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Hispanic Immigration and US Economic Growth

February 2015

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Hispanic Immigration and US Economic Growth was commissioned by Univision Communications, Inc. IHS offers an independent assessment and is exclusively responsible for the analysis, content, and conclusions contained in the study.

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Executive summary

The US economy is nearing a period when labor force growth will slow sharply as an ever larger proportion of the Baby Boomer generation retires. During this time, Hispanic employment will continue to show strong growth, even under conservative assumptions about Hispanic immigration. This report presents the results of projections of future US labor force and employment growth, broken out to identify differing trends for the Hispanic and non-Hispanic populations. Principal findings of our analysis are

- Labor force growth is expected to accelerate over the next three years as the pace of economic growth picks up and more people are drawn back into the labor force, but thereafter labor force growth will begin to slow sharply. From 2020 to 2034, labor force growth is expected to average only 0.6% per year.
- The Hispanic population will play an increasingly significant role in US employment growth because Hispanics are a younger and faster-growing segment. Under conservative assumptions about Hispanic immigration, we project that Hispanic employment growth will average 2.6% per year over the next 20 years and rise from 16% of US employment in 2014 to 23% in 2034.
- In this baseline forecast, over the next five years the Hispanic population will account for over 40% of the increase in US employment. Over the last 15 years of the forecast period, Hispanics will account for over three-fourths of the increase in US employment.

Higher levels of immigration are conducive to stronger US economic growth. There are credible scenarios for greater Hispanic immigration than assumed in our baseline forecast, especially if the immigration policy gridlock in Washington is broken. We examined the implications of a scenario in which Hispanic immigration returns to the levels in the last economic expansion and is sustained thereafter, partially offsetting the slowing of US labor force growth. Using these immigration assumptions we find

- Hispanic population growth averages 2.4% over the 20-year period, compared with 2.1% in the baseline forecast.
- Hispanic employment is 2.4 million higher in 2034, and the Hispanic share of US employment rises to 23.8%, compared with 22.9% in the baseline forecast.
- Higher immigration and the greater potential for labor force growth that it brings can stimulate increased investment and improved productivity. In this high-immigration scenario, real GDP growth averages 3.0% over the 20-year forecast period compared with 2.5% in the baseline forecast, and real GDP is 10% higher in 2034 than in the baseline.
- Although assumptions about growth of the non-Hispanic population are unchanged in this alternative economic scenario, non-Hispanic employment is 900 thousand higher in 2034 because of the more robust economic growth and a lower unemployment rate.

We also examined the potential for future US Hispanic immigration from the standpoint of economic conditions in the 10 Latin American countries that have been the primary countries of origin. Principal findings are

- Some of these countries were less affected by the global financial crisis and recession, and economic conditions in most are improving. IHS International Economics forecasts real GDP growth of 3–5% for these countries over the next 20 years.
- Despite the improved growth the UN forecasts continuing net outmigration from all 10 of these Latin American countries. UN data indicate that these countries had a net population loss of over 9 million because of migration during 2000–10. Net population outflows are projected to continue from all countries over the next two decades.
- The United States is the destination country for 80% of all migrants from these countries. Most of them are likely in search of greater economic opportunity and a better quality of life; seven of these Latin American countries rank in the bottom half of all countries globally in GDP per capita, and most lag in basic indicators of the quality of life.

- The potential clearly exists for Hispanic emigration to the United States consistent with our projections given the scale of projected population outflows from these 10 Latin American countries, the desire to emigrate to the United States, the expectation of continuing emigration from Puerto Rico to the United States, and potential emigration to the United States from other countries not specifically analyzed here.

The demographic characteristics of Hispanic immigrants differ in many respects from those of the US-born Hispanic population. Therefore, the rate of immigration and the resulting change in the percentage of the foreign-born affect average indicators of the US Hispanic population such as the use of Spanish in the home. Our estimates and projections of Hispanic language use in the home show

- A total of 73.8% of the Hispanic population age 5 and over speak Spanish in the home. Among the US-born population, 58% report that they speak Spanish in the home. Among the foreign-born population, 94% report that they speak Spanish in the home.
- The incidence of speaking Spanish in the home falls off very slowly for immigrants with length of time in the country.
- A total of 19.2% of the Hispanic population age 5 and over speak only Spanish in the home. Among the foreign-born, 65% of new arrivals speak only Spanish. This percentage falls gradually with time in the country, but even after 30 years in the United States, about one-third of foreign-born Hispanics still only speak Spanish in the home.
- In our baseline population forecast, the foreign-born share of the Hispanic population falls gradually, from 39.7% in 2014 to 34.8% in 2034. Yet, because of the patterns of persistence in the use of Spanish, the share of the Hispanic population that speaks Spanish in the home will fall very little—from 73.3% in 2014 to 71.3% in 2034.
- In our alternative scenario, which assumes higher Hispanic immigration, the foreign-born share of the Hispanic population is higher in 2034 (37%), and the share of the population 5 and over that speaks Spanish in the home is slightly higher throughout the forecast period and stands at 72.1% in 2034.

1. The 2008-09 recession: Impact on the Hispanic population

The financial crisis and recession of 2008–09 was a severe blow to the US economy. It was the deepest recession in the postwar period, and the rate of recovery in terms of output and employment is well below that of past economic expansions. Total nonfarm employment declined by 8.6 million from the peak in the first quarter of 2008 to the first quarter of 2010, and the prerecession peak was attained again only in the second quarter of 2014. Over 2010–13, real GDP growth has averaged only 2.2% and growth was as high as 2.5% only in the first year of the recovery.

The greatest job losses from 2007 to 2010 were in construction—2.8 million jobs. Manufacturing jobs fell by 2.2 million based on the annual average data from the Current Population Survey (CPS). Between 2010 and 2013, manufacturing regained 900 thousand jobs but construction only regained 200 thousand. Gains in employment over this period were greatest in service categories, including professional and business services and leisure and hospitality services.

Table 1

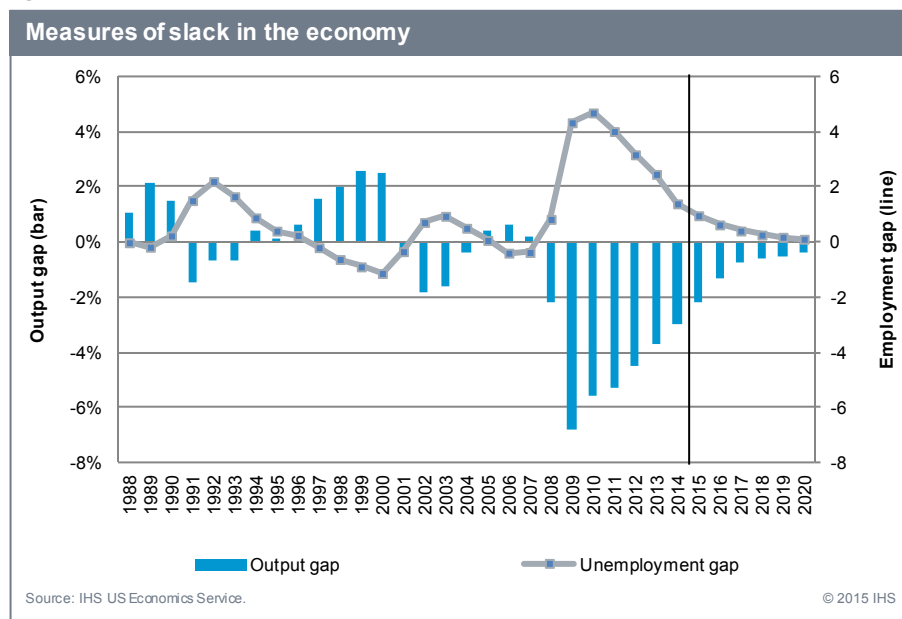
US employment by industry						
	Employment (millions)			Industry shares		
	2007	2010	2013	2007	2010	2013
Agriculture and forestry	2.1	2.2	2.1	1.5%	1.6%	1.5%
Mining	0.7	0.7	1.1	0.5%	0.5%	0.7%
Construction	11.8	9.1	9.3	8.1%	6.5%	6.4%
Manufacturing	16.1	14.0	14.9	11.1%	10.0%	10.3%
Wholesale & retail trade	21.1	19.7	19.7	14.4%	14.2%	13.7%
Transportation and utilities	7.6	7.2	7.4	5.2%	5.1%	5.2%
Information	3.7	3.2	3.0	2.5%	2.3%	2.1%
Financial activities	10.5	9.4	9.9	7.2%	6.8%	6.9%
Professional & business services	15.6	15.4	16.7	10.7%	11.0%	11.6%
Educational and health services	30.6	32.1	32.5	21.0%	23.1%	22.6%
Leisure and hospitality	12.5	12.5	13.6	8.5%	9.0%	9.4%
Other services	7.0	6.7	7.2	4.8%	4.8%	5.0%
Public administration	6.7	7.0	6.7	4.6%	5.0%	4.7%
Total	146.0	139.1	143.9	100.0%	100.0%	100.0%

Source: IHS tabulation of Current Population Survey public-use microdata files

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Two indicators of the depth of the recession and the distance yet to go before the economy fully recovers are displayed in Figure 1. The blue bar shows the gap between real GDP and the level of real GDP that could be produced if the economy were operating at full capacity. In 2009 the economy was operating at more than 6% below capacity—a much larger gap than in either of the previous two recessions. The gray line in Figure 1 illustrates the slack in the US labor market created by the recession. This indicator is the gap between the US unemployment rate and an estimate of what the rate would be with the economy operating at full capacity without accelerating inflation. From 2009–11 the unemployment rate was about 4 percentage points above this equilibrium level.

Figure 1



The 2008–09 recession had a greater impact on Hispanic employment than on the overall workforce because the Hispanic workforce contributes significantly to the construction industry. Consequently, the sharp decline in the housing sector, which was at the root of the recession, led to big Hispanic job losses. Construction was the leading sector for Hispanic employment in 2007, and Hispanic employment in construction declined by 700 thousand between 2007 and 2009. By 2013 only about 100 thousand of those construction jobs had been regained.

Table 2

	Employment (x 1,000)			Industry shares		
	2007	2010	2013	2007	2009	2013
Agriculture and forestry	0.426	0.452	0.492	2.1%	2.3%	2.2%
Mining	0.095	0.109	0.218	0.5%	0.6%	1.0%
Construction	2.980	2.260	2.393	14.6%	11.5%	10.6%
Manufacturing	2.350	2.150	2.315	11.5%	10.9%	10.3%
Wholesale & retail trade	2.868	2.750	3.056	14.1%	14.0%	13.6%
Transportation and utilities	1.022	1.027	1.197	5.0%	5.2%	5.3%
Information	0.360	0.307	0.309	1.8%	1.6%	1.4%
Financial activities	1.134	0.974	1.140	5.6%	5.0%	5.1%
Professional & business services	2.141	2.058	2.656	10.5%	10.5%	11.8%
Educational services	1.114	1.195	1.306	5.5%	6.1%	5.8%
Health services	1.803	1.939	2.393	8.8%	9.9%	10.6%
Leisure and hospitality	2.404	2.470	2.998	11.8%	12.6%	13.3%
Other services	1.109	1.257	1.284	5.4%	6.4%	5.7%
Public administration	0.591	0.689	0.771	2.9%	3.5%	3.4%
Total	20.396	19.638	22.529	100.0%	100.0%	100.0%

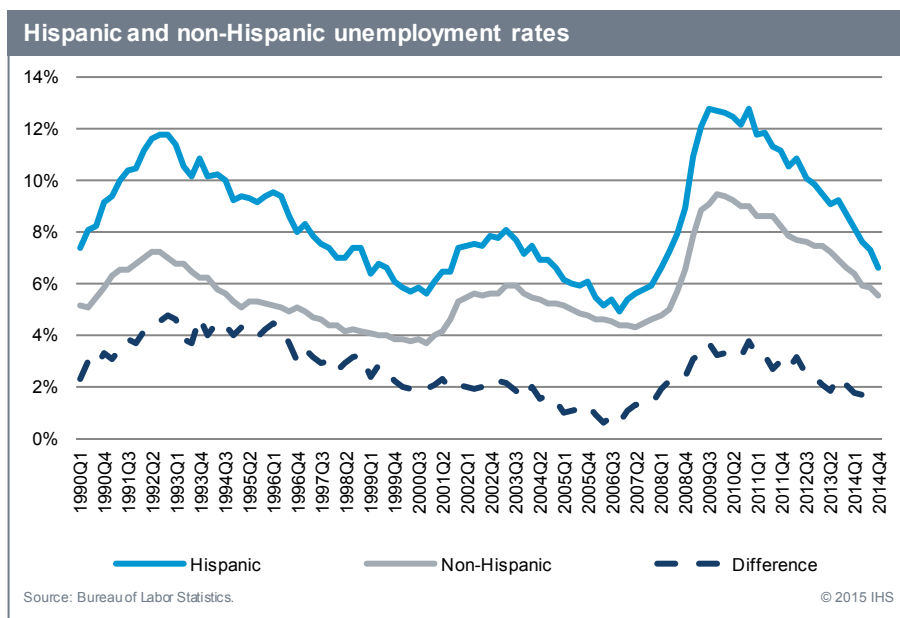
Source: IHS tabulation of Current Population Survey public-use microdata files

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During the recession, the Hispanic unemployment rate rose to a high of 12.7%, and the gap between the Hispanic and non-Hispanic rates rose to nearly 4 percentage points. Over the past three years, however, the Hispanic unemployment rate has fallen faster than the non-Hispanic rate, and the gap has again been reduced to just over 1 percentage point.

With the deteriorating employment conditions during the recession, the net flow of Hispanic immigrants to the United States declined sharply, and there was a significant drop in Hispanic births in the country. Data from the National Center for Health Statistics show the Hispanic fertility rate declined by 25% between 2006 and 2013, while the non-Hispanic fertility rate declined by much less—only 5% from its peak in 2007 to 2011—and has stabilized since then. As a result, Hispanic population growth slowed from 3.7% in 2006 to 2.1% in 2013, according to the Census Bureau.

Figure 2



Source: Bureau of Labor Statistics.

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2. The long-term US economic outlook

At present the economy continues to operate below capacity, but IHS Economics projects that, with the expected acceleration of growth in the next two to three years, the economy will finally move closer to full recovery as the housing market resumes its growth and employment accelerates to the point that wage gains improve, stimulating stronger consumer spending. Real GDP is expected to increase 3.1% in 2015 and 2.7% in 2016 and 2017. Employment growth will average 1.7% over these three years, and the unemployment rate should fall to 5.2% by 2017. The IHS

baseline long-term forecast for the US economy is for real GDP growth to average 2.5% per year over 2015–34, 0.3 percentage point slower than during the past 20 years.

Table 3

US long-term economic outlook (Average annual growth rates)					
	2010-14	2015-19	2020-24	2025-29	2030-34
Real GDP	2.2%	2.7%	2.5%	2.3%	2.3%
Real personal consumption	2.2%	2.8%	2.4%	2.4%	2.4%
Consumer price inflation	2.0%	2.0%	2.3%	2.1%	2.0%
Population	0.7%	0.8%	0.8%	0.7%	0.6%
Labor force	0.2%	1.2%	0.7%	0.4%	0.6%
Nonfarm employment	1.1%	1.3%	0.8%	0.5%	0.6%
Unemployment rate (period average)	8.0%	5.4%	5.1%	5.1%	5.0%

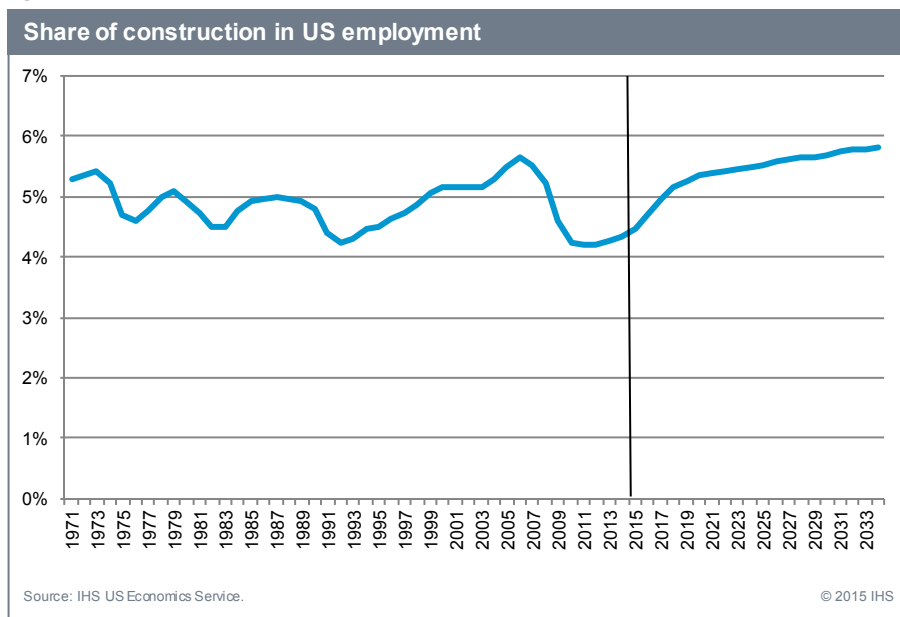
Source: IHS US Economic Service

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Other indicators will also improve, with real consumption growth averaging 2.5% per year over the forecast period. Per capita growth will be about 1.8% per year, down 0.2 percentage points from 1994–2014. Expenditures, in the long term, are primarily determined by the growth of real permanent income, demographic influences, and changes in relative prices. The share of personal consumption in GDP hovers around 67–68% of GDP over the forecast period. The share of consumption devoted to services will rise, mainly due to rising health expenditures, while that for goods will fall. Real personal disposable income, which climbed 2.7% in 1994–2014, will again rise at a 2.7% pace over the next 20 years.

Unemployment will decline and settle at about 5%. Among the major sectors of the economy, the construction industry will have the second-biggest employment gain, after professional and business services. The demands of both residential and nonresidential investment will push the construction sector’s share of employment up from 4.3% in 2013 to 5.8% in 2034 (Figure 3). Housing starts are projected to average 1.59 million units annually in the forecast period, compared with 1.35 million for 1994–2014. The 25–34 year-old group is a key driver for the new housing demand, as this is when individuals typically purchase their first home. The demand for new housing was boosted by the large gains in this age group, as baby-boomers entered the housing market. This generation began to pass through this age bracket in the mid-1980s, limiting the demand for additions to the housing stock. The number of households in this age group began a modest increase after 2005, and the demand for housing will be a bit stronger over the next 20 years than over the past 20 years.

Figure 3



Source: IHS US Economics Service.

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This long-term upward trend in construction employment is a positive factor for Hispanic employment growth, since construction is the industry with the highest concentration of Hispanic employment.

Table 4

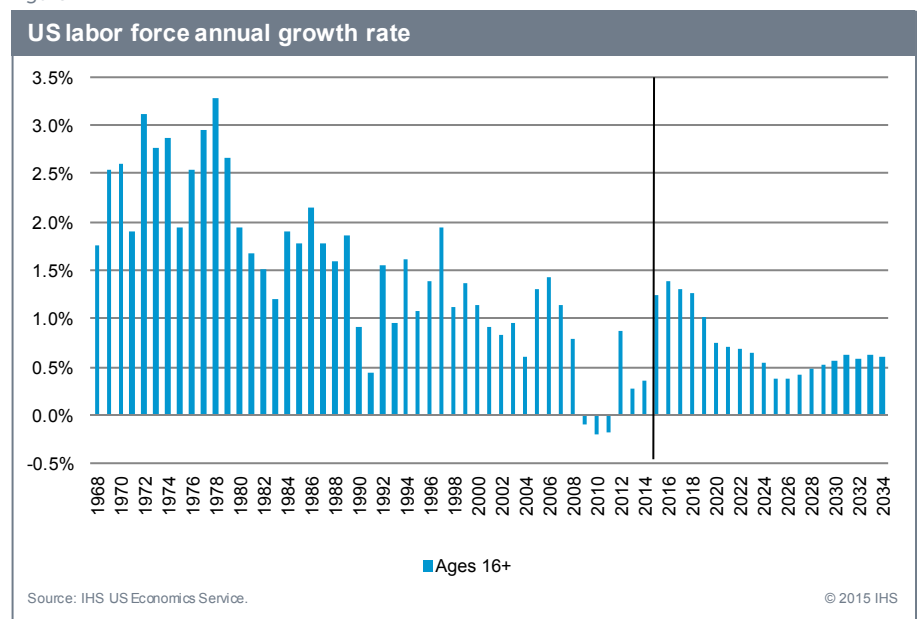
Shares of US employment by industry (Percent)						
	2007	2013	2019	2024	2029	2034
Total nonfarm payrolls	100.0	100.0	100.0	100.0	100.0	100.0
Private nonfarm establishments	83.9	84.0	84.7	84.4	84.3	84.7
Natural resources & mining	0.5	0.6	0.7	0.7	0.7	0.6
Construction	5.5	4.3	5.2	5.5	5.7	5.8
Trade, transportation & utilities	19.3	19.0	18.6	17.8	17.4	16.9
Information	2.2	2.0	1.9	2.0	2.0	2.1
Financial activities	6.1	5.8	5.3	5.1	5.0	5.0
Professional & business services	13.0	13.6	14.8	16.2	17.2	18.1
Education & health services	13.5	15.5	15.6	15.4	15.3	15.5
Leisure & hospitality	9.7	10.4	10.6	10.4	10.2	10.1
Other services	4.0	4.0	3.7	3.6	3.6	3.6
Manufacturing	10.1	8.8	8.4	7.8	7.3	7.0
Government	16.1	16.0	15.3	15.6	15.7	15.3

Source: IHS tabulation of Current Population Survey public-use microdata files

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Labor force growth is expected to accelerate over the next four years as the pace of economic growth picks up and more people are drawn back into the labor market. But as increasing numbers of Baby Boomers retire, the rate of growth will slow to an average of only 0.6% per year from 2020 through 2034.

Figure 4

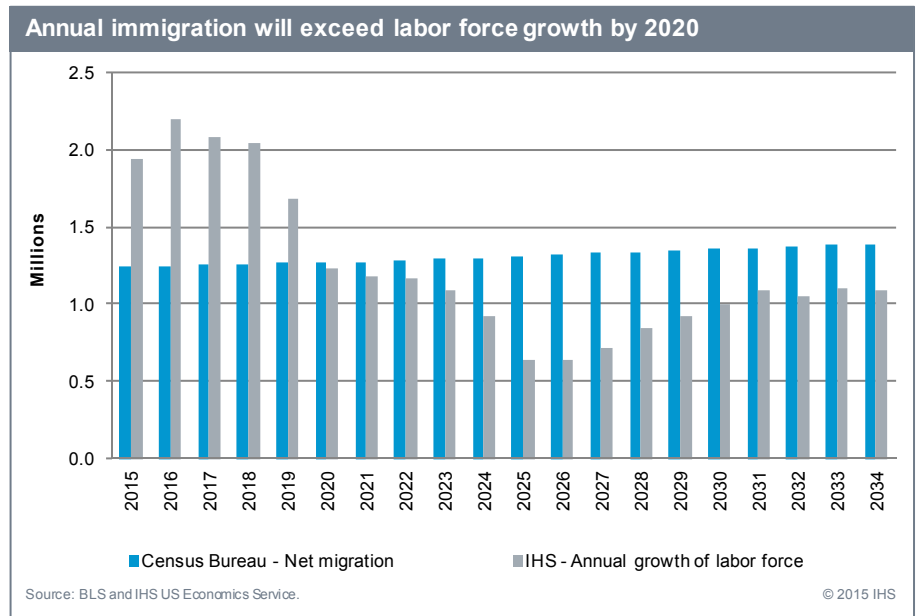


Source: IHS US Economics Service.

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As the growth of the working age population slows and the annual increment to the labor force declines, immigration will become more important as a source of employment growth. By 2020 labor force growth is expected to slow to the point that the annual change in the labor force is roughly equal to the amount of net migration.

Figure 5



3. Hispanic and non-Hispanic labor force growth

The Hispanic population will play an increasingly significant role in US employment growth because the Hispanic population is a younger and faster growing segment of the population, while trends in the non-Hispanic population are heavily influenced by the aging Baby Boomer generation that is moving into retirement.

Table 5

Age category	Hispanic	Non-Hispanic
Total	100.0%	100.0%
16-24	17.9%	13.0%
25-34	27.0%	20.7%
35-44	24.6%	20.3%
45-54	19.0%	22.8%
55-64	9.4%	17.4%
65+	2.2%	5.8%

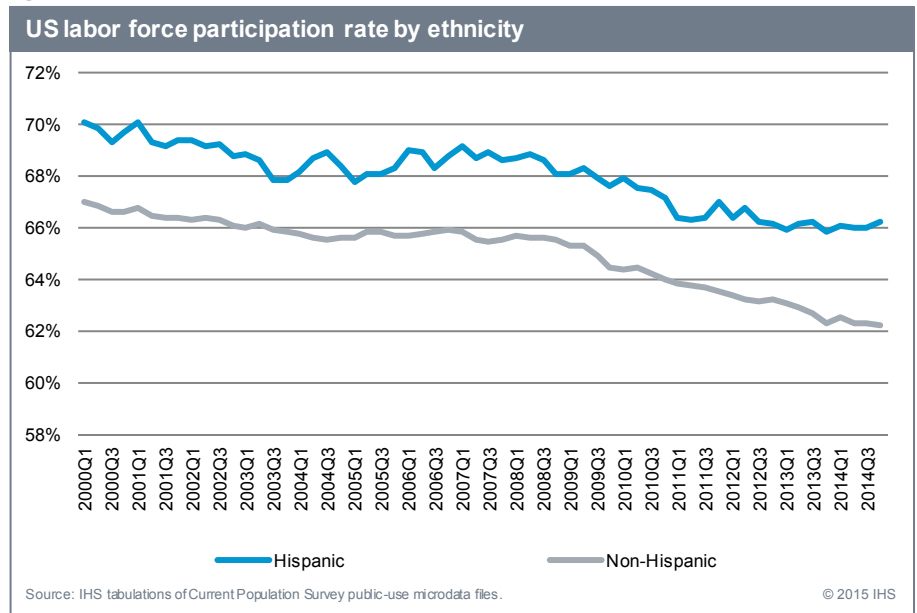
Source: IHS

Looking at the age distribution of the labor force in 2013 (Table 5):

- A total of 5.8% of the non-Hispanic labor force is age 65 and over, but only 2.2% of the Hispanic labor force is in this age category.
- A total of 17.4% of the non-Hispanic labor force is in the age group approaching retirement over the next 10 years (55-64), while only 9.8% of the Hispanic population is in this age category.

The overall US labor force participation rate was declining before the 2008–09 recession, and

Figure 6



this decline was exacerbated by the slowdown. The Hispanic labor force participation rate is above that of the non-Hispanic population. The gap between the Hispanic and non-Hispanic rates averaged about 3 percentage points from prerecession times up until the first three years of the recovery. In the last several quarters, however, the Hispanic participation rate has stabilized at about 66%, while the non-Hispanic rate continued to decline—widening the gap to about 4 percentage points.

IHS projects that, with the pickup in the rate of economic growth over the next three to five years, the labor force participation rate will rise slightly, but thereafter it will continue its gradual decline (see

Figure 7

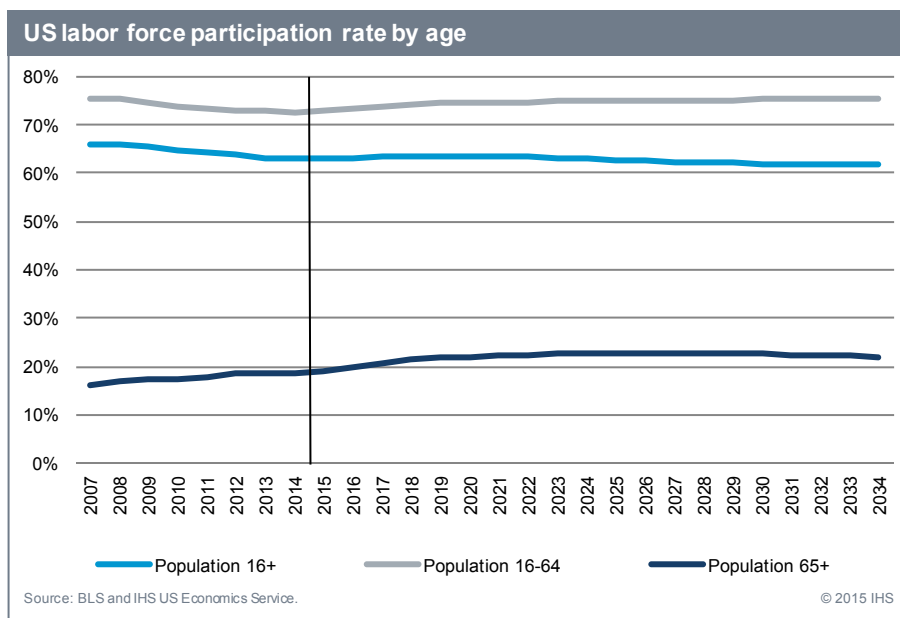


Figure 7). A continuing rise in the participation rate for the population age 65 and over will contribute to the slight increase in the overall labor participation rate through 2019. But we expect the participation rate in this 65-plus age category to stabilize near 22% during the last 10 years of the forecast period.

To examine the potential contribution of the Hispanic population to US economic growth over the next 20 years given this scenario of slower growth of the overall labor force, we developed projections of labor force and employment growth separately for the non-Hispanic and Hispanic populations. Our long-term population projections are produced with an age cohort survival model beginning with the most recent Census Bureau population estimates. Our assumptions about age-specific survival rates are drawn from the supporting data from the Census Bureau’s most recent (December 2014) long-term population projections. Our baseline population projections also adopt the Census Bureau’s assumptions about net international migration through 2034—in total and separately for the Hispanic and non-Hispanic populations.

We also adopt Census Bureau assumptions regarding fertility rates for the non-Hispanic population. However, we make independent projections of Hispanic fertility rates. Our models indicate that as economic conditions improve and the unemployment rate falls, Hispanic fertility rates will rebound slightly more than the Census Bureau assumes over the next five years and decline more slowly over the following 15 years.

Baseline forecast results

US population growth is expected to average 0.8% over the forecast period: non-Hispanic population growth will slow from 0.5% in 2015–19 to 0.3% in 2029–34. Hispanic population growth is also projected to slow but still average 2.1% over the 20-year forecast period.

The contrast in growth rates between the Hispanic and non-Hispanic populations is even more stark among the population of core working age (16–64). The non-Hispanic population age 16–64 will decline through 2029 before levelling off to a 0.1% annual increase in 2030–34. The Hispanic population in this core age group will grow at an average annual rate of 2.0% over the 20-year forecast period. As a result, the Hispanic share of the population age 16–64 will rise from 17.3% in 2014 to 24.2% in 2034. Labor force participation rates are expected to rise slightly over the next five years as the economy recovers, but then resume a gradual decline.

Table 6

Baseline Hispanic and non-Hispanic population forecast					
Population (millions)	2014	2019	2024	2029	2034
Total	318.9	332.3	346.1	359.4	371.4
Hispanic	55.4	62.2	69.5	77.0	84.5
Non-Hispanic	263.4	270.1	276.6	282.4	286.9
Hispanic share	17.4%	18.7%	20.1%	21.4%	22.8%
Average annual growth rate		2015-19	2020-24	2025-29	2030-34
Total		0.8%	0.8%	0.8%	0.7%
Hispanic		2.3%	2.2%	2.1%	1.9%
Non-Hispanic		0.5%	0.5%	0.4%	0.3%
Population age 16-64 (millions)	2014	2019	2024	2029	2034
Total	207.1	211.5	214.1	216.3	221.1
Hispanic	35.8	40.6	45.2	49.5	53.5
Non-Hispanic	171.3	170.9	168.9	166.8	167.6
Hispanic share	17.3%	19.2%	21.1%	22.9%	24.2%
Average annual growth rate		2015-19	2020-24	2025-29	2030-34
Total		0.4%	0.2%	0.2%	0.4%
Hispanic		2.6%	2.2%	1.8%	1.6%
Non-Hispanic		0.0%	-0.2%	-0.2%	0.1%

Source: IHS

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We projected labor force participation rates separately for two broad age categories to capture the impact of differences in the age distribution of the Hispanic and non-Hispanic groups.

Table 7

Labor force participation rate projections					
	2014	2019	2024	2029	2034
Overall					
Economywide	62.9%	63.7%	62.9%	61.9%	61.6%
Hispanic	66.1%	67.7%	67.6%	67.1%	66.7%
Non-Hispanic	62.3%	62.9%	61.9%	60.6%	60.2%
Ages 16-64					
Economywide	72.7%	74.5%	74.9%	75.0%	75.5%
Hispanic	70.9%	73.2%	74.0%	74.5%	75.2%
Non-Hispanic	73.0%	74.8%	75.2%	75.2%	75.6%
Ages 65+					
Economywide	18.6%	21.7%	22.8%	22.6%	22.0%
Hispanic	17.0%	20.4%	21.7%	21.8%	21.5%
Non-Hispanic	18.7%	21.8%	22.9%	22.7%	22.1%

Source: IHS

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Under the above conditions, the non-Hispanic labor force will grow at an average annual rate of 0.8% over the next five years but then slow to an average annual rate of less than 0.2% over the following 15 years. Growth of the Hispanic labor force will average 2.5% per year over the forecast period and will make up 23.0% of the US total in 2034.

Table 8

Baseline labor force forecasts (Millions)					
	2014	2019	2024	2029	2034
Total	155.9	165.9	171.4	175.1	180.4
Hispanic	25.4	30.0	34.0	37.8	41.4
Non-Hispanic	130.5	135.9	137.4	137.4	139.0
Hispanic share	16.3%	18.1%	19.8%	21.6%	23.0%
Average annual growth rate		2015-19	2020-24	2025-29	2030-34
Total		1.3%	0.7%	0.4%	0.6%
Hispanic		3.4%	2.6%	2.1%	1.9%
Non-Hispanic		0.8%	0.2%	0.0%	0.2%

Source: IHS

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The economywide unemployment rate is projected to fall to near 5% by 2024 and remain near that level over the forecast period. The gap in unemployment rates between Hispanics and non-Hispanics is expected to continue to narrow over the forecast period, with Hispanic unemployment falling from 7.4% in 2014 to 5.4% in 2034.

Table 9

Baseline unemployment rate projections					
	2014	2019	2024	2029	2034
Overall					
Economywide	6.2%	5.3%	5.1%	5.1%	5.0%
Hispanic	7.4%	6.2%	5.7%	5.6%	5.4%
Non-Hispanic	5.9%	5.1%	4.9%	4.9%	4.9%
Hispanic-non-Hispanic difference	1.5%	1.1%	0.8%	0.7%	0.5%

Source: IHS

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Non-Hispanic employment will grow at an average annual rate of 1.0% over the next five years but then slow to an average annual rate of 0.2% over the following 15 years. Hispanic employment growth will average 2.6% per year over the 20-year forecast period and rise from 16% of the US total in 2014 to 23% in 2034.

Over the next five years, the Hispanic population will account for over 40% of the increase in US employment. Over the last 15 years of the forecast period, the Hispanic population will account for over three-fourths of the increase in US employment (an 11 million increase in Hispanic employment out of an economy wide gain of 14 million). It is useful to note that these conclusions about the Hispanic contribution to future employment growth are virtually unaffected by the assumption of a slightly higher long-term trajectory for Hispanic fertility rates (the one deviation from Census Bureau assumptions that we adopted in producing our demographic projections).

Table 10

Baseline employment forecasts (Millions)					
	2014	2019	2024	2029	2034
Total	146.3	157.1	162.7	166.3	171.4
Hispanic	23.5	28.1	32.1	35.6	39.2
Non-Hispanic	122.8	129.0	130.7	130.7	132.2
Hispanic share	16.1%	17.9%	19.7%	21.4%	22.9%
Average annual growth rate		2015-19	2020-24	2025-29	2030-34
Total		1.4%	0.7%	0.4%	0.6%
Hispanic		3.6%	2.7%	2.1%	1.9%
Non-Hispanic		1.0%	0.3%	0.0%	0.2%

Source: IHS

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An alternative immigration scenario

The forecasts of Hispanic population and employment growth presented above are based largely on the most recent Census Bureau estimates and projections of Hispanic fertility and mortality rates and net international migration. The big unknown in any long-term Hispanic population projection is the pace of net international migration. Our baseline assumptions are identical to those in the Census Bureau projections, but there are credible scenarios for higher levels of immigration and, thus, higher rates of growth of the Hispanic population. The level of Hispanic immigration could be considerably higher, especially if the immigration policy gridlock in Washington is broken given the faster economic growth and return to near full-employment expected over the next three to five years and, in particular, the acceleration of home building and construction.

To examine the implications of a higher rate of Hispanic immigration, we modeled a scenario that begins with annual average net migration of 700 thousand in 2015–19. This is approximately the level of immigration estimated to have occurred during the last expansion. The rate of US labor force growth is expected to slow sharply between 2020 and 2034. We continue our assumption of Hispanic immigration of 700 thousand per year during this period. Over the final 10 years of the baseline forecast, total labor force growth is projected to be only 0.5% per year. This should create conditions for additional labor demand, and we increase the Hispanic immigration assumption in our alternative scenario to 750 thousand per year over this period. This scenario with increased Hispanic immigration while keeping non-Hispanic immigration at the levels of the baseline scenario results in a Hispanic share of total immigration that is more similar to the high-growth prerecession period, when Hispanic immigration was 50-55% of total immigration annually.

Highlights of this alternative economic scenario for growth of the Hispanic population and employment are

- Total net Hispanic migration is 3.7 million higher over the 20-year forecast period and with the additional births (net of deaths) to these immigrants, Hispanic population in 2034 is 4.6 million higher at 89.1 million (see Table 11).
- Hispanic population growth averages 2.4% over the 20-year period, compared with 2.1% in the baseline forecast.
- Hispanic employment is 2.4 million higher in 2034, and the Hispanic share of US employment rises to 23.8%, compared with 22.9% in the baseline forecast (see Table 12).
- Although assumptions about growth of the non-Hispanic population are unchanged in this alternative economic scenario, employment of the non-Hispanic population is 900 thousand higher in 2034 because of the more robust economic growth and a lower unemployment rate.

Table 11

Population growth: Alternative forecast (Millions)					
	2014	2019	2024	2029	2034
Total	318.9	333.2	348.0	362.6	376.0
Hispanic	55.4	63.1	71.4	80.2	89.1
Non-Hispanic	263.4	270.1	276.6	282.4	286.9
Hispanic share	17.4%	18.9%	20.5%	22.1%	23.7%
Average annual growth rate		2015-19	2020-24	2025-29	2030-34
Total		0.9%	0.9%	0.8%	0.7%
Hispanic		2.6%	2.5%	2.4%	2.1%
Non-Hispanic		0.5%	0.5%	0.4%	0.3%

Source: IHS

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Table 12

Employment growth: Alternative scenario (Millions)					
	2014	2019	2024	2029	2034
Total	146.3	158.3	164.4	169.0	174.7
Hispanic	23.5	28.7	33.1	37.4	41.6
Non-Hispanic	122.8	129.6	131.3	131.6	133.1
Hispanic share	16.1%	18.1%	20.2%	22.1%	23.8%
Average annual growth rate		2015-19	2020-24	2025-29	2030-34
Total		1.6%	0.8%	0.6%	0.7%
Hispanic		4.1%	3.0%	2.4%	2.2%
Non-Hispanic		1.1%	0.3%	0.1%	0.2%

Source: IHS

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4. Latin American economies and Hispanic migration

The long-term economic forecasts summarized above represent scenarios for potential employment of a growing Hispanic workforce fueled by a rebound in Hispanic immigration. But if the jobs are created, will there be a flow of Hispanic immigrants consistent with the levels assumed in these forecasts? To address this question, we examine the distribution of past immigrants by country of origin and analyze the outlook for economic conditions in the countries that in the past have been the source of most US Hispanic immigrants.

Our definition of the foreign-born population includes anyone not born in the 50 states or Washington DC. Thus, those born in Puerto Rico are included as foreign born and, indeed, Puerto Rico ranks above all countries except Mexico as an origin for Hispanic immigrants, as shown in Table 13. Over half of all foreign-born Hispanic Americans are from Mexico. All Central American countries combined account for 15%, and South America and the Caribbean (excluding Puerto Rico) each account for 10%.

Growth rates of real Gross Domestic Product (GDP over the last five years among the 10 Latin American countries shown in Table 13 range from a low of 1.9% in El Salvador to 5.9% in Peru. In Puerto Rico, real GDP growth declined in four of the last five years. IHS International Economics expects most of these countries, again with the exception of Puerto Rico, to have growth rates of 3–5% in the near term, and for most to sustain this pace over the 20-year forecast horizon.

While the growth outlook for most Latin American countries is positive, a critical factor in assessing the prospects for future migration from these countries to the United States is whether

local economic growth will be strong enough to provide jobs to their local workforces and create a rising standard of living that will deter migration. In preparing forecasts for most countries throughout the world, IHS adopts the latest long-term population projections published by the UN population division, which are developed using an age-cohort survival model with assumptions about fertility rates, survival rates, and net international migration.

Table 13

Hispanic foreign-born population by country of origin, 2013		
	Population (Thousands)	Share of foreign-born
Total	53,733	
Born in the United States	32,857	
Foreign-born	20,875	100.0%
Mexico	11,597	55.6%
Puerto Rico	1,544	7.4%
El Salvador	1,242	5.9%
Cuba	1,129	5.4%
Dominican Republic	1,016	4.9%
Guatemala	894	4.3%
Colombia	686	3.3%
Honduras	530	2.5%
Ecuador	438	2.1%
Peru	431	2.1%
Nicaragua	239	1.1%
All other	1,129	5.4%

Source: IHS tabulation of 2013 American Community Survey public-use micro-data file.

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Fertility rates are expected to decline gradually from current levels over the next 20 years in all countries except Cuba. Thus, with the possible exception of Guatemala (whose population is expected to grow about 2.2% over the forecast period), birth rates for Latin American countries are not high enough to lead to population growth that exceeds the capacity of the countries' economies to create sufficient jobs for the working-age population, unless these countries were to experience an economic downturn.

Table 14

Population growth of Latin American countries and Puerto Rico (Average annual growth rates)					
	2010-14	2015-19	2020-24	2025-29	2030-34
Colombia	1.3%	1.2%	1.0%	0.8%	0.7%
Cuba	-0.1%	-0.1%	-0.2%	-0.3%	-0.4%
Dominican Republic	1.3%	1.1%	0.9%	0.8%	0.7%
Ecuador	1.6%	1.5%	1.3%	1.2%	1.0%
El Salvador	0.6%	0.6%	0.5%	0.4%	0.2%
Guatemala	2.5%	2.4%	2.2%	2.1%	1.9%
Honduras	2.0%	1.9%	1.7%	1.5%	1.4%
Mexico	1.2%	1.1%	1.0%	0.8%	0.7%
Nicaragua	1.4%	1.3%	1.1%	1.0%	0.9%
Peru	1.2%	1.2%	1.1%	0.9%	0.8%
Puerto Rico	-0.4%	0.0%	0.1%	0.1%	0.0%

Source: IHS International Economics Group, based on U.N. population projections.

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Despite moderate birth rates and prospects for good economic growth, the UN projects continuing net outmigration from all 10 Latin American countries analyzed here, although at somewhat lower levels than in 2005–10.

Table 15

UN projections of net migration from Latin American countries (Thousands per five-year period)							
Country	2000-05	2005-10	2010-15	2015-20	2020-25	2025-30	2030-35
Colombia	-120	-120	-120	-120	-120	-120	-120
Cuba	-143	-190	-140	-140	-140	-100	-100
Dominican Republic	-148	-140	-140	-140	-140	-140	-140
Ecuador	-43	-46	-30	-30	-30	-30	-30
El Salvador	-356	-292	-225	-225	-225	-200	-200
Guatemala	-300	-200	-75	-75	-75	-75	-75
Honduras	-150	-100	-50	-50	-50	-50	-50
Mexico	-2,929	-2,051	-1,200	-1,200	-1,000	-1,000	-1,000
Nicaragua	-206	-200	-120	-120	-120	-100	-100
Peru	-625	-725	-300	-200	-200	-200	-200
Sum	-5,020	-4,065	-2,400	-2,300	-2,100	-2,015	-2,015

Source: United Nations, Department of Economic and Social Affairs, Population Division (2013). World Population Prospects: The 2012 Revision. Middle Series.

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Where do these migrants go? UN data shows that the United States is the top destination for all of these countries except Colombia and Nicaragua. For six of these countries, over four-fifths of migrants go to the United States. For Mexico the share is 98%. On a weighted-average basis, 80% of all former migrants from these countries are in the United States.

If excess population growth and/or weak economic growth are not driving migration from these Latin American countries, what is the driving force? Very likely the answer is a search for greater economic opportunity and a better quality of life. Seven of these Latin American countries rank among the bottom half of all countries globally in GDP per capita, and none rank in the top one-third. Mexico is the leader among the 10 countries at an estimated \$10,307 GDP per capita in 2013, but this only puts Mexico in 80th place among 205 countries. Puerto Rico shows a higher GDP per capita, but as noted above it faces weaker economic growth than any of the 10 Latin American countries, and its low population growth reflects an expectation of continuing outflows of population to the United States

Real GDP in the United States in 2013 was \$52,939—more than five times higher than all of the Latin American countries.

Other indicators of the gap in the quality of life that exists between Latin America and the United States are presented in Table 17. Although government initiatives, supported by global development organizations, have improved basic amenities in most of these countries, a quicker path to a better quality of life for many is migration to the United States.

Considering the scale of projected population outflows from these 10 Latin American countries, the high propensity of migrants from these countries to move to the United States, the expectation of continuing population movement from Puerto Rico to the United States, and potential migration to the United States from other countries not specifically discussed here, the potential certainly exists for Hispanic migration to the United States consistent with either the baseline or high-immigration projections made above in Section 3.

Table 16

UN estimates of origin of migrants in 2013		
Country	Country's migrants living in the United States (thousands)	US share of country's migrants to all countries
Colombia	722	29%
Cuba	1,201	81%
Dominican Republic	968	81%
Ecuador	473	41%
El Salvador	1,372	90%
Guatemala	930	88%
Honduras	551	83%
Mexico	12,951	98%
Nicaragua	274	42%
Peru	447	32%
Sum/average	19,888	80%

Source: United Nations, Department of Economic and Social Affairs (2013). Trends in International Migrant Stock: Migrants by Destination and Origin (United Nations database, POP/DB/MIG/Stock/Rev.2013)

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Table 17

Quality of life indicators for Latin American countries and the United States						
	Real GDP per capita, 2013 ^a	Growth of real GDP per capita, 2013-33 ^a	Access to sanitary facilities ^b	Life expectancy (Years) ^c	Access to electricity ^d	Poverty rate ^e
Colombia	\$7,856	3.3%	84.9%	73.8	97.4%	34.7%
Cuba	\$7,280	4.8%	94.0%	79.1	97.5%	Na
Dominican Republic	\$5,828	3.2%	85.5%	73.2	96.1%	41.0%
Ecuador	\$6,003	1.9%	86.5%	76.2	95.5%	29.6%
El Salvador	\$3,826	2.7%	79.5%	72.1	91.7%	37.2%
Guatemala	\$3,477	1.4%	88.4%	71.7	81.9%	53.7%
Honduras	\$2,291	2.0%	85.3%	73.5	83.3%	62.8%
Mexico	\$10,307	2.6%	87.0%	77.1	Na	51.7%
Nicaragua	\$1,851	2.9%	63.2%	74.5	77.7%	Na
Peru	\$6,665	3.4%	81.2%	74.5	89.7%	28.1%
Puerto Rico	\$28,063	1.8%	99.3%	78.5	Na	Na
United States	\$52,939	1.7%	100.0%	78.7	100.0%	15.0%

a IHS International Economics Service

b Percent of urban population with access to improved sanitation facilities, 2012

c Life expectancy at birth (years), 2012

d Percent of population with access to electricity, 2011

e Percent of population below national poverty line, average 2010-12

Source: World Bank Indicators (<http://data.worldbank.org/indicator>) and U.S. Census Bureau.

5. Immigration and Hispanic demographic characteristics

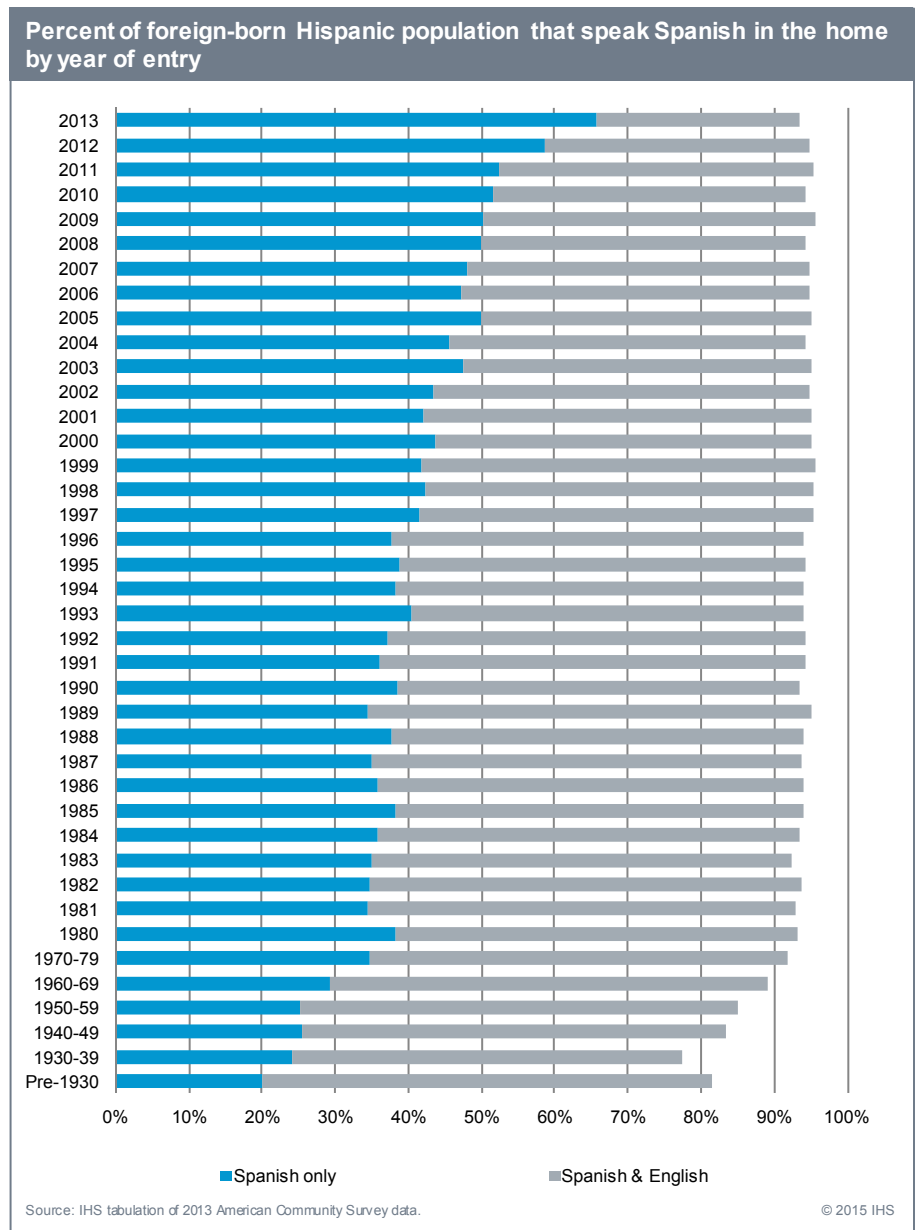
Because the demographics of Hispanic immigrants differ in many respects from those of the US-born Hispanic population, the rate of immigration affects overall indicators of the US Hispanic population such as educational attainment and the use of Spanish in the home. IHS maintains models of the change over time in demographic characteristics of the US Hispanic population to produce annual updates of our *Hispanic Market Monitor* database.

The language-use variables that we forecast measure the share of the population of age 5 and over who use Spanish in the home and, within that group, the share who speak only Spanish. These variables are based on responses to questions about language use in the American Community Survey (ACS). We define “speak only Spanish” as those who report that they speak Spanish in the home and speak English “not well” or “not at all.”

In the 2013 ACS, 73.2% of the Hispanic population age 5 and over reported that they speak Spanish in the home. This group includes the bilingual population that may also speak English in the home. Among the US-born population, 58% report that they speak Spanish in the home. Among the foreign-born population, 94% report that they speak Spanish in the home. Not surprisingly, the incidence of speaking Spanish in the home falls off very slowly with length of time in the country, as shown in Figure 8.

About one-fourth of the Hispanic population that speaks Spanish in the home speaks only Spanish (our terminology—that is, they speak English “not well” or “not at all”). Among the foreign-born Hispanic population, on average 44% of those who speak Spanish in the home speak only Spanish.

Figure 8



Considering the total Hispanic population, including those who speak English only as well as those who speak Spanish in the home, 19% of the Hispanic population age 5 and over speaks only Spanish in the home. Among the foreign born, about 65% of new arrivals speak only Spanish in the home. This percentage falls off steadily with time in the country, but even after 30 years in the United States over one-third of foreign-born Hispanics still speak only Spanish in the home (the blue bars in Figure 8).

The foreign-born share of the Hispanic population will fall gradually over the next 20 years, from 39.7% in 2014 to 34.8% in 2034, given our assumptions about fertility rates and net international migration used in our baseline long-term projections of the Hispanic population. Yet, because of the patterns of persistence in the use of Spanish described above, the share of the Hispanic population that speaks Spanish in the home will fall by less—from 73.3% in 2013 to 71.3% in 2034.

In the alternative scenario of Hispanic population and employment growth presented above, which assumes a higher level of Hispanic immigration:

- Net migration accounts for 43% of Hispanic population change over the forecast period. As a result, the foreign-born share of the Hispanic population declines less and stands at 37.0% in 2034.
- With a higher foreign-born share of the population, the share of the population 5 and over that speaks Spanish in the home is slightly higher throughout the forecast period and stands at 72.1% in 2034.

Summary data from our baseline and alternative projections of the demographic indicators for the Hispanic population are presented in Tables 18 and 19.

Table 18

US Hispanic demographic forecast: Baseline						
	2009	2014	2019	2024	2029	2034
Population (thousands)	49,327	55,426	62,220	69,491	76,967	84,500
Average annual growth (%)		2.4	2.3	2.2	2.1	1.9
Population by age (%)	100.0	100.0	100.0	100.0	100.0	100.0
0 to 4	10.3	9.2	8.5	8.7	8.4	8.1
5 to 14	18.4	18.1	17.0	15.5	15.2	15.3
15 to 24	17.6	17.1	16.6	16.3	15.5	14.4
25 to 34	16.9	16.1	16.0	15.7	15.3	15.3
35 to 54	25.2	25.8	26.0	25.8	25.7	25.6
55 & older	11.6	13.7	16.0	18.0	19.9	21.4
Households (thousands)	14,020	15,812	18,692	21,312	23,996	26,679
Average annual growth (%)		2.4	3.4	2.7	2.4	2.1
Households by age of head (%)	100.0	100.0	100.0	100.0	100.0	100.0
15 to 24	6.5	5.4	5.2	4.9	4.5	4.1
25 to 34	24.3	22.0	21.1	20.2	19.2	18.7
35 to 54	46.8	46.6	45.0	43.4	42.3	41.3
55 & older	22.4	26.0	28.8	31.5	34.0	35.9
Foreign-born population (thousands)*	20,413	21,992	24,094	26,006	27,766	29,367
Share of total (%)	41.4	39.7	38.7	37.4	36.1	34.8
Speak spanish at home (thousands)**	33,666	36,881	41,501	45,958	50,670	55,422
Share of population age 5+ (%)	76.1	73.3	72.9	72.4	71.9	71.3
Speak only spanish at home (thousands)	9,767	9,429	10,751	11,878	13,001	14,061
Share of population age 5+ (%)	22.1	18.7	18.9	18.7	18.4	18.1

* "Foreign-born" includes those born in Puerto Rico who moved to the U.S.

** "Speak Spanish at Home" includes those who "Speak Only Spanish at Home"

Source: IHS

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Table 19

US Hispanic demographic forecast: Alternative scenario						
	2008	2013	2018	2023	2028	2033
Population (thousands)	49,327	55,426	63,097	71,383	80,207	89,138
Average annual growth (%)		2.4	2.6	2.5	2.4	2.1
Population by age (%)	100.0	100.0	100.0	100.0	100.0	100.0
0 to 4	10.3	9.2	8.5	8.8	8.6	8.2
5 to 14	18.4	18.1	16.9	15.5	15.2	15.4
15 to 24	17.6	17.1	16.7	16.4	15.6	14.5
25 to 34	16.9	16.1	16.1	16.0	15.7	15.6
35 to 54	25.2	25.8	25.9	25.6	25.5	25.6
55 & older	11.6	13.7	15.9	17.7	19.4	20.7
Households (thousands)	14,020	15,812	18,846	21,737	24,765	27,842
Average annual growth (%)		2.4	3.6	2.9	2.6	2.4
Households by age of head (%)	100.0	100.0	100.0	100.0	100.0	100.0
15 to 24	6.5	5.4	5.3	5.0	4.6	4.2
25 to 34	24.3	22.0	21.2	20.6	19.8	19.3
35 to 54	46.8	46.6	44.9	43.3	42.3	41.6
55 & older	22.4	26.0	28.6	31.1	33.3	34.9
Foreign-born population (thousands)*	20,413	21,992	24,914	27,658	30,453	33,016
Share of total (%)	41.4	39.7	39.5	38.7	38.0	37.0
Speak spanish at home (thousands)**	33,666	36,881	42,222	47,445	53,186	58,988
Share of population age 5+ (%)	76.1	73.3	73.2	72.9	72.5	72.1
Speak only spanish at home (thousands)	9,767	9,429	11,145	12,519	14,012	15,396
Share of population age 5+ (%)	22.1	18.7	19.3	19.2	19.1	18.8

* "Foreign-born" includes those born in Puerto Rico who moved to the U.S.

** "Speak Spanish at Home" includes those who "Speak Only Spanish at Home"

Source: IHS

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