



RACE matters

Unequal Opportunities for FAMILY AND COMMUNITY ECONOMIC SUCCESS

Why Equal Opportunity is Important

- We know much of what is needed to ensure family and community economic success. For families, the most critical factors are the ability to earn family-supporting incomes, the availability of affordable goods and services and economic support programs, and the opportunity to save and accumulate assets. The realization of these goals requires economically viable communities that provide good jobs, offer accessible, high quality businesses and amenities, and reap the benefits of public and private investment.¹
- The consequences of failing to ensure family and community economic success are far-reaching. If families are not able to build a strong economic base, their children will suffer – from insufficient nutrition and health care, limited educational, recreational, and social opportunities, and reduced chances to become self-sufficient adults themselves. Further, if families are not able to build a strong economic base, the communities in which they live will decline. If these communities decline, family out-migration by those who can afford to leave will escalate, further eroding the vitality of struggling communities and further limiting the opportunities for families who remain.
- Embedded racial inequities produce unequal opportunities for family and community economic success. Systematic policies, practices, and stereotypes work against families and neighborhoods of color to produce cumulative disadvantage and affect their opportunity for achieving economic success. We need to understand the consequences of these embedded racial inequities, the often subtle ways that disparities are manifested and produced, and how they can be eliminated in order to ensure that all families and communities have the same opportunity to become economically successful.

Barriers to Equal Opportunity

- Spatial segregation by race and class. When high concentrations of poverty and race are mapped for rural communities, distinct regional and population histories emerge that reflect longstanding legacies and current consequences of differential treatment: African Americans in the rural South, American Indians in the rural West and Midwest, Latinos in the rural Southwest, and Whites in Appalachia. Similarly, when high poverty areas are mapped for urban communities, race and class segregation relegate low-income minorities to shared space. All of these areas are subjected to community disinvestment and the flight of individuals and families who can afford to do so, leaving those who remain with weakened communities and limited economic opportunities.
- Access to good jobs and job networks. Rural communities in the South with at least 30% Black populations have attracted industries with mostly low-wage, low-quality jobs. These communities gained fewer and lost more jobs than low-Black-concentration communities in the same region.² In urban areas, “spatial mismatch” refers to the location of jobs at some distance from low-income neighborhoods and workers, with access problems compounded by the inadequacy of public transportation. Spatial mismatch has the most deleterious consequences for Blacks and to a somewhat lesser extent for Latinos.³ Not only are these workers spatially disconnected from good jobs; their location also limits their access to critical job networks to connect them to good jobs. Black job-seekers are disadvantaged by housing segregation and concentration in neighborhoods with high unemployment rates; Latinos, who may be less geographically concentrated, tend to have informal networks with limited contacts for upward mobility.⁴

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1. www.aecf.org/initiatives/fes/.

2. B. Dill, “Poverty in the Rural US: Implications for Children, Families, and Communities,” 1999.

3. M.A. Stoll, “Job Sprawl and the Spatial Mismatch between Blacks and Jobs,” The Brookings Institution, February 2005, www.brookings.edu/metro/pubs/20050214_jobsprawl.htm.

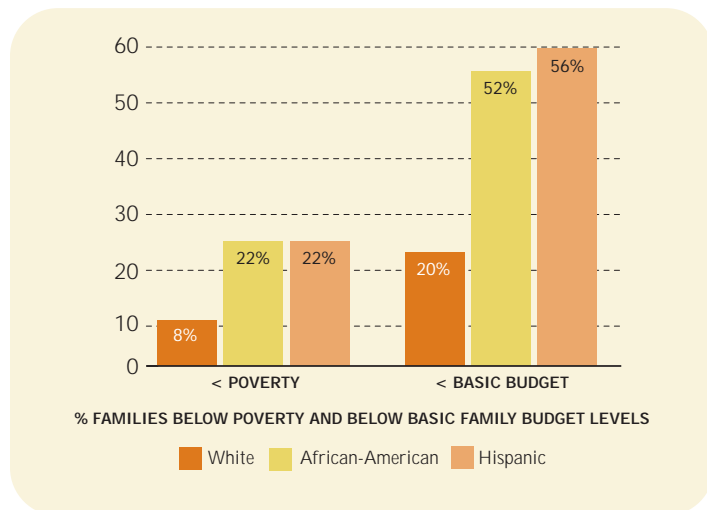
4. C. A. Conrad, “A Mixed Record: How the Public Workforce System Affects Racial and Ethnic Disparities in the Labor Market,” Joint Center for Political and Economic Studies, 2005.

Barriers to Equal Opportunity (cont'd)

- A focus on “quick fixes” combined with cultural illiteracy and race indifference. Workforce and economic improvement policies and programs that offer only narrow interventions such as work first, soft skills, or financial literacy fail to acknowledge and address the wide scope of disadvantage and discrimination experienced by persons of color. As such, their outcomes are likely to be limited and short-term. In these programs as well as others, lack of cultural alignment to the focus population at every critical juncture impedes participant chances for success.⁵ Race indifference – the practice of not thinking about race when determining policies and programs – is argued to account for the mixed record of public workforce systems in closing the racial gap in employment.⁶
- Bias in policy formulation. Policies that appear race-neutral may in fact have differential racial impact. For example, some states’ systems of transportation spending place a disproportionate fiscal burden for transit on urban jurisdictions while supporting the spread of development into exurban and rural areas. Such sprawl contributes to the jobs spatial mismatch noted above, exclusionary zoning practices, and urban disinvestment.⁷
- Racial discrimination in asset accumulation. Research systematically documents that Black, Latino, Asian and Pacific Islander and Native American home-seekers experience discrimination in both rental and sales markets.⁸ Research also documents discrimination against Blacks and Latinos in the mortgage pre-application process⁹ and loan approvals.¹⁰ Further, more costly insurance in minority neighborhoods inhibits asset accumulation.¹¹

The Consequences of Unequal Opportunity

- Poverty and self-sufficiency. A significant gap exists between official levels of poverty and the amount that’s needed to support a basic family budget (the cost of necessary budget items for a safe and decent standard of living). While official poverty levels show 8% of White families and 22% of African American and Hispanic families falling below this threshold (about \$17,000 for a family of four), 20% of White families, 52% of African American families, and 56% of Hispanic families fall below basic family budget calculations.¹² Americans surveyed about the amount of income a family needs to get by set a \$35,000 threshold.¹³



- High school and post-secondary schooling. High school completion rates vary by race: 92% of Whites, 84% of Blacks, 81% of U.S.-born citizen Hispanics, 70% of foreign-born citizen Hispanics, and 40% of foreign-born non-citizen Hispanics graduate from high school.¹⁴ While 61% of qualified White high school graduates enter college, only 44% of similarly qualified Hispanic graduates and 28% of similarly qualified Black high school graduates enter college.¹⁵
- Income and workforce participation. In 2003 the median household income was about \$56,000 for Asian Americans, \$48,000 for Whites, \$33,000 for Latinos, and \$30,000 for African Americans.¹⁶ Labor market attachment was 74% for Latinos, 70% for Asian and White men, and 60% for African American men.¹⁷

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5. “Taking the Initiative on Jobs and Race,” Annie E. Casey Foundation, 2001, www.aecf.org/publications/data/jobstrandace.pdf.

6. C.A. Conrad, above.

7. E.W. Hill et al., “Slanted Pavement...” March 2003, www.brookings.org.

8. HUD’s Housing Discrimination Study 2000, www.huduser.org/publications/hsgfin/hds.html.

9. M.A. Turner et al., “All Other Things Being Equal,” April, 2002, www.huduser.org.

10. Urban Institute, “What We Know About Mortgage Lending Discrimination in America,” September 1999, www.huduser.org/publications/fairhsg/lending.html.

11. E.g., G. D. Squires, “Racial Profiling, Insurance Style: Insurance Redlining and the Uneven Development of Metropolitan America,” *Journal of Urban Affairs*, 2004.

12. H. Boushey et al., “Hardship in America,” Economic Policy Institute, 2001.

13. “Jobs for the Future,” 2000.

14. Interim Report of the President’s Advisory Committee on Educational Excellence for Hispanic Americans, “The Road to a College Diploma,” September, 2002.

15. Advisory Committee on Student Financial Assistance, “Access Denied,” 2001.

16. DeNevas-Walt et al., U.S. Census Bureau, CPR P60–226, Table A1.

17. Bureau of Labor Statistics, Employment and Earnings, January 2004, Table 3–4.

The Consequences of Unequal Opportunity (cont'd)

- **The quality of work.** Globalization and technological change have made jobs less secure, and jobs and economic growth have migrated to the suburbs, leaving lower-income residents of inner-cities and rural communities with unprecedented challenges in the job market.¹⁸ Twenty percent of Whites, 30% of African Americans, and 40% of Latinos earn poverty level wages.¹⁹ Workers holding part-time jobs but desiring and unable to find full-time work included 15% of Asian men and 13% of Asian women, 17% of White men and 9% of White women, 29% of African American men and 20% of African American women, and 36% of Latino men and 22% of Latino women.²⁰ African Americans and Latinos are over-represented as workers for temporary help agencies.²¹
- **Public workforce system support.** While the Workforce Investment Act (WIA) Dislocated Workers Program is equally successful for Blacks, Latinos, and Whites, in the WIA Adult program White job-seekers are more likely to receive training services than are Blacks and Latinos. Training services are significantly related to entering employment and having higher retention rates, giving Whites the advantage in terms of successful outcomes.²²
- **Financial connectedness and fairness: banking and predatory financial services.** While only 5% of White households do not have bank accounts, 21% of non-Whites or Hispanics do not. Of the ten million households without bank accounts, 80% earn less than \$25,000 per year.²³ These families and a broader population of low-to-middle-income families rely on high-cost non-bank providers for much of their financial business: high interest short term loans, high-fee check cashing, high-rate payday lending, and high-fee tax preparation and refund anticipation loans, which most often operate in low-income neighborhoods.²⁴ African-American and Hispanic families are more likely than White families to be given a sub-prime mortgage, even when they meet the qualifications for a prime loan.²⁵
- **Wealth and asset-building.** Regardless of the financial instrument, Whites hold more assets than other groups. In 2003 75% of Whites were homeowners, compared to 56% of Asian Americans, 48% of African Americans, and 47% of Latinos.²⁶ Whites hold accumulated assets (savings accounts, stocks, bonds, home ownership) 11 times greater than Latinos and 14 times greater than Blacks. Between 1999 and 2002 the net worth of White households increased 2%, while the net worth of Latino and Black households fell 27%.²⁷
- **Debt accumulation.** By 2002, 33% of Black families and 26% of Latino families were in debt or had zero or negative net assets, compared to 11% of White families.²⁸ This means that households of color are less likely to have financial safety nets for emergencies or unexpected expenses. Indeed, households of color with credit cards are more likely to be in debt than White households with credit cards, suggesting that families turn to credit cards when no other financial resources are available. People of color are less likely to hold credit cards, but among those that do, they are about 50% more likely to be in debt than White cardholders. Debt hardship, or spending >40% of monthly household income on debt service payments, was similar across groups, with 13-14% of all families experiencing debt hardship.²⁹
- **Affordable goods and services.** Residents of low-income neighborhoods, who are disproportionately African American and Latino, have 30% fewer supermarkets in their communities than residents in higher-income areas. Neighborhood stores in low-income neighborhoods offer fewer choices at prices that can be up to 76% higher than in other stores. And because low-income residents are less likely to own automobiles, their food choices are limited.³⁰ The retail void in inner cities is \$21 billion annually, which in turn leads to an employment void.³¹

18. MDRC, "Workers and Communities: Overview," http://www.mdrc.org/area_overview_3.html.

19. L. Mishel et al., *The State of Working America 2004–2005*, Tables 2.9–2.12.

20. BLS, above, Table 8.

21. L. Mishel et al., Table 3–13.

22. C. A. Conrad, above.

23. Federal Reserve Bulletin, "Recent Changes in U.S. Family Finances," January, 20003.

24. M.S. Barr, "Banking the Poor," The Brookings Institution, September 2004.

25. J. Silva & R. Epstein, "Costly Credit," *Demos*, May 2005, Figures 2 & 4, www.demos-usa.org.

26. Joint Center for Housing Studies, Harvard University, *State of the Nation's Housing*, 2004.

27. R. Kochhar, "The Wealth of Hispanic Households: 1996 to 2002," The Pew Hispanic Center, October, 2004.

28. Kochhar, above.

29. J. Silva & R. Epstein, above.

30. Prevention Institute for the Center for Health Improvement, Oakland, CA, "Supermarket Access in Low-Income Communities," 2001, www.preventioninstitute.org.

31. Initiative for a Competitive Inner City, "Inner City Shoppers Make Cents (and Dollars)," October 2002, www.icic.org.

Strategies to Promote Equal Opportunities

- **Making work pay.** Because a disproportionate share of workers receiving poverty level wages are workers of color, efforts to preserve the availability of EITC, promote more state EITCs, and increase the minimum wage will have disproportionate importance in their collective lives. At the same time, improvements in these areas would bolster income insecurity for all working families. The EITC now lifts more children out of poverty than any other government program.³²
- **Investment in human capital.** Men and women with a post-secondary associate degree earn 18% and 23% more, respectively, than their counterparts with only a high school diploma.³³ A bachelor's degree returns about 75% more than a high school diploma.³⁴ Yet, controlling for student ability, affluent students have college enrollment rates 22% higher than their low-income counterparts.³⁵ Because students of color are more likely to be low-income than are White students, they will be disproportionately affected by financial barriers in access to higher education as well as income-tested policies supporting educational access. The Advisory Committee on Student Financial Assistance (note 34) identifies ways that such support can be restored and its purchasing power enhanced in order to promote equal educational opportunity.
- **Change in policies and practices that contribute to disparities.** It has been proposed that the Community Reinvestment Act cover finance companies and auto financing so that low-income, disproportionately minority, communities are protected from predatory practices. Further, automobile finance companies could be subject to disclosure requirements in their lending practices.³⁶ Some community organizations have been successful in getting banks to recognize Rotating Credit and Savings Associations – a form of pooled lending and savings used mainly among immigrant groups — to be considered among individual assets when applying for a mortgage.³⁷
- **Enforcement of non-discrimination laws.** Title VIII of the Civil Rights Act of 1968, known as the Fair Housing Act, made it unlawful to discriminate in connection with the sale or rental of a dwelling because of race, color, religion, sex, or national origin. Legal recourse under the Fair Housing Act includes a 1998 lawsuit in the City of Richmond brought against an insurance company whose documents included racial stereotypes that the company applied to entire zip codes in the Richmond Metropolitan area. In this case, the jury awarded the plaintiffs more than \$100 million in both punitive and compensatory damages.³⁸
- **Equitable neighborhood development.** Advocates for equitable development see regional development as the primary focus of their efforts. A growing body of proposals and case studies is available for communities to consider. See, for example, PolicyLink's "Advocating for Equitable Development,"³⁹ and the U.S. Department of Energy's Smart Communities Network, "Paying the Costs of Sprawl: Using Fair-Share Costing to Control Sprawl."⁴⁰
- **Promotion of culturally sensitive strategies.** Successful strategies for building family and community economic success must be grounded in an understanding of the traditions, strengths, values, and challenges of those communities. Publications such as "Building Native Communities: A Guide to Claiming the EITC,"⁴¹ "Building Cultural Competence: A Tool Kit for Workforce Development,"⁴² "A Mixed Record,"⁴³ and "Taking the Initiative on Jobs and Race"⁴⁴ provide guidance for the creation of culturally respectful and knowledgeable change strategies.

32. "A Hand Up," Center on Budget & Policy Priorities, 2004.

33. Grubb, cited in "Opening Doors Update," May 2005, MDRC, www.mdrc.org.

34. Advisory Committee on Student Financial Assistance, "Access Denied," February 2001, www.ed.gov.

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36. A. Kim, "Taken for a Ride," Progressive Policy Institute, November 2002.

37. O. Watson, "The Culture of Money," Annie E. Casey Foundation, 2005.

38. In "Homeowners Insurance Discrimination & Redlining in the City of Chester," www.fhcs.com/Laws/insurance_study%202001.htm.

39. <http://www.policylink.org/Research/AdvocatingForED/>.

40. K. Snyder & L. Bird, December, 1998, www.sustainable.doe.gov/articles/sprawl.shtml#_Toc437077603.

41. www.aecf.org/initiatives/fes September 2004.

42. K. Trader-Leigh, www.jointcenter.org/publications1/economicsbusiness.php.

43. C.A. Conrad, above.

44. Annie E. Casey Foundation, above.

