

Sources of the Latino Wealth Gap in America

Submitted to

**U.S. House of Representatives Financial Services Committee
Subcommittee on Diversity and Inclusion**

Submitted by

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INTRODUCTION

UnidosUS, formerly the National Council of La Raza, is the largest national Hispanic civil rights and advocacy organization in the United States. For more than 50 years, we have worked to advance opportunities for Latino families to achieve economic stability and to build wealth. In this capacity, UnidosUS and its Affiliate network of nearly 300 community-based organizations in 37 states, the District of Columbia, and Puerto Rico, work to provide education, healthcare, housing, workforce development, and other services to millions of Latinos in the United States each year.

For more than two decades, UnidosUS has been actively engaged in anti-poverty and wealth-building work. UnidosUS has combined original research, policy analysis, and advocacy to support policy solutions that will help advance the economic standing of the nation's 58.9 million Latinos. This has included: advocating for a fair and equitable federal income tax system; empowering Latino wealth-building through homeownership; and supporting a regulatory environment that fosters a safe and affordable financial market.

This statement will outline the key components that contribute to Latino wealth as well as existing barriers to wealth-building. First, it will identify the wealth gap between Latinos and Whites. Second, it will detail the role of homeownership in wealth disparities, and finally it will proceed to unpack the role of income, job quality, and retirement savings as vehicles for wealth building for Latinos.

WEALTH

Different from income, wealth is an important indicator of long-term financial security. It allows people to prepare for retirement, buy homes, start businesses, and invest in opportunities that affect their families for generations to come. Homeownership, income, and retirement savings plans are three of the primary avenues by which Americans build wealth. Yet, systems of injustice and inequality have resulted in a massive disparity in wealth when Latinos are compared to Whites.¹ For example in 2017, Latino families held \$20,000 in wealth compared to \$175,728 held by White families.²

- The Great Recession further exacerbated wealth disparities between Whites and Latinos. In pre-recession years, Latino wealth was closely tied to homeownership—as the housing market crashed, so did Latino wealth—deepening that divide even more.³ Despite post-recession growth in the housing market, Latino wealth has not recovered as many Latinos still confront foreclosure, debt, and limited opportunities for affordable homeownership.⁴ Other factors that contribute to wealth-building, including disparities in income, job quality, and access to an employer-sponsored retirement plan have not helped to even the playing field between the amount of wealth that Whites and Latino's respectively hold.

Homeownership

Homeownership has long been a cornerstone of the American dream for countless Americans, including Latinos, who value homeownership as a path to the middle class. The high priority that Latinos place on homeownership is evidenced by the fact that Latinos are more likely than other groups to have most of their assets invested in their homes.⁵ In fact, in 2007, more than half of Latino assets (52%) were invested in housing.⁶ By 2016, the share of Latino assets in housing had declined by 13 percentage points from 52% in 2007 to 39%.⁷ The drop in the percentage of Latino housing assets is indicative of a decline in Latino housing-related assets overall, including foreclosures and underwater mortgages, as well as lower home values.

For this reason, the housing crisis hit Latinos especially hard. By 2011, about 12% of Latinos who bought their homes between 2004-2008 had lost them to foreclosure, greater than the share of White and Black homeowners.⁸ In 2007, the Latino homeownership rate approached an all-time high of 50% and dropped five percentage points by 2014.⁹ A troubling sign of the lingering effects of the recession of Latino housing, 2016 had the lowest percent of assets in housing for Latinos since the beginning of the recession. The data tell a different story for Whites; White families now have a greater percentage of assets in housing than in 2007. Although Latino families retain a higher percentage of their assets in housing than Whites, because of the housing crisis Latinos experienced in the wake of the Great Recession, the difference has shrunk from 22% of assets in housing in 2007 to 7% in 2016.

Income

Latinos work hard: at 67%, the Latino labor force participation rate is among the highest of all racial and ethnic groups in the United States.¹⁰ Latinos also lead in labor force growth, as the Latino labor force has grown to six times its size over the last four decades—from 4.3 million to more than 26.8 million.¹¹ Income and earnings play an important role in a household's ability to get by on the day-to-day as well as save for the future. Latinos' disproportionate concentration in low-wage jobs constrains their ability to achieve economic security and build wealth for future generations.

Latino families still lag behind Whites in their earnings. In fact, the gap between Latino and White median household income widened in the decade between 2007 and 2017. Latino median family income increased by just over \$13,500 from 2007 (\$46,486) to 2017 (\$60,000), in 2017 dollars. Yet, the median household income for Whites increased from \$62,000 in 2007 to \$77,427 in 2017. In 2007, the difference between White and Latino's median household income was \$15,514, which expanded to \$17,427, an increase of \$1,913.¹²

Job Quality

The amount that an employee earns in their paycheck is only one of the types of compensation a worker can attain through their employment. Employers also provide employees with workplace benefits, such as employer-sponsored health insurance, paid time off from work, or a retirement plan. According to the Institute on Assets and Social Policy at Brandeis University, one-third of a working person's compensation comes from the workplace benefits available to them.¹³

Longstanding discriminatory practices present in the workplace have concentrated workers of color, especially Latinos, in occupations and industries that are both low-paid and that provide few workplace benefits.¹⁴ For many employees, the workplace can be a crucial access point for wealth-building opportunities, through paid sick leave, paid family leave, and flexible schedules, which increases workplace and economic stability. According to the Heller School, “employment benefits are the most direct contributors to wealth-building via the workplace.”¹⁵

Yet, despite having one of the highest labor force participation rates, Latino workers continue to have the lowest access to paid leave among all racial and ethnic groups.¹⁶ Latinos’ limited access to paid leave means that they are often faced with the impossible decision of forgoing pay and potentially threatening their job security or leaving illnesses or other medical concerns for themselves or their children untreated.

Retirement Savings

Outside of homeownership, the largest source of Latino wealth is ownership of a retirement saving plan.¹⁷ Yet, access to and participation in an employer-sponsored retirement savings plan is a challenge for all Americans.¹⁸ Retirement is a particularly urgent issue for the nation’s 58.9 million Latinos, as Hispanic employees are at the greatest risk of not having retirement savings.¹⁹

This is due in part to more than two-thirds of Latino households (69%) having no retirement account assets, compared to 39% of White households.²⁰ Furthermore, a large portion of Hispanics work in jobs where they do not have access to an employer-based retirement plan. In 2014, only 53.7% of Latino workers between the ages of 21 and 64 worked for an employer that sponsored a retirement plan, compared to 73.4% of White employees.²¹ Even when employers do offer retirement plans, the participation rate for Latinos is still lower than for Whites (30.9% compared to 53%, respectively).²²

CONCLUSION

The role that Latinos play in our nation’s economy grows more critical with every generation; Latinos drive labor force participation, small business growth, and account for one in every four elementary school students. Latino’s ability to weather economic downturns and build wealth is a matter of importance to the country and the economy as a whole, because when Latinos succeed, the country succeeds.

Homeownership was, and remains, the most direct and accessible way for Latinos to accumulate wealth. Income, job quality, and access to an employer-sponsored retirement savings plan also assist Latinos in building wealth. More than ever, Latinos need responsive, people-centered policies that help build wealth, through increased access to homeownership, increased wages, quality jobs, and access to employer- sponsored retirement savings plans.

¹ Killwald, Aezandra & Brielle Bryan. “The Production of Wealth Gaps Between Whites, Blacks, and Hispanics.” December 19, 2018. <http://www.wipsociology.org/2018/12/19/the-production-of-wealth-gaps-between-whites-blacks-and-hispanics/>.

² Ibid.

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- ³ UnidosUS. “Latinos and the Great Recession: 10 Years of Economic Loss and Recovery.” March, 2019. http://publications.unidosus.org/bitstream/handle/123456789/1932/unidosus_latinosgreatrecession.pdf?sequence=1&isAllowed=y.
- ⁴ Ibid.
- ⁵ Federal Reserve, 2016 Survey of Consumer Finances Chartbook (Washington, DC: Federal Reserve, 2016), <https://www.federalreserve.gov/econres/files/BulletinCharts.pdf> (accessed January 7, 2019).
- ⁶ UnidosUS, *ibid.*
- ⁷ Ibid.
- ⁸ Ibid.
- ⁹ Ibid.
- ¹⁰ UnidosUS. “Latino Jobs Report – October 2019.” http://publications.unidosus.org/bitstream/handle/123456789/1989/unidosus_latinojobsreport_september2019.pdf?sequence=1&isAllowed=y.
- ¹¹ UnidosUS, “Latinos and the Great Recession.”
- ¹² Ibid.
- ¹³ Sullivan, Laura, et al. “Not Only Unequal Paychecks: Occupational Segregation, Benefits, and the Racial Wealth Gap.” April, 2019. Accessed on May 20, 2019. https://heller.brandeis.edu/iasp/pdfs/racial-wealth-equity/assetintegration/occupational_segregation_report_40219.pdf.
- ¹⁴ Ibid.
- ¹⁵ Ibid.
- ¹⁶ UnidosUS, “Latinos and the Great Recession”; Glynn, Sarah Jane & Jane Farrell. “Latinos Least Likely to Have Paid Leave or Workplace Flexibility.” November 20, 2012. Accessed on May 20, 2019. <https://www.americanprogress.org/issues/economy/reports/2012/11/20/45394/latinos-least-likely-to-have-paidleave-or-workplace-flexibility/>.
- ¹⁷ Dettling, Lisa, et al. “Recent Trends in Wealth-Holding by Race and Ethnicity: Evidence from the Survey of Consumer Finances.” September 27, 2017. <https://www.federalreserve.gov/econres/notes/feds-notes/recent-trends-in-wealth-holding-by-race-and-ethnicity-evidence-from-the-survey-of-consumer-finances-20170927.htm>.
- ¹⁸ Brown, Jennifer Erin, et al. “Retirement in America: Out of Reach for Working Americans?” September, 2018. https://www.nirsonline.org/wp-content/uploads/2018/09/SavingsCrisis_Final.pdf.
- ¹⁹ Brown, Jennifer & Diane Oakley. “Latinos’ Retirement Insecurity in the United States.” December 2018. https://www.nirsonline.org/wp-content/uploads/2018/12/latinoretirement_unidosus_nirs_report_112818_lr.pdf.
- ²⁰ Ibid.
- ²¹ Ibid.
- ²² Ibid.