



THE STATE OF HISPANIC EMPLOYMENT

2023 Mid-Year Report



— FREEDOM DRIVES PROGRESS —



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State of Hispanic Employment

Mid-Year Report 2023

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Executive Summary

- Hispanics in the labor market continue to show resilience and growth post-COVID, but it remains to be seen if the growth that has occurred will continue, especially given forecasts indicating that the overall U.S. unemployment will likely rise through the end of the year.[1]
- Hispanic' job growth makes up 18.7 percent of total job growth from January 2023 to June 2023.[2]
- Hispanic labor force participation has still not returned to pre-COVID (Feb 2020) levels. If it had there would be 285,800 more people in the labor force.[3]

Introduction

Before assessing what has occurred over the last 6 months it is important to understand the economic context surrounding the 2023 labor market. According to the National Bureau of Economic Research, the COVID recession ended in April of 2020.[4] Following this economic trough, recovery ensued.

Now that the U.S. is well into the post-COVID period, the state of the economy is showing mixed signals. Inflation which has gone down since hitting a 40-year high in July of last year remains elevated, continuing to disproportionately affect Hispanics.[5] Bankruptcy filings have risen dramatically over the last 6 months, the housing market is lukewarm, and wage growth appears to be slowing.[6] Despite these indicators, the labor market, by comparison, appears to be doing well. What remains to be seen is if the labor market can be sustainably strong and if it can do so as other factors in the economy shift or if the strength that is being seen now is short-lived and has just moved a previously predicted economic decline to later this year or next.[7]

Despite a muddy economic outlook, the Hispanic labor force continues to grow and be an increasing share of overall U.S. workers with high rates of business creation and labor force participation. While the Hispanic community was disproportionately hurt by the COVID-19 related recession, it has been resilient. The current situation for Hispanics in the U.S. economy is one of immense potential. That said, the potential for growth is not immune to external shocks or poor policy decisions. This report will highlight and provide an overview of Hispanic labor market indicators and their movement during the first half of 2023.

Population and Employment

The first half of 2023 saw steady Hispanic population growth, 0.98 percent (463,000 more Hispanics), a small upward tick compared to the growth that was seen in previous years. The first half of 2022 saw population growth of 0.83 percent (379,000 more Latinos) and the first half of 2021 saw 0.91 percent population growth. Overall population growth in the U.S. is much lower at 0.31 percent in the first half of 2023.[8]

The differences in population growth are telling. The United States as a whole has seen a drop in birthrates as well as life expectancy.[9] The Hispanic population which is growing rapidly and is on average younger than the non-Hispanic population is expected to play a crucial role in the future labor market. Bureau of Labor Statistics data project that nearly 80 percent of net new workers between 2020 and 2030 will be Hispanic.[10]

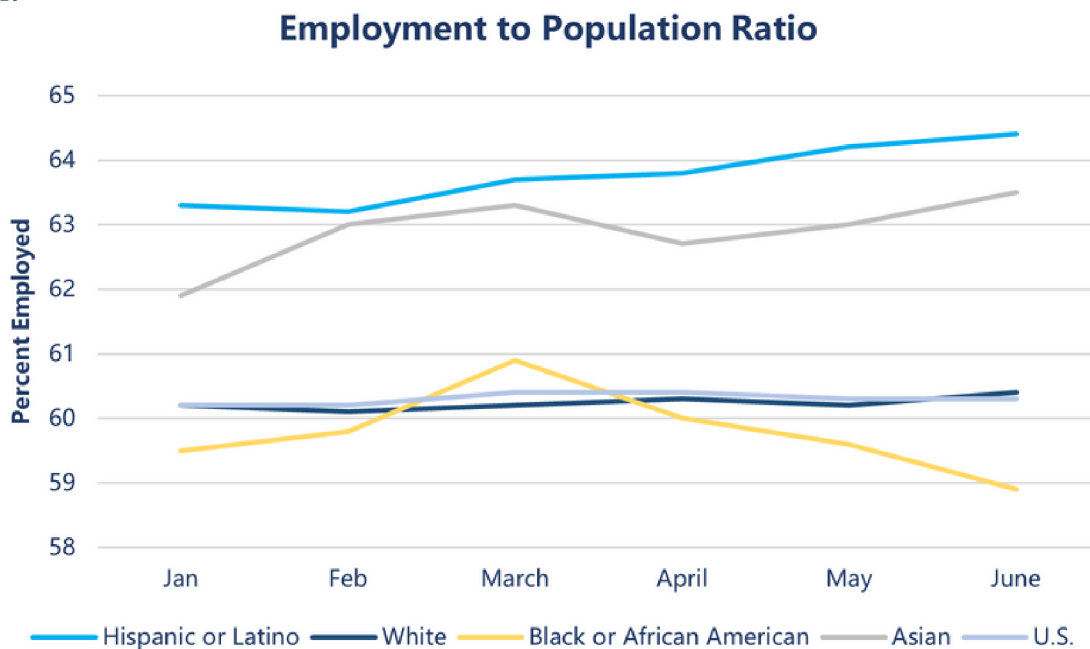
While employment among Hispanics has also risen with population, the same has not necessarily occurred with other groups. Figure 1 shows the changes in the employment to population ratio among different demographic groups.

Hispanic employment has risen by 834,000 individuals (2.8 percent) since January 2023. Higher Hispanic employment that is keeping pace with and exceeding population growth enables the modest but steady growth in the

employment to population ratio. Some of this growth could be due to the average age of Hispanics, which is less than the rest of the population. A relatively younger population and one with higher birth rates would likely have more and more individuals reaching the age of employment.

Other demographic groups have seen mixed results this year. Both Asian and African Americans saw a decline in their employment to population ratio between March and April. While Asian Americans have bounced back from that small dip and are now seeing increases to employment population ratio similar to those seen by Hispanics, Black Americans have trended downward since March. White employment is holding a middle ground, without seeing the same kind of decline in the earlier months of 2020 or particularly strong growth.[11]

Figure 1.



Author's representation of data from U.S. Bureau of Labor Statistics, Employment-Population Ratio, [LNS12300009, LNS12300003, LNS12300006, LNU02332183, EMRATIO], retrieved from FRED, Federal Reserve Bank of St. Louis

Unemployment

The COVID-19 pandemic hit industries that have a high percentage of Hispanic workers, specifically agriculture, construction, food service and hospitality. Prior to the COVID-19 pandemic, these were industries where Hispanics were overrepresented, 30 percent, 30 percent, 25 percent, and 25 percent respectively.[12]

Given the seasonal nature of many of these industries it is challenging to discern a clean trend. The overall assessment of these industries is mixed. Some, like construction, have largely seen employment growth and are more or less back to trend while other industries like leisure and hospitality are still lagging and arguably have not recovered from the COVID-19 shock.[13]

While circumstances vary by industry, topline Hispanic unemployment appears to have largely returned to pre-pandemic levels, 3.3 percent for men over 20 and 4.3 percent for women over 20 as of June 2023.

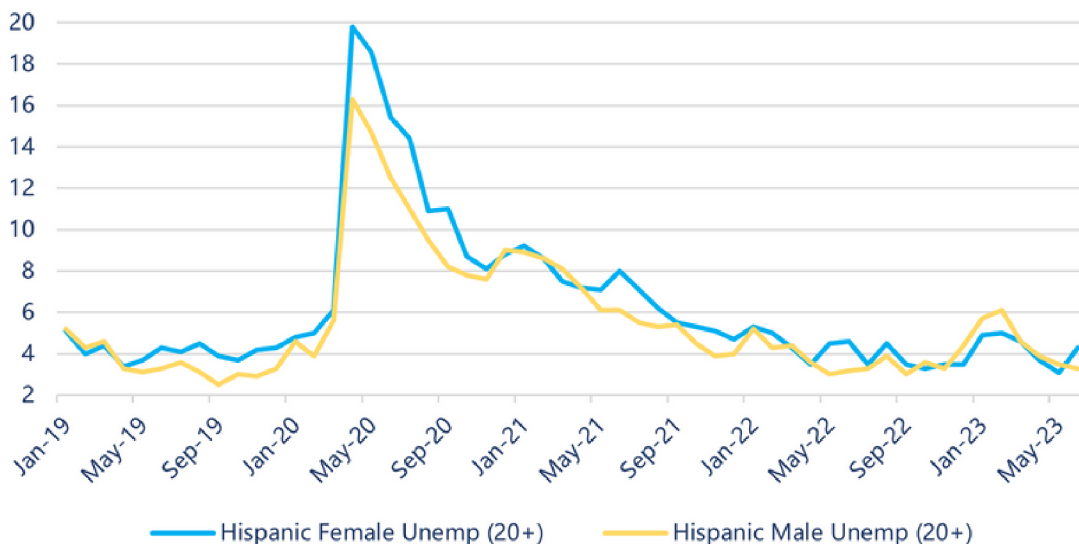
In September of 2022, Hispanic unemployment hit a historic low of 3.9 percent, which broke the previous all-time low that occurred in September 2019.[14]

When looking at Hispanic unemployment trends by gender it's clear that women bore the brunt of job loss during the pandemic and their unemployment rate relative to Hispanic men was even slightly elevated before the COVID-19 shock. The start of this year saw a slight uptick in the unemployment rate for both prime-age Hispanic men and women which slightly disrupted the overall downward trend that has occurred since the unemployment peak in April 2020.

According to projections done by the Congressional Budget Office, unemployment is expected to rise through the end of the year up to 5.1 percent.[15] The recent June numbers for overall Hispanic unemployment rate stood at 4.3 percent and total U.S. unemployment was at 3.6. [16] It is unknown how that expected rise in unemployment will affect specific groups or industries.

Figure 2.

Hispanic Unemployment Rate (20 years and older)



Author's representation of data from U.S. Bureau of Labor Statistics, Employment-Population Ratio [LNU04000035, LNU04000034], retrieved from FRED, Federal Reserve Bank of St. Louis

Labor Force Participation

Labor force participation among Hispanics remains the highest among all demographic groups and has been leading on this metric for nearly three decades.[17] Over the first half of the year Hispanic labor force participation has risen by one percentage point from 66.3 percent to 67.3.[18] For context overall labor force participation rose 0.2 percentage points over the same time period. Even though the growth in labor force participation is positive, it has not returned to its pre-COVID level of 67.9 percent in February of 2020. If it had there would be an additional 285,800 Hispanics in the labor force.[19]

Looking to other demographic groups, the only one that has recovered and now surpassed its pre-Covid (Feb 2020) labor force participation rate are Asian Americans who are now at 65.7 percent up from 64.5 percent in February 2020. With other groups trending lower and growth trending flatter than both Asians and Hispanics, it's clear that these two groups are driving and leading on labor force participation growth.[20]

Looking Forward

The Hispanic labor force continues to show its resilience in the face of external shocks like COVID-19 and persistently high inflation. Assuming population and labor force participation growth continue on their current upward trajectory Hispanics will be an increasingly important and significant part of the US economy. The Bureau of Labor Statistics has estimated that over the next 10 years over 80% of net new workers will be Hispanic.[21] With increases in educational achievement this community's influence will remain less and less confined to lower skilled industries. For example, we are already seeing significant growth in the percent of Hispanics involved in

the technology and health care sectors which will only continue to grow. In addition to entering rapidly growing industries that often struggle to find talent, Hispanics also have the highest rate of entrepreneurship of any other demographic and are over 30 percent more likely to have their own business than the overall U.S. population. [22] The Hispanic labor market, at least in the near term, is unpredictable. Ideally labor force participation rate continues to rise, and the high end-of-year unemployment expectations can be avoided.

In order for a best-case scenario to occur however, work needs to be as accessible as possible. That means removing regulations and stopping efforts that keep individuals out of the labor market. Burdensome occupational licensing requirements, attacks on independent work, and regulations that increase costs on businesses all put economic stability at risk particularly at a time when non-labor market indicators aren't strong.

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