



SPECIAL REPORT

The U.S. Hispanic Economy in Transition

EXECUTIVE SUMMARY

Chapter 1: POPULATION

- Hispanics are now the largest ethnic minority in the United States, numbering 45.5 million. They account for 15.1 percent of the population, compared to 12.9 percent for African Americans and 4.4 percent for Asians.
- By 2050, the Census projects that the Hispanic proportion of the U.S. population will soar to 24.44 percent, or nearly one fourth of the total population.
- Between 1990 and 2006, U.S. Hispanics increased by 97.8 percent – almost five times faster than the national growth rate of 19.8 percent. Since 2000, the number of Hispanics has expanded by 24.4 percent, accounting for nearly half of the increase in the United States’ population for that period.
- The second generation, with its low median age of 12.7 years and its high fertility rate, will lead this shift in the composition of the U.S. Hispanic market. Projections by the Pew Hispanic Center show that by 2020 nearly half (47.0 percent) of the growth in the U.S. Hispanic population will come from the second generation and another 27.5 percent from the third generation. With the ascent of the second generation, immigrants will account for only a quarter of all new U.S. Hispanics by 2020.
- Only 24 percent of U.S. Hispanics have little or no command of the English language.

Chapter 2: HOUSEHOLD

- Hispanic households are much larger than their non-Hispanic counterparts. Hispanic households average 3.4 persons, with 1.6 of those being wage earners. The typical non-Hispanic household has 2.4 persons, of whom 1.3 are wage earners
- Hispanic households also contain more young people than non-Hispanic homes. Hispanic households have 1.11 children under 18, while the overall U.S. average is 0.59 children per household
- The median age for Hispanics was 27.3 in 2006, compared with 36.4 for the overall U.S. population. While the U.S. median age continues to rise, from 35.3 years in 2000, the median age of Hispanics remains the lowest of all groups.
- There are distinct differences in age among Hispanic subgroups. More than 18 percent of Cubans are 65 or older, while a scant 4 percent of Mexicans are in that age bracket. On the other hand, 36.7 percent of Mexicans and 33.6 percent of Puerto Ricans are younger than 18, compared with just 23.3 percent of Cubans.

Chapter 3: LABOR FORCE

- Between 1980 and 2006, the total U.S. labor force increased by 41.65 percent, or 44.6 million workers. Hispanics contributed 14.5 million workers to the total, accounting for nearly a third of the increase in the U.S. labor force during the last 26 years.
- Over the six-year period between 2000 and 2006, Hispanics accounted for the greatest part (79.2 percent) of the 25 percent overall growth in “construction and extraction occupations.” Hispanics also represented more than one fourth (26.5 percent) of the 41.85 percent growth in “management, business, and financial operations occupations.” Indeed, certain industries have relied on Hispanics to grow or competitively sustain their operations.
- Among U.S. workers in the 20- to 24-year-old group, 17.96 percent are Hispanic. Since 34.3 percent of U.S. Hispanics are younger than 18, the near future will see large numbers of young Hispanics entering the labor pool.
- Data indicate a strong link between educational attainment and Hispanic earnings. In 2006, median earnings for Hispanic males with bachelor’s degrees reached \$45,917, while median earnings for those with only high school diplomas were \$30,844. Furthermore, Hispanic men with master’s degrees had median earnings of \$68,167.
- The number of Hispanics in management and professional occupations has increased over time. In 2000, only 6.6 percent of Hispanic workers were in management, business, or financial operations occupations. By 2006, that had increased to 7.5 percent.

Chapter 4: CONSUMER MARKETS

- During the past decade, U.S. Hispanic purchasing power has increased at a compound annual growth rate (CAGR) of 6.96 percent. That annual growth in disposable income is more than double the total U.S. rate of 2.8 percent. In dollars amounts, Hispanic buying power jumped from \$429 billion in 1996 to \$870 billion in 2008, with the Hispanic share of the total US disposable income reaching 8.6%
- U.S. Hispanic purchasing power will grow nearly 31 percent from \$841.37 billion in 2006 to \$1.10 trillion by 2012.
- Nearly one quarter of the \$592.2 billion that Hispanics spent on consumer expenditures in 2006 went to just two categories: food and vehicles. Hispanics spent 11.8 percent on food in 2006 and 11.4 percent on vehicle purchases.
- Hispanics also increased their market share of new vehicle purchases at a brisk pace: up from 4.7 percent in 1994 to 10.7 percent in 2006.
- U.S. Hispanics have substantially increased their aggregate financial assets. From 2000 to 2005, the value of Hispanic-ics' financial assets expanded at a compound annual growth rate of 4.4 percent, well above the 0.6 percent annual increase in value reported for all U.S. households.

Chapter 5: WEALTH

- Robust immigration and high fertility rates quadrupled the number of U.S. Hispanic households from 2.7 million in 1972 to 12.03 million by 2006. At the same time, mean household income among Hispanics showed an impressive growth rate of 56 percent in real dollars. The mean income of Hispanic households actually rose from \$32,335 in 1972 to \$50,575 in 2006.
- Household income reached \$38,747, or 80 percent of the overall U.S. median household income. Households of Puerto Rican origin reported the lowest median family income among U.S. Hispanics of \$35,899, while the highest median income of \$48,037 was reported for Hispanics of South American origin. Hispanics from Cuba also reported the above-average median income of \$41,823.
- Among U.S. Hispanics, 61.0 percent of net worth was concentrated in homeownership, compared with 63.0 percent for blacks and 38.5 percent for whites in 2002. Hispanics also tend to invest more in their own businesses. In 2006, the mean net worth for Hispanic households reached \$72,862.
- The aggregate net worth of the U.S. Hispanic population reached \$945 billion in 2006, a stunning 111.1 percent increase from 1996. Two forces drove that accumulation of wealth: a 58 percent increase in the number of Hispanic households and a 34 percent rise in average net worth. For non-Hispanic whites, the increase in aggregate net worth was 72.8 percent over the same period.

Chapter 6: BUSINESS AND ENTREPRENEURSHIP

- Hispanic-owned companies are among the fastest-growing business segments in the nation, and here too small businesses drive growth. The number of Hispanic firms jumped 273 percent between 1987 and 2002, rising to 1.6 million, according to the latest 2002 Survey of Business Owners published in 2006.
- Service industries predominated among Hispanic-owned firms. The largest single industrial sector, as classified by the U.S. Census, was "Other Services," accounting for 15.8 percent of all Hispanic-owned firms.
- Not surprising, Hispanic firms are concentrated in states with large Hispanic populations. California is home to 27.2 percent of all Hispanic companies, according to 2002 Census data. Next is Texas with 20.3 percent, while Florida ranks third.
- Hispanic-owned companies represent an increasingly important component of the U.S. enterprise economy. HispanTelligence estimates that the number of Hispanic-owned firms approached 3 million in 2008, with business receipts of \$389 billion.

Chapter 7: EDUCATION

- Native-born Hispanics graduate from high school at nearly twice the rate of foreign-born Hispanics. In 2006, 75.0 percent of native-born Hispanics were high school graduates, compared to 47.8 percent of foreign-born Hispanics.
- Because of the growth in their numbers, the education of Hispanics has emerged as an economic development issue in public policy. At the same time, Hispanics have become prime consumers of such services as vocational training and language

tutoring, as well as formal schooling. In the future, the Hispanic market for education will continue to grow as the demographic wave of young Hispanic Americans comes of age.

- Of the 1.44 million bachelor's degrees conferred in the academic year 2004-05, 101,124 went to Hispanics. Of those, 21.7 percent were in business, 12.2 percent in social science and history, and 7.4 percent in psychology.

Chapter 8: YOUTH

- A defining characteristic of the Hispanic market is its youth. Young people under the age of 18 account for almost 34 percent of the U.S. Hispanic population – significantly greater than the 24.6 percent share held by youth in the overall U.S. population.
- In 2006, there were 73.8 million people under the age of 18 in the United States; 20 percent, or 14.95 million, were Hispanic. To place things in perspective, Hispanic youth had a population growth of approximately 1 million in just two years (2004 to 2006). Hispanics under the age of 18 year have emerged as an important consumer segment.
- The U.S. Census Bureau estimates that of the 102.6

million Hispanics expected to be residing in the United States by 2050, more than 29.1 million, or 28.4 percent, will be under the age of 18.

- The rise of the second generation will have immediate consequences for the nation's school system. The number of second-generation Hispanics ages 5 to 19 is projected to more than double between 2000 and 2020, growing from 4.4 million to almost 9 million. About one in every seven new students enrolling in U.S. schools during this 20-year span will be a second-generation Hispanic.

Chapter 9: POLITICS

- Based on voter registration and participation trends, 9.8 million Hispanics were registered to vote in the 2004 election. Of that number, 7.0 million - a striking 71.3 percent - cast ballots. Based on 2004 trends, the fall 2008 presidential election can expect to see 10.6 million registered Hispanic voters with approximately 8.6 million Hispanics actually going to the polls.
- Recent data suggest U.S. Hispanics have shifted back to their longtime affiliation with the Democratic Party. According to a 2008 study by the Pew Hispanic Center, 57 percent of registered Hispanic voters are Democrats, 23 percent are Republicans, and 12 percent are independent.
- Participation in the electoral process tends to rise with educational attainment. Although this may occur because most college graduates are U.S. citizens, Hispanics with advanced college degrees

had a higher propensity to register and vote in the 2004 election than Hispanics with less education. The 2008 Super Tuesday primaries seem to indicate a 50/50 split, with half of the Hispanic voters earning more than a \$50,000 dollar income and half less.

- Latino elected officials are rising at the local and national levels. Since 1996, Hispanics have seen a 37.1 percent rise in representation with major contributions by elected officials in Texas and California. New Jersey and Illinois.
- Despite U.S. Hispanics' gains in population and disposable income, there remains disparity in voting. Currently, Hispanics represent 15.1 percent of the total U.S. population, 13.6 percent of the U.S. labor force, and 8.2 percent of U.S. aggregate household income. However, Hispanics represent only 6.0 percent of the U.S. voting population.