

The Effects of Budget Battles on Latino Employment

The next report on national employment data will be published on March 1, the same day that deep across-the-board cuts to federal programs, known as sequestration, are set to take effect unless Congress acts. The following is an overview of how sequestration and other fiscal policy choices affect Latino employment.

Latino Employment Statistics for January 2013

The [latest report](#) from the U.S. Department of Labor shows that the U.S. employment increased by 157,000 in January and the national unemployment rate held steady at 7.9%. One contributing factor was a gain of 28,000 construction jobs, an industry that is nearly one-quarter Hispanic. Overall, Latino unemployment remains elevated at 9.7%.

Table 1. The Employment Situation for Latino Workers in January 2013

Indicators	Latinos, January 2013
Employed — <i>Working people over the age of 16, including those temporarily absent from their jobs</i>	22 million
Unemployed — <i>Those who are available to work, make an effort to find a job, or expect to be called back from a layoff but are not working</i>	2.4 million
Civilian Labor Force — <i>The sum of employed and unemployed people</i>	25 million
Not in the Labor Force — <i>People over the age of 16 classified as neither employed nor unemployed</i>	13 million
Unemployment Rate — <i>Share of the labor force that is unemployed</i>	9.7%
Labor Force Participation Rate — <i>Share of the population over the age of 16 that is in the labor force</i>	66.2%
Employment-Population Ratio — <i>Share of the population over the age of 16 that is working</i>	59.8%

Source: U.S. Bureau of Labor Statistics, "Employment Status of the Hispanic or Latino Population by Sex and Age," *Current Population Survey*, <http://www.bls.gov/webapps/legacy/cpsatab3.htm> (accessed February 1, 2013), Table A-3.

Federal Spending Cuts Threaten Job Growth

The jobs data come two days after the Bureau of Economic Analysis reported that the U.S. [Gross Domestic Product \(GDP\)](#), or total economic activity, shrank in the fourth quarter of 2012 by an annualized rate of 0.1%. Reduced federal consumption, including a 22.2% decrease in defense spending and 0.7% decrease in state and local government spending, was the main cause for sluggish growth. These cuts outweighed other positive trends, such as the 2.2% uptick in consumer spending. It is clear that policy decisions about government spending have direct

consequences for the growth of the U.S. economy.

The same forces that are slowing the growth of the U.S. economy also contribute to the stagnant job creation. Cuts in federal spending mean layoffs for federal employees, which also hampers the ability of government suppliers to hire. The ripple effect in the economy continues when fewer federal employees and suppliers are working because they spend less money in the economy. For Latinos, slow job growth will prolong their already elevated unemployment. This bleak labor market outlook is coinciding with record growth in the Latino workforce; Hispanics will account for 80% of the growth in the workforce in the next four decades.*

Recent and pending fiscal policy decisions by Congress directly affect employment throughout the country. As seen in Table 2, the so-called fiscal cliff agreement enacted on January 1 will result in weaker job growth relative to 2012. Sequestration would also depress employment; highlighted in the table are proposed cuts to select nondefense discretionary programs that are critical to Latino children, who represent nearly [one in four children](#) enrolled in public schools.

For NCLR's policy principles on the federal budget, visit www.nclr.org/federalbudget.

Table 2. Employment Effects of Fiscal Policy Choices

Policy Choices	Effect on Employment in 2013
Fiscal cliff agreement, January 1, 2013	
Payroll tax cut expired	–1.1 million jobs
Discretionary spending caps lowered	–530,000 jobs [†]
Emergency Unemployment Insurance extended for 73 weeks	–100,000 jobs [‡]
Partial expiration of Bush-era tax cuts[§]	–80,000 jobs
Sequestration, cuts scheduled to take effect March 1, 2013^{**}	–2.1 million jobs ^{††}
Head Start—One-third of preschool children served is Latino.	–13,000 jobs
Title I Education—37% of Latinos attend high-poverty schools.	–10,000 jobs

* U.S. Bureau of Labor Statistics, *Projections of the labor force to 2050: A visual essay*, www.bls.gov/opub/mlr/2012/10/art1full.pdf (accessed November 2012).

[†] Under “phase one” of the Budget Control Act of 2011, relative to law before the act.

[‡] While Unemployment Insurance stimulates employment, the relative job growth under the fiscal cliff deal was lower than the 2012 policy because Emergency Unemployment Insurance was extended for 73 weeks instead of the 99-week maximum that existed for most of 2012.

[§] Fortunately, taxes did not go up for the majority of Latino families. Expansions of working family tax credits, such as the Earned Income Tax Credit, the Child Tax Credit, and the American Opportunity Tax Credit, were especially important, as they keep many Latinos and other Americans out of poverty. These expansions have been extended for five years. The extension is an important victory for Hispanic families.

^{**} Unless Congress acts to stop it, sequestration will take effect on March 1, cutting both defense and nondefense discretionary spending.

^{††} Linda Levine, *Sequestration: A Review of Estimates of Potential Job Losses* (Washington DC: Congressional Research Service, October 2012), <http://www.fas.org/sgp/crs/misc/R42763.pdf> (accessed January 31, 2013).

Source: Fiscal cliff projections by the Economic Policy Institute. See Andrew Fieldhouse, “At best, budget deal suggests decelerating anemic growth, labor market deterioration,” <http://www.epi.org/blog/budget-deal-anemic-growth-labor-market-deterioration/> (accessed January 31, 2013). Sequestration projections by NCLR assuming an across-the-board cut of 5.1% to nondefense discretionary spending, applied to Senate Appropriations Subcommittee on Labor, Health, and Human Services, and Education, and Related Agencies, *Under Threat: Sequestration's Impact on Nondefense Jobs and Services*, <http://www.harkin.senate.gov/documents/pdf/500ff3554f9ba.pdf> (accessed January 31, 2013).

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