

Income Differentials in the U.S.: Impact on Latino Socio-Economic Development

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ABSTRACT

The objective of this paper is to analyze the main causes for income differentials (Gini coefficient) between Hispanics and other ethnic groups. Using mainly the U.S. Census Bureau data, the author found that income differentials have been increasing in the United States since the mid-1960's up to the early 1990's. Income differentials were observed for the entire U.S. population and for each of the racial groups. Blacks showed the largest gaps in household incomes, but the existing gap with Hispanics and Whites has been decreasing in the last few years. Educational attainment had the strongest effect on income differentials and mean household income. The educational attainment of Hispanics is the lowest among all the racial groups, and Hispanics' expected earnings are very low. Mean earnings for Hispanics declined in constant dollars between 1980 and 1990. The most serious problem for Hispanics is the high level of dropout rates from the school systems. Hispanics have the highest labor force participation rates among all racial groups, but their low levels of educational attainment prevent them from obtaining good paying jobs. Most Hispanics are in low-paying occupations such as operators, fabricators, laborers, and in the service industry, which increases their likelihood of being poor. The author also found that income differentials have a direct impact on family cohesiveness and community well-being. Income differentials are positively related to both divorce and child poverty rates.