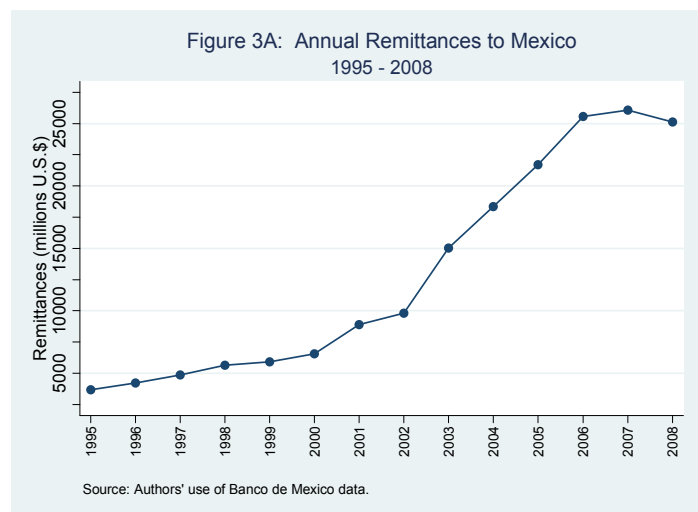
## The Current State of Workers' Remittances

Isabel Ruiz and Carlos Vargas-Silva\*

Remittances – the money migrants send to their country of origin – have captivated the attention of scholars of many different social sciences. A recent report from the World Bank (2008) indicates that migrants sent about \$300 billion back to their home countries during 2007. Recipients of remittances typically spend the money on necessities such as food, housing, health care and educational expenses. Although the net impact of these flows in receiving countries is far from settled in the academic literature, there is no denying that the receiving families benefit from these monies. Remittances may help receiving countries deal with economic crises and can provide the needed, but often unavailable, capital for investment. Furthermore, remittances represent a lucrative business for many banks and money transfer agencies in the United States and abroad.

However, in recent years, the flow of workers' remittances has slowed. According to a recent report by the Pew Hispanic Center,<sup>1</sup> among Hispanic immigrants who sent remittances in the last two years, more than seven-in-ten (71%) say they sent less in the past year compared with the prior year. The report goes on to say that among the foreign-born Hispanics who sent less money abroad in the past year, 83% cite financial circumstances as the main reason.

The numbers reported by Banco de Mexico (Mexico's Central Bank) regarding the flow of remittances also confirm the downward trend of these flows. As shown in Figure 3A, remittances to Mexico (the country that receives the largest volume of remittances in Latin America), have decreased for the first time in more than a decade. Mexican migrants sent \$26 billion in 2006—an increase of 18% from the previous year. However, remittances to Mexico were relatively flat in 2007 and actually decreased in 2008. Moreover, compared to other regions, Latin America had the lowest growth of remittances in 2008 with less than one percent.<sup>2</sup>



The effects of the current recession are widespread. However, migrants and Hispanics in the U.S. have been particularly impacted. The downturn in the housing market, and subsequently the construction jobs sector, has hit Hispanic migrants particularly hard because Hispanic workers tend to concentrate in this sector. In fact, the Pew Hispanic Center estimates that of the 2.9 million Hispanics employed in the U.S. construction industry in

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<sup>1</sup> López, M., G. Livingston, and R. Kochhar (2009) "Hispanics and the Economic Downturn: Housing Woes and Remittance Cuts," *Pew Hispanic Center Report* Jan 8, 2009.

<sup>2</sup> World Bank, *Migration and Remittances Factbook*, 2008.

2006, 2.2 million were foreign born, representing about 19% of the industry's labor force.<sup>3</sup> What's more, according to the U.S. Bureau of Labor Statistics, overall Hispanic unemployment in the U.S. has been climbing steadily. As discussed earlier in this report, the unemployment rate for Hispanics rose to 11.4% in March 2009, with 2.54 million unemployed Hispanics.

Other experts point to tougher migration controls, the recent raids of factories that employ undocumented workers, and the crackdown on undocumented workers as reasons for the recent decrease in migrants' flows.<sup>4</sup> These factors make it more difficult for undocumented workers to enter or stay in the U.S. and make job opportunities for immigrants scarcer over time. This may discourage some undocumented migrants from crossing the border, and may encourage other migrants to return back home.

Mexico and Brazil have been particularly affected by the downturn in remittances. The Inter-American Development Bank estimates that the recent decline in financial flows will affect at least 2 million people in Mexico. Moreover, it is claimed that remittances will contribute 1.7% less to household income in Latin America and the Caribbean than in 2007. This drop in remittances growth has also affected other Latin American countries such as El Salvador and Guatemala, countries for which remittances represent a significant proportion of their Gross Domestic Product (GDP). This leaves us wondering, how are families and those left behind going to cope with this cut in remittance income?

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<sup>3</sup> Pew Hispanic Center "Construction Jobs Expand for Latinos despite Slump in Housing Market." Fact Sheet, March 7, 2007.

<sup>4</sup> Ratha, D. and Mohapatra, S. (2009) "Migration and Development Brief 9" World Bank.

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***About the Hispanic Economic Outlook Committee of the American Society of Hispanic Economists –***

Formed in early 2009, this Committee was designed to monitor and report on a host of Hispanic economic issues on a quarterly basis. The views expressed in this report are those of the authors, and do not necessarily represent the views of their respective employers or of ASHE.

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