

Race is Not Enough: Distributional Effects of Trade Analysis and the Salience of Ethnicity

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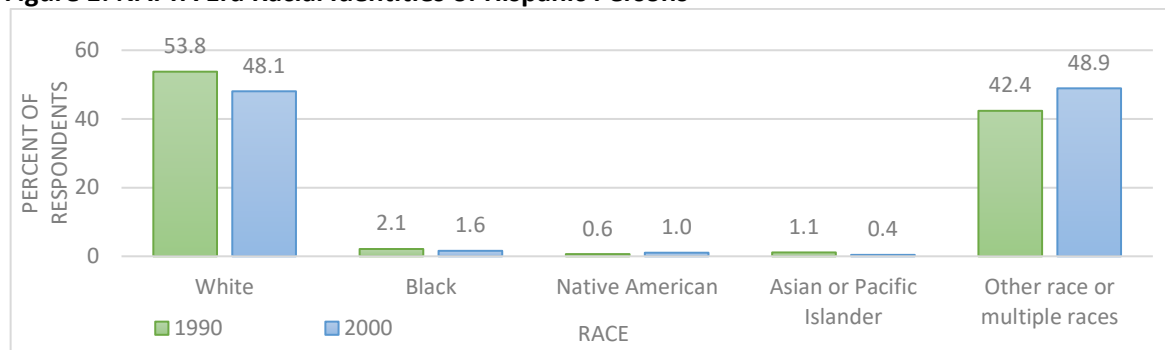
Interest in the distributional effects of trade—the way that trade shocks can affect individuals differently—has highlighted the dearth of research concerning how trade affects U.S. Hispanic workers. In this Executive Briefing on Trade, we discuss how Hispanics are identified in U.S. government datasets, and detail why analytical frameworks based upon binary race classifications might obfuscate key distinctions in Hispanic and Nonhispanic labor force trends as Hispanics self-identify as both racially White and Nonwhite. A summary is also presented of the limited literature on the distributional effects of trade on U.S. Hispanic workers.

How are Hispanics identified in U.S. Government data?

In 2020, nearly one in five Americans identified as Hispanic, Latino, or Latina.¹ U.S. government data sources, such as the decennial census, ask a two-part question where respondents first identify their ethnicity (of Hispanic origin or not), then identify their race.² This dual designation facilitates ethnic identification, however it has proven challenging for respondents who do not self-identify with the limited Census-designated race categories.³

Indeed, though the outcomes of “Brown and Black” workers are often discussed simultaneously, there is no “Brown” race option in the decennial census.⁴ Instead, as noted in Figure 1, about half of NAFTA-era Hispanic census respondents self-identified as White, while a large minority of respondents identified as “Other.” A recent Pew survey that replicated the decennial Census’ two-question format found that Hispanic self-identification has remained relatively consistent, with the majority (58 percent) of Hispanics self-identifying as White in 2020.⁵

Figure 1: NAFTA Era Racial Identities of Hispanic Persons⁶



The Labor Market Characteristics of Hispanic Whites and Nonhispanic Whites Differ

Approximately half of Hispanics identified as White in the 1990 and 2000 censuses, but there is considerable heterogeneity between the labor market outcomes of Hispanic Whites and Nonhispanic Whites. Figure 2 juxtaposes the age, income, and employment status of Whites by ethnicity.⁷ Hispanic

¹ Funk and Lopez, “[A brief statistical portrait of U.S. Hispanics](#),” 2022.

² OMB, “[Revisions to the Standards for the Classification of Federal Data on Race and Ethnicity](#),” 1997.

³ Lopez, et al., “[Who is Hispanic?](#)” 2022.

⁴ USITC, “[Distributional Effects of Trade and Trade Policy on U.S. workers](#),” 2022

⁵ Noe-Bustamante, et al., “[Measuring the Racial Identity of Latinos](#),” 2021.

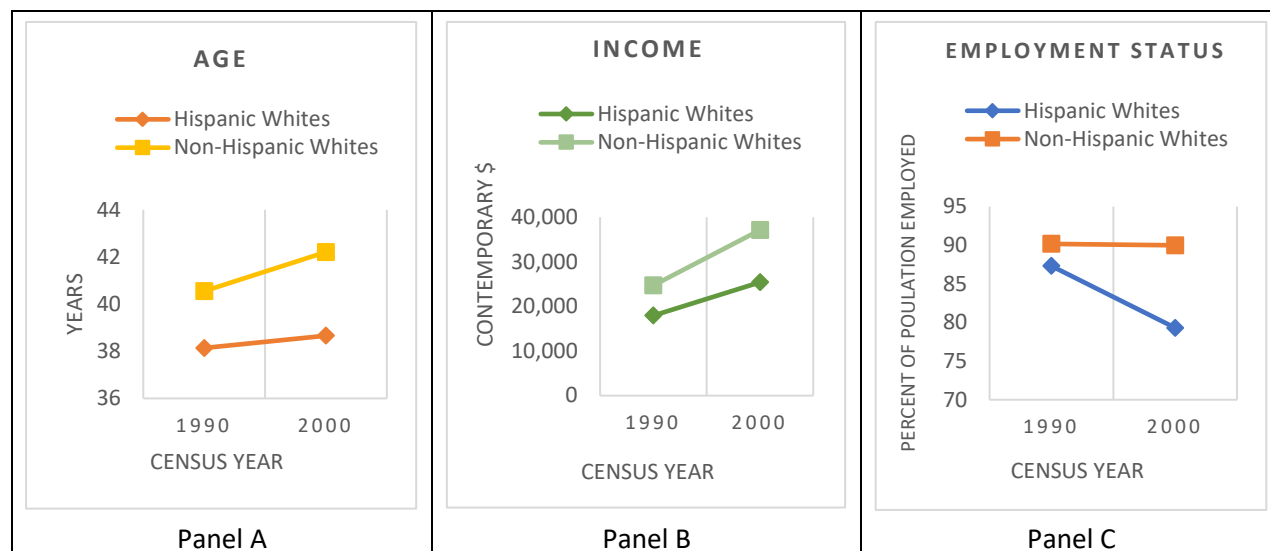
⁶ Steven Ruggles, et. al., [IPUMS USA](#): Version 13.0 [dataset]. Minneapolis, MN: IPUMS, 2023. Sample is of persons 25-64 with positive income. Retrieved Mar 24, 2023.

⁷ ‘Percent of population employed’ indicates the percent of persons 25-64 with positive wage income who state that they are employed. Employment status categories are employed, unemployed, or not in the labor force.

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Whites are younger (Panel A) and have lower wage earnings (Panel B) than their Nonhispanic White peers. Notably, while Nonhispanic White employment remained stable over the period, Hispanic Whites experienced a marked employment decline after NAFTA entered into force in 1994 (Panel C).

Figure 2: NAFTA Era Labor Market Characteristics of Whites, by Ethnicity⁸



Race is not a sufficient identifier for Hispanics; ethnicity is key to isolating the effect of trade shocks

With Hispanics almost evenly separated into White and “other” races, isolating Hispanic outcomes from estimates that only control for race is infeasible. Recent work on the effect of NAFTA tariff changes on U.S. workers illustrates this intractability. The study found that, even when controlling for factors such as education and geographic region, Nonwhite workers often had worse labor market outcomes than their White counterparts.⁹ However, given the diversity of race self-identification by Hispanics and the study’s omission of ethnicity, little can be inferred regarding the tariff changes’ effect on Hispanic workers.

Literature related to Hispanics and trade

The paucity of literature on how trade shocks affect Hispanic workers is at odds with Hispanics being the second largest and one of the fastest growing U.S. demographics, and Hispanic workers comprising eighteen percent of the U.S. workforce.¹⁰ Some model-based studies suggest that the outcomes of Hispanics lag those of their Nonhispanic peers in both import-competing industries and export-intensive industries.¹¹ Recent descriptive and model-based analyses that find a negative relationship between Hispanic labor market outcomes and trade suggest the effect is due to Hispanics’ concentration in import competing sectors.¹² More work is needed to estimate the impact of trade on labor market outcomes, and to identify underlying mechanisms.

⁸ Ruggles, et. al., [IPUMS USA: Version 13.0](#) [dataset]. Minneapolis, MN: IPUMS, 2023. Sample is of persons 25-64 with positive income. Retrieved Mar 24, 2023.

⁹ Benguria, [“The Impact of NAFTA on U.S. Local Labor Market Employment,”](#) 2020. While the importance of distinguishing between the outcomes of White Hispanics and White Nonhispanics is evident due to the groups’ labor market outcome divergence, it is equally important to study the outcomes of Nonwhite Hispanics and Nonwhite Nonhispanics.

¹⁰ Funk and Lopez, [“A brief statistical portrait of U.S. Hispanics,”](#) 2022. Dubina, [“Hispanics in the Labor Force: 5 Facts,”](#) 2021.

¹¹ Note: To our knowledge, only three model-based publications estimate the effect of trade shocks on Hispanics. Kim and Tebaldi, [“Does International Trade Impact Wage Discrimination?”](#) 2020. Greenland, Lopresti, and McHenry. [“Import Competition and Internal Migration,”](#) 2019.

¹² Public Citizen, [“Trade Discrimination: The Disproportionate, Underreported Damage to U.S. Black and Latino Workers from U.S. Trade Policies,”](#) Kahn, Oldenski, and Park, 2022, [“Racial and Ethnic Inequality and the China Shock,”](#) 2021, 3.

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