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1615 L Street, NW, Suite 700  
Washington, DC 20036  
Phone: 202-419-3600  
Fax: 202-419-3608

[www.pewhispanic.org](http://www.pewhispanic.org)

# **Latino Labor Report, 2003: Strong but Uneven Gains in Employment**

by

**Rakesh Kochhar**

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## Executive Summary

Latinos experienced substantial gains in the U.S. labor market in 2003 with the number of Hispanics added to the employment rolls twice as high as in 2002 and unemployment easing downward. For the first time since January 2000, Latinos experienced sustained increases in employment that outpaced population growth. The surge in the hiring of Hispanics which began in the second half of 2003 also resulted in employment gains that surpassed the gains of non-Hispanics by several measures. The increase in the number of Latinos employed over the course of the year was nearly double the mark for non-Latinos, suggesting that Latinos took a disproportionate share of new job opportunities.

A Pew Hispanic Center analysis of data from the Bureau of Labor Statistics and the Census Bureau shows that although the so-called “jobless recovery” seems to have turned around for Latinos overall, the gains were unevenly distributed across the Hispanic population. Immigrant males, especially the most recently arrived, showed by far the greatest increase in employment, and the construction industry alone accounted for more than half of the total Latino job gains. Meanwhile, native-born Hispanics, particularly those of the fast-growing second generation, did not do nearly as well. Other indicators suggest that the unemployment rate for Latinos may have dropped in part because a large number of discouraged workers have given up trying to find jobs.

Major findings of this report include:

- Hispanic unemployment increased in the first half of 2003 and the unemployment rate for Latinos peaked at 8.2 percent in June 2003. Concurrently, the proportion of the Hispanic working-age population that is employed trended downwards, reaching a low point of 62.5 percent in July 2003. These outcomes were consistent with trends exhibited since the 2001 recession.
- Signs of a reversal in those trends appeared in the second half of 2003, as, for the first time since 2000, the Hispanic unemployment rate showed consistent declines, falling from 8.2 percent in June 2003 to 6.6 percent in December 2003. The proportion of the Hispanic working-age population that is employed also moved up in the latter half of 2003, reaching 63.3 percent in December 2003.
- The number of employed Hispanics increased by 659,641 workers from the fourth quarter of 2002 to the fourth quarter of 2003. This increase was more than double the increase in employment in the preceding year. Across the same time frame from 2002 to 2003, the number of employed non-Hispanics increased by 371,066.
- For much of 2003, the increase in Hispanic employment was driven by males, immigrants, especially those who entered the U.S. since 2000, and construction workers.
- The number of unemployed Hispanics fell by more than 100,000 between the fourth quarters of 2002 and 2003. However, at least part of the decline in Hispanic unemployment is a consequence of reduced participation in the labor force by Latino workers. The propensity of Hispanics to participate in the labor force is currently at its lowest level since the start of 2000.

- Despite gains in employment and reductions in unemployment, the wages of Hispanic workers were stagnant in 2003.

This report tracks the labor market trends for Hispanics in 2003 and is organized into four principal sections. Following a brief introductory section, Section 2 reviews the monthly trends in the major labor market indicators for Hispanics since January 2000. Section 3 presents the analysis of changes in Hispanic employment and wages in 2003. The final section examines changes in employment by selected characteristics of Hispanic workers. A comprehensive statistical profile of the Hispanic and non-Hispanic labor force is available at the Web site of the Pew Hispanic Center ([www.pewhispanic.org](http://www.pewhispanic.org)). Those tables may be referenced to acquire additional detail on many of the points covered in the following discussion.

### **1. The Context: Boom, Recession, and the Jobless Recovery**

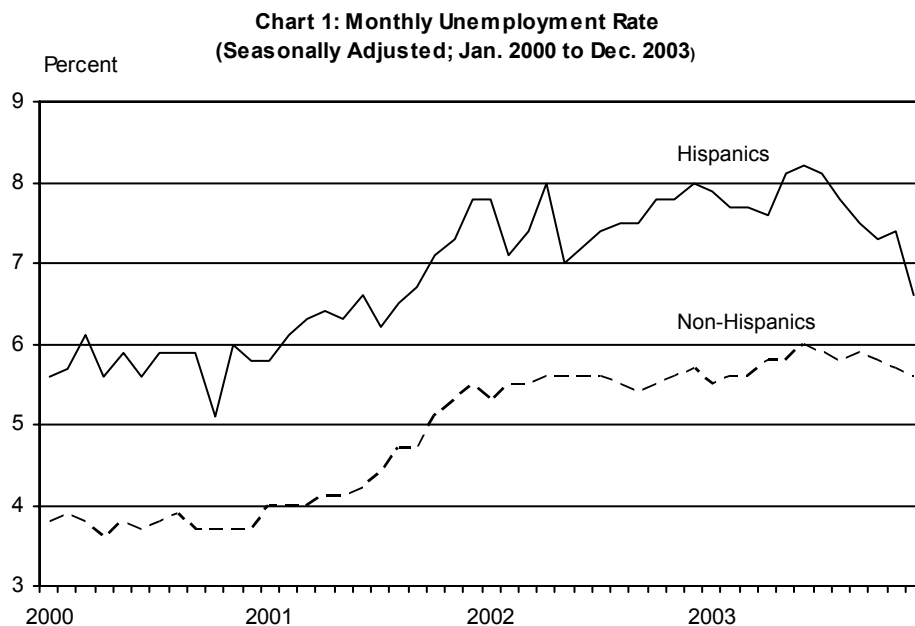
The labor market developments in 2003 are better understood in the context of a business cycle that saw a long expansion in the 1990s, a short recession in 2001, and then a period of overall stagnation in the labor market that has come to be known as the jobless recovery. At the beginning of 2000, labor market indicators for Hispanics, as well as other workers, showed the positive effects of the longest economic expansion in modern U.S. history. The unemployment rate for Hispanics, which had been in the double digits at the end of the 1990-1991 recession, had declined to levels below six percent. Employment growth in the expansion was strong enough to cause a 10 percentage point increase in the proportion of the Hispanic working-age population (age 16 years and above) that was employed. Given the brighter job prospects, more and more Latinos chose to enter the labor force and, by the year 2000, 70 percent of the Hispanic working-age population was participating in the labor force, an increase of three percentage points in a relatively short period of time.

The sharp improvement in labor market outcomes for Hispanics was interrupted by the 2001 recession that brought the ten-year expansion to an end. The unemployment rate began to climb, and even though the recession officially came to an end in November 2001, unemployment continued to increase through 2002. By the end of 2002, the Latino unemployment rate stood at eight percent. The increase in the unemployment rate would have been even higher but for the fact that many Hispanic workers were so discouraged that they did not actively look for work. The Hispanic labor force participation rate—the labor force expressed as a proportion of the working-age population—started to shrink from a high of 70 percent in 2000 and had fallen below 69 percent by the end of 2002. On the positive side, the number of employed Hispanic workers increased by nearly 400,000 between 2000 and 2002. But, job growth did not keep up with population growth. As a result, the proportion of the Hispanic working-age population that was employed, the employment-to-population ratio, slipped backwards by about three percentage points in just two years, from 66 percent in December 2000 to 63.3 percent in December 2002.

## 2. The Decline in Unemployment: A Good News/Bad News Story

Data from the Bureau of Labor Statistics (BLS) show a continuous increase in the unemployment rate for Hispanics and non-Hispanics from the start of 2001 to the middle of 2003. But, from June through the end of 2003 the unemployment numbers improved for all workers. The decline in the unemployment rate for Latinos, however, is a good news-bad news story because two distinctly different trends became evident in 2003. On the one hand, the share of the Hispanic population with jobs increased as measured by the employment-to-population ratio. On the other hand, the share of that population that had simply given up on trying to find work, and thus was no longer officially counted as unemployed, also increased as indicated by the fall in the labor force participation rate. This section tracks changes in the unemployment rate, the employment-to-population ratio, and the labor force participation rate from January 2000 to December 2003.

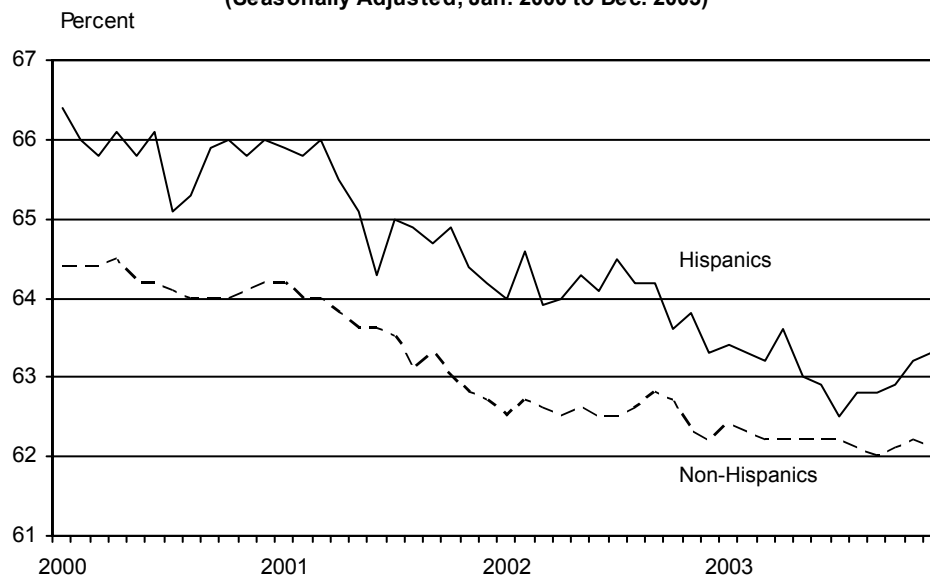
Chart 1 below shows the increase in the unemployment rate through June 2003 and its subsequent decline. In January 2000, the seasonally-adjusted Hispanic unemployment rate stood at only 5.6 percent. By the end of 2000, predating the start of the recession by three months, the Hispanic unemployment rate began a steady march upwards and peaked at 8.2 percent in June 2003. Since then, the job market prospects for Hispanics have brightened as the unemployment rate in December 2003 was 6.6 percent—a drop of 1.6 percentage points since June 2003. That is the lowest rate of unemployment for Latinos since August 2001. Thus, in the last six months of 2003, the Hispanic unemployment rate recovered nearly two-thirds of the ground it lost in the previous thirty months, but by the end of 2003 it was still a full percentage point above the rate in January 2000. The period since June 2003 has also been beneficial to non-Hispanics. The unemployment rate for non-Hispanics dipped from 6 percent in June 2003 to 5.6 percent in December 2003.



Source: Bureau of Labor Statistics. The data for 2000-2002 have been adjusted by the Pew Hispanic Center to make them comparable to 2003 data affected by revisions to the Current Population Survey starting in January 2003.

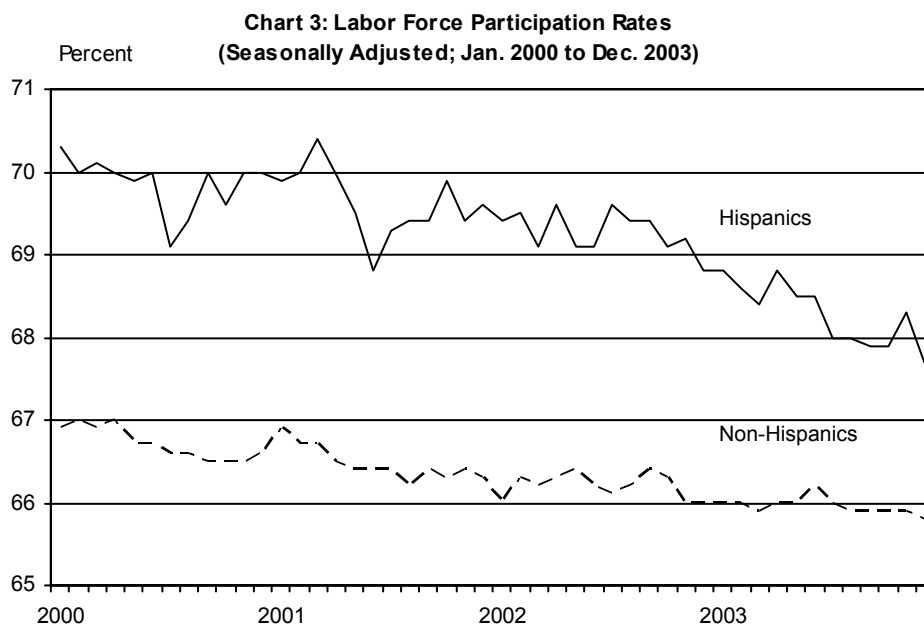
Rising employment in the second half of 2003 seems to have ended one of the most notable trends evident during the economic downturn. During the recession and its aftermath, increases in employment for Latinos, while significant, did not keep up with growth in the population. Starting in July 2003, Hispanics experienced an increase in the employment-to-population ratio, the proportion of the population that is employed. It was the first rebound in this indicator since January 2000, meaning that the increase in employment was starting to exceed the growth in the Hispanic population (Chart 2). Between July and December 2003, this ratio for Hispanics increased by nearly a full percentage point—from 62.5 percent to 63.3 percent. A sustained increase in the ratio will be necessary to fully restore the balance between employment and population growth that existed prior to the 2001 recession. As Section 3 of this report will indicate, gains in the second half of 2003 did not offset a slower employment increase in the first half of the year, so that for the whole year, the employment-to-population ratio declined.

**Chart 2: Employment-to-Population Ratios**  
(Seasonally Adjusted; Jan. 2000 to Dec. 2003)



Source: Bureau of Labor Statistics. The data for 2000-2002 have been adjusted by the Pew Hispanic Center to make them comparable to 2003 data affected by revisions to the Current Population Survey starting in January 2003.

Despite the improvement in employment, signs of slack in the labor market linger. Chart 3 shows that in 2003 both Hispanics and non-Hispanics experienced declines in labor force participation rates—the share of the working-age population that is either working or looking for work. In fact, the drop was particularly noticeable for Latinos, from 68.8 percent in December 2002 to 67.7 percent in December 2003, which means that a shrinking proportion of the Latino population is an active participant in the labor force. The decline in this indicator helps explain the fall in the Hispanic unemployment rate since June 2003, because workers who cease to look for work actively are considered to be out of the labor force and are no longer counted as unemployed. If the labor force participation rate for Hispanics rebounds towards its January 2000 level of 70.3 percent, one could expect an upward pressure on the unemployment rate for Latinos.



Source: Bureau of Labor Statistics. The data for 2000-2002 have been adjusted by the Pew Hispanic Center to make them comparable to 2003 data affected by revisions to the Current Population Survey starting in January 2003.

The data in Charts 1, 2 and 3 also make another point clear: by any measure, labor market outcomes for Hispanics and non-Hispanics remain below the levels attained prior to the 2001 recession. Thus, despite recent improvements, full recovery in the key labor force indicators still appears to be some distance away.

### 3. Changes in Employment and Wages from 2002 to 2003

How did the labor market trends translate into changes in the actual numbers of workers employed and unemployed in 2003? And, what was the impact on earnings? Tabulations by the Pew Hispanic Center show increases in the numbers of employed Hispanic and non-Hispanic workers in the past year. For Hispanics, the number of unemployed workers also fell, but the unemployment rolls for non-Hispanic workers continued to increase, albeit at a slower pace than before. However, wages for all workers remained stagnant in 2003.

Prior to discussing the trends in 2003, it is useful to review some relevant findings from the October 2003 Pew Hispanic Center report on the economic recession and recovery titled “Jobs Lost, Jobs Gained: The Latino Experience in the Recession and Recovery.” Those findings provide the context for labor market developments in 2003. In the one-year period from the fourth quarter of 2001 to the fourth quarter of 2002, Latino employment increased by 279,647 workers and unemployment increased by 77,119 workers.

The latest tabulations by the Pew Hispanic Center show considerable improvement in the counts of Hispanic employed and unemployed workers in 2003. As shown in Table 1, the improved conditions in the labor market in 2003 translated into jobs for an additional 659,641

Hispanic workers, measured from the fourth quarter of 2002 to the fourth quarter of 2003.<sup>1</sup> That is more than double the growth in Latino employment over the preceding year. In the year ending in the fourth quarter of 2003, 105,552 Latinos also left the unemployment rolls and the unemployment rate for Hispanics declined from 7.8 to 7.1 percent. Again, these performance indicators are much improved over the prior one-year period.

**Table 1: Labor Market Status of Hispanics and Non-Hispanics  
Fourth Quarter, 2002 to Fourth Quarter, 2003 (Non-Seasonally Adjusted)**

	Year and Quarter		Change: 2002:4 to 2003:4
	2002:4	2003:4	
<b>Hispanics</b>			
Population (Age 16+)	26,679,616	28,009,420	1,329,804
Labor Force	18,501,881	19,055,970	554,089
Labor Force Participation Rate (%)	69.3	68.0	-1.3
Employment	17,050,550	17,710,191	659,641
Employment-to-Population Ratio (%)	63.9	63.2	-0.7
Unemployment	1,451,331	1,345,779	-105,552
Unemployment Rate (%)	7.8	7.1	-0.8
<b>Non-Hispanics</b>			
Population (Age 16+)	192,578,469	194,222,362	1,643,893
Labor Force	127,363,377	127,968,576	605,199
Labor Force Participation Rate (%)	66.1	65.9	-0.2
Employment	120,727,584	121,098,650	371,066
Employment-to-Population Ratio (%)	62.7	62.4	-0.3
Unemployment	6,635,793	6,869,926	234,133
Unemployment Rate (%)	5.2	5.4	0.2

Source: Pew Hispanic Center tabulations of Current Population Survey data. For computing the change from 2002:4 to 2003:4, data for 2002:4 were adjusted to reflect the effect of January 2003 revisions in the CPS.

For non-Hispanic workers, annual progress measured from the fourth quarter of 2002 to the fourth quarter of 2003 was more mixed as employment was up, but so was the number of unemployed workers. In this time period, 371,066 non-Hispanic workers found employment and the number of unemployed non-Hispanic workers increased by 234,133. At the same time, the non-Hispanic unemployment rate went up from 5.2 to 5.4 percent. Nonetheless, just as it was the case with Latino workers, 2003 was a year of progress for non-Hispanic workers. In comparison, for the four quarters from the end of 2001 to 2002, non-Hispanic employment had increased by only 95,341 workers, unemployment had gone up by 304,899 workers, and the non-Hispanic unemployment rate had risen by 0.2 percentage points.

These labor force developments are taking place amidst long-term demographic trends that are going in distinctly different directions for the Hispanic and non-Hispanic labor force. These dynamics were discussed in detail in the Pew Hispanic Center report of October 2003 titled “Jobs Lost, Jobs Gained: The Latino Experience in the Recession and Recovery.” In brief, from the fourth quarter of 2002 to the fourth quarter of 2003, the number of Latinos added to the labor force, 554,089, was almost the same as the number of non-Hispanics, 605,199, even though the non-Hispanic labor force is nearly seven times larger. That is a direct effect of the much more rapid growth of the Hispanic population compared to the non-Hispanic population. Underscoring



the demographic trend, the increase in the number of employed Hispanics from the last quarter of 2002 to the last quarter of 2003 was almost double that of non-Hispanics. This fact, and the finding that the number of unemployed Hispanics decreased while the number of unemployed non-Hispanics increased, suggests that the Hispanic labor force is well matched to the emerging job opportunities, and that Latinos are holding jobs that are surviving the ongoing realignments in the labor market to some greater extent than non-Latinos. Section 4 of this report will examine which sectors of the Hispanic labor force made the most gains and the industries in which Latinos found jobs.

Nonetheless, there are indications that the labor market was less efficient at absorbing the population increases for Hispanics than for non-Hispanics. Both the employment-to-population ratio and the labor force participation rate declined more steeply for Hispanics compared to non-Hispanics. As shown in Table 1, the number of employed Hispanic workers expressed as a percentage of the working-age population, or the employment-to-population ratio, decreased by 0.7 percentage points from the fourth quarter of 2002 to the fourth quarter of 2003. Thus, despite signs of improvement in the second half of 2003 noted above, employment growth for Hispanics in the full calendar year lagged behind the growth in their working-age population. Consistent with that outcome is the downward slide in the percentage of the Hispanic working-age population participating in the labor force, or the labor force participation rate. That rate shows a decline of 1.3 percentage points from the fourth quarter of 2002 to the fourth quarter of 2003, and is a sign of discouragement among Latino workers.

The extent to which labor is being underutilized in an economy, as opposed to being strictly unemployed according to the official definition, is captured by an alternative indicator of unemployment that encompasses workers normally considered outside of the labor force. This measure, termed U-6 by the BLS, adds all workers marginally attached to the labor force to the count of those considered unemployed by the traditional definition. These are workers who may not be actively seeking work at the moment but have looked in the recent past, and wish to work if possible. In addition, persons currently working part-time for economic reasons, but desiring and available to work full-time, are also added to this alternative measure of unemployment.

**Table 2: The Traditional and Alternative Rates of Unemployment for Hispanics and Non-Hispanics  
First Quarter, 2003 to Fourth Quarter, 2003 (Non-Seasonally Adjusted)**

	Traditional Rate of Unemployment				Alternative Rate of Unemployment			
	2003:1	2003:2	2003:3	2003:4	2003:1	2003:2	2003:3	2003:4
<b>All Workers</b>	6.4	6.1	6.0	5.6	11.1	10.6	10.4	10.0
Hispanics	8.5	7.6	7.8	7.1	15.8	14.3	14.3	14.3
Non-Hispanic Whites	5.2	4.9	4.8	4.5	9.1	8.7	8.5	8.0
Non-Hispanic Blacks	10.9	11.1	11.2	10.3	17.0	17.0	17.4	16.2
Non-Hispanic Others	7.3	7.6	7.2	6.9	13.0	12.5	12.1	12.0

Source: Pew Hispanic Center tabulations of Current Population Survey data. In addition to unemployed workers included in the traditional measure, the alternative rate of unemployment includes workers employed part-time for economic reasons, discouraged workers, and other marginally attached workers who are not currently looking for work but have looked in the recent past, and are available for work.

Table 2 shows the traditional and alternative measures of unemployment for each of four racial/ethnic groups. The alternative indicator of unemployment is much higher than the traditional measure for all racial/ethnic groups. It is also the case that the percentage point gap in the alternative rate of unemployment between non-Hispanic Whites and the other racial/ethnic groups is larger than the gap in the traditional rate of unemployment between non-Hispanic Whites and other groups. For Hispanics, the unemployment rate in the fourth quarter of 2003 was 7.1 percent, but the alternative rate of unemployment, at 14.3 percent, was double that rate. For non-Hispanic Whites, the traditional and alternative rates of unemployment in the fourth quarter of 2003 were 4.5 percent and 8 percent, respectively. The gap between the two measures of unemployment reveals the presence of a sizeable contingent of workers waiting for labor market conditions to improve. Unless employment prospects improve sufficiently to absorb them, when these workers begin to return to the labor force, one can expect increases in the count of unemployed workers and in the traditional unemployment rate for all groups, perhaps more so for minority groups.

**Table 3: Mean and Median Weekly Earnings in Real Dollars for Hispanics and Non-Hispanics, 2002 and 2003**

Year and Quarter	Non-Hispanics				All Workers
	Hispanics	Whites	Blacks	Others	
<b>Mean Wage</b>					
2002:1	501	727	580	720	684
2002:2	495	723	552	714	677
2002:3	501	723	550	728	677
2002:4	507	723	545	731	677
2003:1	521	719	569	724	676
2003:2	495	727	561	723	678
2003:3	506	723	555	726	676
2003:4	494	729	571	706	680
<b>Median Wage</b>					
2002:1	405	599	479	548	547
2002:2	403	592	474	564	534
2002:3	408	589	449	565	538
2002:4	407	587	461	568	547
2003:1	403	581	477	580	543
2003:2	402	592	469	579	541
2003:3	400	599	461	576	546
2003:4	400	600	480	560	550

Source: Pew Hispanic Center tabulations of Current Population Survey data. All wages are expressed in the prices of the fourth quarter, 2003.

More omens of the slack in the labor market are present in Table 3 which shows that the employment gains in 2003 did not translate into wage gains for Hispanics. The mean weekly earning (in 2003, fourth quarter, prices) for Hispanics actually fell from \$507 in the fourth quarter of 2002 to \$494 in the fourth quarter of 2003. Because the mean can be distorted by movements at either the low end or the high end of the income distribution, it is also useful to look at the behavior of median earnings. The median is the level that divides the income distribution into two, with one-half of workers earning more and the other half earning less than

the median earning. Like the mean, the median weekly earning of Hispanic workers also fell in 2003, from \$407 in the fourth quarter of 2002 to \$400 in the fourth quarter of 2003.

There was moderate growth in the median weekly earnings of non-Hispanic Whites, up by 2.2 percent in 2003, from \$587 to \$600. Median weekly earnings for non-Hispanic Blacks increased from \$461 to \$480, or by 4.1 percent, but this gain must be balanced against their persistently high double-digit unemployment rate. Wages for all other non-Hispanic workers decreased as well. For all workers combined, real earnings were essentially unchanged in 2003. That happened despite rapid strides reported in labor productivity for 2003, and is a sign of that the labor market remains a buyer's market for now.

#### 4. Changes in Employment by Gender, Nativity, and Other Characteristics

Recent employment gains for Hispanic workers were concentrated in narrow segments of the Latino labor force. Hispanic males, immigrants, and especially immigrants arriving since 2000, benefited the most, and a large share of them worked in the construction industry. Thus, the improved labor market performance of Hispanics has been skewed, and a recovery for a wider segment of the Latino labor force may be some distance in the future.

The evidence underlying the aforementioned findings is presented in Table 4. The analysis is constrained somewhat by important revisions to the source data, the Current Population Survey (CPS). A note at the end of this report outlines the impact of those revisions. The principal constraint is that the analysis of changes in employment is limited to measuring movements from one quarter to the next within 2003 using non-seasonally adjusted data. Thus, at least some of the change in employment from one quarter to the next is due to seasonal variations, and the pattern of those movements may differ from that discussed in Section 2. Also, the total change in employment shown in Table 4 reflects three quarter's, and not a full year's, worth of change. Detailed tables on the Web site of the Pew Hispanic Center ([www.pewhispanic.org](http://www.pewhispanic.org)) present additional data on changes in employment by the characteristics of Hispanic and non-Hispanic workers.

**Table 4: Changes in Employment by Selected Characteristics of Hispanic Workers  
First Quarter, 2003 to Fourth Quarter, 2003 (Non-Seasonally Adjusted)**

	Employment by Year and Quarter				Change Over Prior Quarter			Total Change
	2003:1	2003:2	2003:3	2003:4	2003:2	2003:3	2003:4	
All Hispanics	17,061,748	17,429,990	17,373,497	17,710,191	368,242	-56,493	336,694	648,443
Males	10,215,372	10,498,743	10,583,628	10,775,915	283,371	84,885	192,287	560,543
Females	6,846,376	6,931,249	6,789,870	6,934,276	84,873	-141,379	144,406	87,900
First Generation	9,917,941	10,391,136	10,433,753	10,600,680	473,195	42,617	166,927	682,739
Year of Entry: 2000 or later	1,056,400	1,375,293	1,412,529	1,555,269	318,893	37,236	142,740	498,869
Construction Industry	1,817,772	2,048,047	2,182,984	2,205,685	230,275	134,937	22,701	387,913

Source: Pew Hispanic Center tabulations of Current Population Survey data.

The data in Table 4 show that Hispanic employment from the first to the final quarter of 2003 increased by 648,443 workers. Males, immigrants—notably those who entered since 2000, and workers in the construction industry accounted for most of the gains. During the course of 2003, the single biggest gain in employment occurred in the second quarter which, at least in part, reflects the seasonal effect of summertime hiring. Hispanic females did not sustain those increases in the third quarter while males did. Holiday-season hiring then contributed additional gains in employment in the fourth quarter of 2003 for all Hispanics, so that the year ended with a significant boost in Latino employment.

Substantial differences in the pace of employment gains are evident by generation, with first-generation Latinos—the foreign born—doing much better than any of the native-born generations. Table 5 shows that employment of first-generation Hispanics surged in the second quarter of 2003, increasing by 473,195 workers in that quarter alone. Through the fourth quarter of 2003, employment of Latino immigrants was up by 682,739 workers. Employment for second-generation Hispanics—U.S.-born Latinos with at least one foreign-born parent—also increased in this time, but only by 66,474. For the third generation—the U.S.-born children of native-born parents—employment fell by 100,770 from the first to the fourth quarters of 2003.

**Table 5: Changes in the Employment Status of Hispanic Workers by Generation  
First Quarter, 2003 to Fourth Quarter, 2003 (Non-Seasonally Adjusted)**

	Year and Quarter				Change Over Prior Quarter			Total Change
	2003:1	2003:2	2003:3	2003:4	2003:2	2003:3	2003:4	
<b>First Generation</b>								
Employment	9,917,941	10,391,136	10,433,753	10,600,680	473,195	42,617	166,927	682,739
Employment-to-Population Ratio (%)	62.5	64.2	64.7	64.4	1.7	0.5	-0.3	1.9
Unemployment	934,594	784,974	749,172	683,705	-149,620	-35,802	-65,467	-250,889
Unemployment Rate (%)	8.6	7.0	6.7	6.1	-1.6	-0.3	-0.6	-2.5
<b>Second Generation</b>								
Employment	2,962,901	3,007,355	2,942,687	3,029,375	44,454	-64,668	86,688	66,474
Employment-to-Population Ratio (%)	59.7	59.6	57.1	58.4	-0.1	-2.5	1.3	-1.3
Unemployment	309,110	309,258	356,456	335,590	148	47,198	-20,866	26,480
Unemployment Rate (%)	9.4	9.3	10.8	10.0	-0.1	1.5	-0.8	0.6
<b>Third Generation</b>								
Employment	4,180,907	4,031,499	3,997,057	4,080,137	-149,408	-34,442	83,080	-100,770
Employment-to-Population Ratio (%)	66.9	65.5	62.4	64.2	-1.4	-3.1	1.8	-2.7
Unemployment	337,973	345,433	354,215	326,485	7,460	8,782	-27,730	-11,488
Unemployment Rate (%)	7.5	7.9	8.1	7.4	0.4	0.2	-0.7	-0.1

Source: Pew Hispanic Center tabulations of Current Population Survey data.

The sharply different fates of the Latino generations are also evident in other indicators. The employment-to-population ratio for the immigrant first generation climbed for the most of 2003 to finish at 64.4 percent in the fourth quarter, nearly two percentage points higher than the first quarter mark of 62.5 percent. For the second generation, this indicator fell by more than a full point from 59.7 percent to 58.4 percent, and the third generation showed an even steeper

drop from 66.9 percent to 64.2 percent from the first quarter to the fourth quarter of 2003. These data show that gains in employment outpace population growth in the Latino immigrant population of working age. Meanwhile the reverse was true for native-born Hispanics, as their working-age population grew faster in 2003 than the labor market could absorb.

Unemployment statistics tell a similar story. Again, the first generation saw notable gains with the overall number of unemployed falling by 250,889, while the second generation saw an increase of 26,480 in the number of unemployed, and the third generation experienced a slight drop of 11,488. These developments are mirrored in the unemployment rate, which dropped sharply for Latino immigrants from 8.6 percent to 6.1 percent, while increasing for the second generation from 9.4 percent to 10 percent. The unemployment rate for the Latino third generation was essentially unchanged. By this measure, the Latino second generation fared worse in 2003 than the non-Hispanic Black population. While the unemployment rate started the year higher for non-Hispanic Blacks, at 10.9 percent in the first quarter, it declined over the course of the year to 10.3 percent in the fourth quarter (Table 2). Similarly, the employment-to-population ratio for non-Hispanic Blacks improved somewhat, rising from 56.9 percent to 57.3 percent.

The relatively lackluster performance of native-born Latinos, especially the second generation, is partly due to the fact that they are younger than Latino immigrants. While less than 15 percent of Latino immigrants in the labor force are of age 24 years or less, 30 percent of the second generation, and over 20 percent of third-generation Hispanics in the labor force are in that age group. Thus, first-generation Latinos are better positioned to take advantage of a labor market that has favored older workers since the 2001 recession. But, age effects alone do not appear to explain the very different outcomes for immigrant and native-born Latinos. Other factors likely to favor immigrants include employer preferences, better matches of skills to job openings, wage expectations, geographic mobility, and the existence of family networks as sources of employment information.

The employment increase scored by first-generation Hispanics, even if biased upwards by the lack of seasonal adjustment, is impressive by any account. In its earlier report on the 2001 recession and the recovery through 2002, the Pew Hispanic Center had estimated a two-year increase of only 155,860 workers in the employment of first-generation Hispanics.<sup>2</sup> The rapid increase in the employment of this group in 2003 is a signal that Hispanic immigrants sense the return of opportunities in the U.S. labor market. Indeed, most of the “newly” employed Latino immigrants have been residents of the U.S. only since 2000, as the employment of this latest set of arrivals was up by 498,869 workers measured from the beginning to the end of 2003 (Table 4). Again, much of the increase in employment for the newly arrived immigrants occurred in the second quarter of 2003.

A surprising aspect of the growth in Hispanic employment from the first to the fourth quarters in 2003 is that nearly all of it (560,543 workers, or 86 percent of the total increase in employment) was accounted for by men (Table 4).<sup>3</sup> The leading explanation for this phenomenon is that the employment opportunities for Hispanics in 2003 appear to have materialized principally in male-dominated industries and occupations. Fueled by the boom in home building, the Construction industry alone contributed jobs for an additional 387,913

Hispanic workers, out of which 364,864 went to men. Employment of non-Hispanic workers in the Construction industry increased by 636,852 (Table 6).

Table 6 shows the four industries that yielded the biggest employment gains and losses each for Hispanics and non-Hispanics during 2003. In addition to Construction, major sources of employment gains for Hispanics overall were Business Services (282,361), Wholesale and Retail Trade (206,523) and Agriculture, Forestry and Fishing, and Mining (143,289). Meanwhile, Latino workers suffered job losses in Manufacturing – Durable Goods of 147,490 which were higher than the loss of 84,816 jobs experienced by non-Hispanics in this industry. Other industries where the number of employed Latinos dropped considerably included Eating, Drinking and Lodging Services (-204,252) and Hospitals and Other Health Services (-116,614).

**Table 6: Changes in the Employment Status of Hispanic and Non-Hispanic Workers in Selected Industries First Quarter, 2003 to Fourth Quarter, 2003 (Non-Seasonally Adjusted)**

	Year and Quarter		Change Over Prior Quarter			Total Change
	2003:1	2003:4	2003:2	2003:3	2003:4	
<b>Hispanic Employment by Industry</b>						
Construction	1,817,772	2,205,685	230,275	134,937	22,701	387,913
Business Services	1,811,134	2,093,495	171,872	-55,056	165,545	282,361
Wholesale & Retail Trade	2,513,285	2,719,808	-14,698	110,900	110,321	206,523
Agriculture, Forestry & Fishing, Mining	423,747	567,036	23,903	131,461	-12,075	143,289
Educational Services	984,869	899,320	-8,632	-125,176	48,259	-85,549
Hospitals & Other Health Services	1,177,146	1,060,532	4,225	-8,485	-112,354	-116,614
Manufacturing - Durable Goods	1,355,254	1,207,764	-188,727	35,152	6,085	-147,490
Eating, Drinking & Lodging Services	1,865,388	1,661,136	167,685	-276,677	-95,260	-204,252
All Industries	17,061,747	17,710,192	368,244	-56,492	336,693	648,445
<b>Non-Hispanic Employment by Industry</b>						
Wholesale & Retail Trade	17,597,541	18,823,682	237,161	526,390	462,590	1,226,141
Construction	7,569,902	8,206,754	480,543	483,914	-327,605	636,852
Finance, Insurance & Real Estate	8,339,468	8,652,313	13,328	57,924	241,593	312,845
Hospitals & Other Health Services	12,367,311	12,520,964	62,956	99,890	-9,193	153,653
Social Services	2,508,822	2,375,904	-53,078	-46,071	-33,769	-132,918
Comm., Info, Publishing & Broadcasting	3,386,272	3,221,676	12,156	114,228	-290,980	-164,596
Eating, Drinking & Lodging Services	7,174,644	6,998,669	175,789	-37,118	-314,646	-175,975
Manufacturing - Nondurable Goods	5,264,285	5,072,621	72,796	-152,201	-112,259	-191,664
All Industries	119,333,028	121,098,651	1,192,132	398,160	175,331	1,765,623

Source: Pew Hispanic Center tabulations of Current Population Survey data.

In summary, the principal characteristic of the change in Hispanic employment from the first to the fourth quarters of 2003 was that it was driven by male immigrants, particularly those recently arrived, in a handful of industries. That pattern was most evident in the second quarter in 2003. On balance, the improved labor market performance of Hispanics in most of 2003 was highly concentrated, and a broader recovery in output growth is probably needed for labor market outcomes to recover for a wider segment of the Latino labor force.<sup>4</sup>

## Conclusions

Labor market conditions in the second half of 2003 showed signs of recovery for the first time since the end of the recession in November 2001. The decline in the unemployment rate in 2003 was propelled in part by double-digit growth in business-sector output, reported at a 10.3 percent annual rate for the third quarter. This growth in output was nearly matched by an annualized rate of growth of 8.7 percent in labor productivity; otherwise employment growth might have been even stronger. In keeping with recent trends, Hispanics continue to be the most rapidly growing segment of the U.S. population and labor force. Thus, it is no accident that, in 2003, they continued to capture a bigger share of employment growth than suggested by their 13 percent share in overall employment.

A major driver of the surge in third-quarter output was the boom in residential construction. Nearly 20 percent of Hispanic men and 15 percent of Hispanic immigrants are employed in this industry alone. By contrast, only 1 percent of Hispanic women and about 7 percent of native-born Hispanics work in the construction industry. Thus, male, Latino immigrants were particularly well situated to benefit from the housing boom. The employment situation for Latinas was more unstable in 2003, and the relatively young native-born segment of the Hispanic population also did not partake in employment growth in the past year.

Prospects for ongoing recovery in employment in 2004 remain uncertain. Business-sector output growth in the fourth quarter of 2003 slowed to an annual rate of 3.7 percent. While that is a reasonably high rate of growth, there is some question as to whether it is sufficient to sustain sizeable job growth into 2004. The latest estimates from the BLS show that the overall unemployment rate barely nudged down—from 5.7 percent to 5.6 percent—between December 2003 and January 2004. For Hispanics, the unemployment rate jumped up from 6.6 percent to 7.3 percent in the same time. Much of that increase can be attributed to an increase in the labor force participation rate which, for Hispanics, climbed from 67.5 percent to 68.1 percent in the space of one month.<sup>5</sup> As economic growth and labor market conditions continue to improve, the recovery in labor force participation among Hispanics can be expected to add to the count of unemployed Latino workers. That will exert upward pressure on the Latino unemployment rate in the near future. Economic growth also needs to be stronger and spread across more sectors in the economy before it proves beneficial to all segments of the Latino work force.

### **The Effect of January 2003 Revisions in the Current Population Survey**

Section 4 decomposes the change in employment in 2003 by the major characteristics of Hispanic workers. Because of the focus on Hispanic workers of specific characteristics, e.g. gender or nativity, the analysis is constrained by January 2003 revisions in the methodology underlying the source data, the Current Population Survey (CPS). These revisions had a sizeable impact on the counts, as well as ratios, such as the unemployment rate, pertaining to Hispanics. The BLS has published adjustment factors that can be applied to make 2002 data comparable with 2003 data, but these adjustments are applicable only for major groups of workers, e.g. all Hispanics, all Whites, etc. It is not possible to make similar adjustments to data for sub-groups of workers by industry, occupation, age, education, nativity, etc. For example, it is not possible to determine the true change in employment of the first generation of Hispanics between the fourth quarters of 2002 and 2003 due to the revisions in the CPS.

As a result, determining the movement in Hispanic, and non-Hispanic, employment by the detailed characteristics of workers must be limited to the period since the first quarter of 2003. At the present time, that means making comparisons from one quarter to the next within 2003. The principal caveat that applies here is that comparisons across quarters are subject to seasonal effects unless they are limited to comparisons from a quarter in one year to the same quarter in another year. The seasonal effects include hiring booms in the summer and the winter holiday season, and hiring slumps in the post-holiday season. With regards to comparisons from the first to the fourth quarters of a year, as done in Table 4, Table 5, and Table 6, the first quarter data are affected by the post-holiday season hiring slump, whereas the fourth quarter is the time when such hiring is done. Thus, when comparisons are made in the time span between those two quarters, it is necessary to be mindful of the fact that observed increases in employment will be exaggerated by seasonal effects. The exaggeration could be avoided if the data for each quarter were subjected to seasonal adjustment. Unfortunately, seasonal adjustment factors for data broken down by detailed worker characteristics are generally not available. Thus, the analysis in Section 4 proceeds with non-seasonally adjusted data and is subject to the cautions just mentioned.

The extent of the seasonal effect can be gauged by comparing seasonally adjusted and non-seasonally adjusted employment data for all Hispanics from the BLS. For Hispanics, the seasonally adjusted change in employment from the first to the fourth quarter of 2003 was 532 thousand while the non-seasonally adjusted BLS estimate shows an employment increase of 649 thousand. The difference between the two estimates is significant, but the issue in Section 4 is the decomposition of the increase in employment, regardless of its size, by the characteristics of Hispanic workers. That is a meaningful exercise, even if the total increase in non-seasonally adjusted employment is biased upward.



## Endnotes

<sup>1</sup> The choice of a quarter as the unit of time permits the gathering of a larger sample size as it brings together three months of data from the Current Population Survey. That is useful for the analysis of Hispanic workers by detailed characteristics. In comparison to monthly data, the choice of a quarter also dampens, even if it does not eliminate, the seasonal fluctuations that are an inevitable part of the behavior of most labor market variables. Note that the data for 2002, fourth quarter, that appear in Table 1 are different from those reported in the October 2003 Pew Hispanic Center report titled “Jobs Lost, Jobs Gained: The Latino Experience in the Recession and Recovery,” because they have been adjusted to make them comparable to the 2003 data which were collected by the Census Bureau using a new methodology.

<sup>2</sup> There is a possibility that, prior to the methodology revisions of January 2003, the CPS data tended to underestimate the growth in the population of first-generation Hispanics.

<sup>3</sup> This phenomenon is echoed in the employment gains for non-Hispanics.

<sup>4</sup> The lackluster gains in employment among Latinas for most of 2003 appear to have incited a drop in their labor force participation. The labor force participation rate for Hispanic women fell from 56.9 percent in the first quarter of 2003 to 55 percent in the fourth quarter of 2003. In fact, Hispanic women are the only ones of the eight gender-race-ethnicity groups to register a notable drop in the labor force participation rate.

<sup>5</sup> These figures for the labor force participation rate reflect adjustments made for revised population controls introduced by the BLS in January 2004.

## **About the Author**

**Rakesh Kochhar**  
**Senior Research Associate**  
**Pew Hispanic Center**

Kochhar has over 15 years of research experience in the areas of labor economics, and price and wage measurement and analysis. Prior to joining the Pew Hispanic Center, he was Senior Economist at Joel Popkin and Company, where he served as a consultant to government agencies, private firms, international agencies, and labor unions.

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1615 L Street, NW, Suite 700  
Washington, DC 20036  
Phone: 202-419-3600  
Fax: 202-419-3608

[www.pewhispanic.org](http://www.pewhispanic.org) [www.pewtrusts.org](http://www.pewtrusts.org) [www.usc.edu](http://www.usc.edu)

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