

Financial Access among Unemployed Latinos

Highlights from the NCLR California Latino Financial Access Survey

A new National Council of La Raza (NCLR) survey of Latinos in California finds that unemployed Latinos have less access to bank accounts than their working peers, and many are at risk of leaving the traditional banking system altogether. This *Monthly Latino Employment Report* provides the latest Latino employment statistics from the U.S. Department of Labor plus highlights from NCLR's survey. A full report of the survey findings, *Latino Financial Access and Inclusion in California*, is available for download on NCLR's [website](#).

Latino Employment Statistics for May 2013

The [latest report](#) from the U.S. Department of Labor shows that U.S. employment increased by 175,000 in May. The national unemployment rate remained about the same at 7.6%, where it has hovered for the last four months, with jobs added in food services and drinking places (38,000 more employed), retail (28,000 more employed), and temporary help services (26,000 more employed). At 9.1%, the Latino unemployment rate changed little from the previous month. The share of work-age Latinos who were searching for work or employed edged up from 65.7% in April to 66.4% in May.

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

Indicators	Latinos, May 2013
Employed —Working people over the age of 16, including those temporarily absent from their jobs	23 million
Unemployed —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	2.3 million
Civilian Labor Force —The sum of employed and unemployed people	25 million
Not in the Labor Force —People over the age of 16 classified as neither employed nor unemployed	13 million
Unemployment Rate —Share of the labor force that is unemployed	9.1%
Labor Force Participation Rate —Share of the population over the age of 16 that is in the labor force	66.4%
Employment-Population Ratio —Share of the population over the age of 16 that is working	60.4%

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 June 7, 2013), Table A-3.

Financial Engagement in the Post-Recession Economy

Persistently high unemployment is an ongoing threat to Latinos' economic security. In the wake of the Great Recession, millions of Hispanic families have experienced joblessness, slashed hours, lower wages, and lost wealth. As documented in [previous reports](#), even the new jobs created since the end of the recession often pay too little to sustain workers and families, leaving many low-wage workers unable to afford basics like groceries and transportation.

With household budgets under tremendous strain, Latino families need safe and affordable options to save money, conduct everyday transactions, and pay bills. Owning an account at a bank or credit union is one of the surest ways to accomplish these goals and become more economically secure.

Despite these well-known facts, many Americans—including about 20% of Latinos—do not participate in the mainstream financial system due to minimum balance requirements, overdraft fees, and other costs associated with basic checking and savings accounts.* Instead, many consumers turn to alternative financial services, such as payday loans and pawn shops, to meet their short-term needs. Yet these options also come with steep and often unpredictable costs.

In order to better understand Latinos' financial engagement in the post-recession economy, NCLR conducted an informal survey of 1,000 Latinos in California. Completed in 2012, this survey explores how demographic characteristics such as age, citizenship status, and employment affect individuals' behavior as financial consumers.† Below is a summary of how unemployment affects Latinos' financial engagement.

Unemployed Latinos Are Financially Vulnerable Compared to Their Working Peers

According to the findings of [NCLR's California Latino Financial Access Survey](#), unemployment plays an important role in financial access and inclusion for Latinos in California.

- **Unemployed Latinos were three times less likely to have a bank account than their employed peers.** Of those surveyed, 43% of unemployed Latinos did not own a bank account, which was double the survey average (22% had no account) and more than three times the rate of those who were working full time or part time (13% had no account).
- **Account costs and bank location were important factors for unemployed Latinos in choosing a bank.** The unemployed Latinos surveyed emphasized the need for affordable access to bank products and transactions. As shown in Table 2, account fees and requirements were the top considerations among unemployed survey participants. Among all survey participants who own an account, 44% said that account fees and requirements were very important factors in their banking decisions; this figure is 58% among unemployed account holders.

* Federal Deposit Insurance Corporation (FDIC), *National Survey of Unbanked and Underbanked Households* (Washington, DC: FDIC, 2009) and FDIC, *2011 FDIC National Survey of Unbanked and Underbanked Households* (Washington, DC: FDIC, 2012).

† Compared to all Latinos in California, survey participants had similar incomes, lower rates of account ownership, and higher unemployment rates. While not a random or representative sample of Latinos, NCLR's survey is unique because it presents an in-depth look at a segment of the population that is difficult to reach via traditional polling methods like online or telephone surveys. For more information on survey methodology, see page 10 of the [full survey](#).

Table 2. Services Ranked as “Very Important” by the Unemployed, by Account Ownership

Financial Services	Unemployed Latinos		
	All	Account	No Account
Account fees and requirements	45%	58%	23%
Distance from home or work	37%	46%	20%
Customer service	29%	36%	18%
Number of branches or ATMs	28%	32%	20%
Good interest rates on car or home loan	23%	26%	18%
I feel welcome	21%	24%	16%
Branch hours	19%	20%	18%
Ability to communicate in Spanish	16%	14%	18%
Ability to get cash quickly	13%	9%	20%
Availability of credit cards	11%	9%	14%
Word of mouth	4%	4%	5%
Marketing/advertising is appealing	2%	3%	0%

Source: National Council of La Raza, *Latino Financial Access and Inclusion in California* (Washington, DC: NCLR, 2013), http://www.nclr.org/index.php/publications/latino_financial_access_and_inclusion_in_california (accessed June 6, 2013).

- Credit card use for daily expenses is lower among the unemployed compared to the employed.** Survey respondents used a variety of financial tools to pay for their daily expenses and monthly bills. Most respondents used cash for daily expenses like groceries and travel. Unemployed respondents were more likely to use electronic benefit transfers (EBTs) and other public benefits in combination with cash and credit cards for these transactions. Contrary to expectations that credit cards are used as an “income-smoothing tool,” only 18% of the unemployed used credit cards for these transactions, compared to 28% of employed respondents.
- The unemployed are more likely to turn to high-cost alternative financial services such as pawnshops to meet short-term needs.** Persistent and unexpected strain on household budgets was evident from the survey. According to the survey, 43% of respondents reported needing emergency cash in the last year, and 34% had trouble paying their monthly bills. In these instances, the majority of respondents said that they rely on family members and friends to loan them money. One outstanding difference between unemployed Latinos and the overall pool of respondents is that those without a job relied more heavily on pawnshops, payday lenders, and auto title loans (see Table 3).

Table 3. Source of Emergency Funds, by Citizenship and Employment

	Total	Citizen	Noncitizen	Unemployed
Ask a friend or family member - pay them back	51%	58%	43%	45%
Pawnshop	27%	27%	29%	38%
Borrow from a retirement savings account	25%	28%	19%	23%
Ask a friend or family member - not pay back	22%	21%	23%	34%
Credit card cash advance	22%	22%	23%	28%
Bank/collateral valuation loan	21%	22%	20%	27%
Advance pay from employer	19%	17%	21%	23%
Progreso Financiero*	19%	13%	28%	23%
Payday lender	18%	16%	21%	27%
Auto title loan	16%	15%	19%	23%
I would not be able to raise the money	13%	12%	14%	16%

* Progreso Financiero stores are an alternative financial service provider serving a largely Hispanic customer base.

Source: National Council of La Raza, *Latino Financial Access and Inclusion in California* (Washington, DC: NCLR, 2013), http://www.nclr.org/index.php/publications/latino_financial_access_and_inclusion_in_california (accessed June 6, 2013).

Recommendations

The highlights above are only some of the findings from NCLR's California Latino Financial Access Survey. The report contains a comprehensive set of recommendations that take into account other factors that affect survey respondents' financial behavior. Several cross-cutting recommendations would particularly improve financial access for unemployed Latinos.

- **Increase account ownership through goal-based outreach and product development.** Banks and credit unions should improve outreach to unemployed borrowers or those with modest income. Addressing cost-prohibitive fees is one thing for financial institutions to consider in reaching out to lower-income customers.
- **Promote personal savings and positive financial behaviors.** Individuals with limited experience in the mainstream financial system have been shown to benefit from financial counseling offered by financial coaches. These coaches are often employed by nonprofit organizations that also offer job training and employment services. Service providers that offer a holistic approach are an important resource for financially struggling families.
- **Invest in small-dollar credit solutions.** Relying on Alternative Financial Services like pawnshops and payday lenders could have long-term costs and risks that the unemployed can least afford. Reasonably priced and structured loans are a safer alternative that would allow individuals to continue to afford regular expenses, cover an emergency need, or maintain a level of financial stability during a spell of unemployment.

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