

Economic Opportunity for Latino/as in a Time of Crisis

Introduction

Siglo XXI is without a doubt the Latino century. In 2000, the U.S. Census reported that for the first time in American history Latinos became the largest minority population group and that, assuming current immigration and demographic trends continue, around 2050 about half of the nation's population will be White and the other half will be Latino, African American, and other racial groups. The impacts of these demographic trends in all spheres of society are well known to this audience. It is common to hear or read in the news how the Latino vote may be a determinant factor in swing states in the next presidential elections. It is also common to hear how the wave of Latino immigrants is changing the cultural and social fabric of the nation. And then there is the economic impact of Latino/as: Are they a burden or contributors to society? Are they part of an underclass of poor people that will not assimilate to society as other immigrants did before them?

Today I would like to share with you some thoughts about Economic Opportunity for Latino/as in a Time of Crisis. To examine this critical topic, I would like to cover three components: First, by presenting data about Latino/as and the Business Cycle; then examining some common explanations for economic disparities among Latino/as; and lastly, discussing the role of labor market intermediaries in structuring career pathways and advancing economic opportunity.

Latinos and the Business Cycle

To begin with, there is a well-established pattern of economic outcomes during business cycles. A brief examination of the data is revealing. During recessions, unemployment and poverty go up, during expansions employment and income go up. For Latinos, however, it is well known that these expansions and contractions are more pronounced than for other workers. In 2006, before the beginning of the last recession, Whites' employment-to-population ratio stood at 63.8% and the unemployment rate at 4.0%. Latinos had a better-than-Whites' employment rate of 65.2% and were not too far behind with unemployment at 5.2%. By 2009

Whites' employment-to-population ratio decreased from 63.8% to 60.2% and the unemployment rate increased from 4% to a 8.5%. In contrast, for Latinos the employment-to-population ratio decreased to a lower-than-Whites' 59.7% and the unemployment rate increased to 12.1%, over three percentage points higher than whites. These trends in employment and unemployment resulted in a similar pattern for the rates of income and poverty.

An important part of the story, and I suspect probably a surprise to many of you in the audience who do not follow economic topics too closely, is that Latinos, on average, are doing better in the recovery than other ethnic or racial groups. In a recent report by the U.S. Labor Department, it is estimated that Latinos gained 60% of the 2.3 million jobs added to the economy in 2011, a substantial gain especially when considering that Latinos are about 16% of the total work force. These gains are in part explained by the type of employers, industries, and occupations adding jobs. Many of these are temporary jobs in the low-wage segment of the labor market. Nonetheless, over time, poverty and income inequality should improve.

The real story is about the characteristics of those who are most affected by the recession: they are female-headed households, children and youth. The average poverty rate for Latinos in 2010 was 26.6% and 44.5% for female-headed households.¹ In comparison, the poverty rate for non-Hispanic Whites was 9.9%, and 24.8% respectively. Furthermore, in 2010, Latino children had a poverty rate of 35%, times higher to that of Whites, at 12.4%. For the first time in history, more Latino children (6.1 million) were in poverty than White children (4.4 million).

The regional distribution of poverty is important as well. Puerto Rican children and female-headed households in poverty in the Northeast, for example, exceeded the national average in Hartford (36.4, 48.8 respectively), New Haven (37.1, 47.0), Bronx (54.8, 51.9), Manhattan (37.2, 45.9) and Philadelphia (50.9, 58.7). Puerto Ricans in these metropolitan areas reside in neighborhoods of high unemployment and high concentration of poverty.

¹ U.S. Census Bureau, Income, Poverty, and Health Insurance Coverage in the United States: 2010.

The last recession was particularly harsh on Latino/a youth and their transition to adulthood. Though the numbers fluctuate, it is estimated that over 5% of young people between the ages of 16 to 25 are not in school or work. Though Latinos hover around that average as a whole, regional variations are stark. Latino/as in New York City have the lowest school attendance rates, the highest share of those employed without completing a high school diploma yet not continuing schooling, and the highest rate of not in school and not employed, 16.7%. In 2010, a staggering 68% of Mexican youth in the city were employed and not in school.

The economic data is what it is. The real question is what explains such disparities in economic outcomes for Latino/as? As this audience knows, explanations are important because they guide policy and community action to mitigate such disparities. There are some general explanations that are worth reviewing. The first and most common narrative is that Latino/as, as did other immigrants before them, would go through a period of adjustment. Over the years, as they gain language and occupational skills, Latino/as would make substantial economic gains and approach and even surpass the outcomes for native workers with similar endowments of human capital. A corollary of the immigrant-assimilation narrative is that second and subsequent generations will enjoy better economic opportunities and outcomes.

The evidence in support of the immigrant-assimilation model is mixed, and the critics abound. For one, to consider Latino/as immigrants is somewhat misleading to the extent that foreign born constitute only about one third of the total population. Another important consideration is that implicit in the immigrant-assimilation argument is an assumption that there are no barriers to Latino/as' occupational mobility. The reality is that the majority of Latino/as, whether immigrants or natives, are over-represented in low-wage occupations. In 2010, for ages 26 and above, 22% of White workers were employed in this segment. In contrast, 41% of Latino/as, and over fifty percent of Dominicans and Puerto Ricans were employed in low – wage occupations. The problem is that in this segment of the labor market the payoff for gains in language and other occupational skills is lower or non-existent and does not improve over time compared to workers in other types of occupations. Workers in this segment

experience more restricted occupational mobility as well. As a consequence, as long as there are structural barriers to occupational advancement, economic disparities are enduring.

The question of whether the so called immigrant assimilation model predicts outcomes for Latino/as second generations and beyond is an open one. To generalize about second-generation Latino/as' experience is misleading. There are diverse patterns of acculturation, including well documented cases where economic mobility is lacking for significant portions of the population. For Mexican and Puerto Rican Americans poverty rates remain high for second and later generations.

Social Isolation and the Underclass

Persistent poverty among Latino/as and other groups lead to an examination of a second narrative for explaining economic disparities. The argument of the existence of an urban underclass that entraps Blacks and Latino/as in persistent poverty gained acceptance in the 1980s. Recently, it has been revived by those who oppose an immigration policy reform that could give citizenship to millions of undocumented workers. Since Latino/as immigrants, the argument goes, are not on a path to economic parity as other immigrants were before them, then the rational policy is to restrict their immigration, and prevent citizenship for those who are already in the country.

The underclass narrative combines progressive and conservative arguments. As many progressives propose, poverty is seen as the result of structural factors such as the decline in employment opportunities for non-college workers. As important, economic restructuring has isolated communities from access to employment, and poverty is increasingly concentrated in minority neighborhoods, especially in urban areas. In contrast, conservatives will emphasize that the new urban poor is trapped in poverty because of the dissolution of the traditional family structure in these communities, detachment from the labor force, and the attitudes and values that are entrenched in the culture of these neighborhoods.

The underclass narrative, as originally proposed, does not describe the Latino/a reality too well, except for its focus on social isolation and exclusion from mainstream institutions. I will leave further discussion of this longstanding debate for another occasion. However, a recent major study on Mexican Americans intergenerational assimilation makes a compelling argument about the causes of persistence poverty. In *Generations of Exclusion* sociologists Eddie Telles and Vilma Ortiz identify institutional barriers as major sources of Mexican American disadvantage. Among the principal factors contributing to disadvantage are the poor quality of schools predominately serving Mexican Americans, concentration in low-wage jobs and discrimination, and immigration policies that perpetuate second class status.

Social isolation and exclusion from mainstream institutions are cogent explanations for Puerto Rican persistence poverty as well. As the data examined earlier suggest, Puerto Ricans are concentrated in neighborhoods where there is a high concentration of poverty. These neighborhoods are concentrated in regions in the Northeast with a high proportion of low-wage employment. As in the Mexican case, Puerto Ricans in these neighborhoods are concentrated in underperforming schools with high drop-out rates, and a disproportionate number of students are not advancing to higher education.

Schools and the Youth Problem

While educational attainment is a path to economic opportunity to many, there is no better indicator and predictor of long-term poverty in a neighborhood than underperforming schools. Education plays a critical role in determining the labor-market prospects of our youth. Considering both male and female youth between the ages of 18--24, the expected norm for transition from school to work would suggest that few would not have completed high school, that they will primarily attend college and not have to work, and that they will work after completing a college education. The odds of being trapped in low-wage employment increase without a college education, and low-wage status is almost certain without a high school diploma. In 2010, work force status and school enrollment for Whites in New York fit the idealize transition from school to work. Of those enrolled in

school 58.5% did not work, while 58% who had completed a bachelor's degree were at work and not in school. In contrast, only 10.7% of Puerto Ricans and 5.3% of other Latinos had completed a bachelor's degree and were at work and not enrolled in school by age 25.

Disparities in the transition from school to work are intricately related to low-wage employment, and as a consequence to the perpetuation of exclusion and isolation, closing a lasting cycle of poverty. In this context, it is important to consider the relation between not being enrolled in school or working between the ages of 18 and 25 to the long-term prospects of being entrapped in low-wage employment. Though the bulk of those so-called "disconnected youth" from all ethnic groups have not attended college, a whopping 52.3% of Puerto Ricans and 35.9% of other Latinos in New York have not even completed a high school degree. The transition does not get any easier for those attending school and working, or for those already working without completing a college education, or for those who already have a family of their own and require additional supports to supplement low-wage employment.

Social Networks and Jobs

These divergent patterns of insertion into the labor force, especially for youth, are critical for an understanding of how workers are sorted in the labor market and the barriers they must overcome in finding pathways out of low-wage employment. The sorting is important and it is an integral component of labor markets and its dynamics. Workers are sorted into job slots through well-defined institutions such as schools, colleges, and other intermediaries; through the direct recruitment methods of employers; or through the workers' social networks. Whether a given worker could have access to better employment opportunities in part depends on their own endowment of social capital and that embedded in the institutions to which he or she has access.

Institutions that mediate the transition from school to work and more generally the insertion into labor markets play a critical role for racial and ethnic minorities. Workers in low-wage occupations rely too much on their own friends and family or in market approaches with low rates of success. Think about this: If you have

been mostly employed in low-wage jobs and you approach your co-workers for employment contacts, what are the chances that you would get effective leads for employers that pay above poverty wages and offer full benefits? Ask yourself, if you are unemployed in a period of high unemployment and your search strategies consist primarily in sending résumés and knocking on employers' doors, what are the odds of securing a job through these methods? Furthermore, low-wage jobs increasingly rely on filters, such as exams and criminal background checks, to select employees, which make it even harder to gain employment even in low-wage occupations. If you lack work experience or have a criminal record, ask yourself, who would speak to the employers for you?

Intermediaries

Labor market intermediaries enable pathways to better employment opportunities for disadvantaged workers. These intermediaries take different shapes and forms – job training centers, regular and vocational schools, adult educational centers and community colleges, unions and business associations, and others. Despite such diversity in institutions, intermediaries share some common traits. Effective intermediaries have established links to industry that channel workers to jobs that pay above entry-level wages and offer benefits. They also prepare workers to be job – ready by providing training for job skills, introducing workers to the discipline and rigor of the work place, and facilitating the motivation to succeed. Many of these intermediaries work in partnership with employers to improve working conditions and earnings across the industry. Intermediaries that serve the needs of poor neighborhoods typically have a well-established network of churches, schools, and other community organizations that regularly feed disadvantaged workers to their programs.

Though we have known about the importance of intermediaries to overcome both the trap of low-wage employment and persistent poverty, there is a considerable absence of these programs in areas with a high concentration of poverty. A combination of policy reforms and recent budget cuts has dismantled much of the infrastructure of jobs programs serving these neighborhoods over the last two decades. The good news is that despite fiscal constraints policy makers at the local and national levels in recent years are supporting more youth

programs focusing on school and workforce attachment, and community colleges are supporting more workforce-development programs that offer pathways out of low-wage employment.

So, Where Do We Go from Here?

By now it should be evident that for me economic opportunity for Latinos in a time of crisis depends on our ability to strengthen and develop core educational and labor market institutions. Whether Latinos are a burden or contribute to society depends not so much on whether they are native born or immigrants, whether they are first or later generations, but on whether they can build bridges and have access to good jobs. The problems of social isolation and building the bridges to better economic opportunities have clear spatial and institutional dimensions. The data presented earlier reflecting the relationship of Latino/as to the business cycle suggest that in general Latinos have a strong attachment to the labor force and will benefit from the economic recovery. The challenge will remain for the most vulnerable – youth out of school and work, families with one or no earners, English-language learners, undocumented workers, and others. Those who are more prone to poverty are concentrated in neighborhoods that lack the infrastructure of institutions that create and maintain bridges to economic opportunity.

The first step is to build or reconstruct the schools and the employment infrastructure in neighborhoods with a concentration of the poor. Latinos are engaged in school reforms nationwide, and we are starting to see the fruits of these efforts on school improvements. La Raza and ASPIRA, for example, are national organizations that have implemented an effective strategy of opening charter schools in disadvantaged neighborhoods where Latino/a children are concentrated. Over time, they have managed to improve student performance and reduce dropout rates.

However, I would like to focus the discussion on what happens when the school system has failed and youth engage in a difficult transition into the labor force, and more generally on when workers are trapped in low-wage jobs. To build or reconstruct the institutional infrastructure that enables economic opportunity in

neighborhoods with a concentration of the Latino/a poor requires a dual strategy of workforce and community development.

At the conceptual level, we must adopt a perspective that recognizes the departure point for the most vulnerable populations. For youth not at school or work, there are multiple reasons why they are in that situation. Effective programs serving this population typically will combine youth development, academic skills, and high school completion. Often times these programs will offer employment or internships that facilitate the transition to work. In essence, these programs mimic the idealized model of school completion and the transition to work. Work actually serves as a motivation to continue their education. Effective programs accept this period in young people's lives as one of experimentation and personal growth. This is one period when youth need the right supports to discover themselves, their talents, and their interests. Though these programs deploy various approaches, they share a provision of multiple services that directly address the needs of youth in local communities and focus on youth development and the transition to adulthood.

The departure point for female heads of households adds other dimensions to the challenge of building or reconstructing the institutional infrastructure serving the Latino/a poor. The enactment of the Personal Responsibility and Work Opportunity Act of 1996 (PRWORA) and the Workforce Investment Act of 1998 (WIA) redefined the underlying philosophical foundations and program structure of the employment-training system in the United States. Leaving aside a discussion of the overall impact of these policies on families, these reforms induced a lot of experimentation on how to best serve the employment needs of single earners, recognizing the central role of family responsibilities for these workers. Employment and training organizations transformed their programs and those who did not adapt to the "work first" philosophy for the most part disappeared. Policy reforms strengthen the role of a new type of labor market intermediary that could accommodate policy changes while maintaining a broader approach to workforce development. Effective intermediaries now incorporate family support services as an integral part of their programs.

The conceptual point of departure for immigrant workers is somewhat different. Recent immigrants are overwhelmed by issues related to legal status and adaptation to a new labor market. English fluency and credentials are real employment barriers that often preclude access to good jobs. But even in this context there are effective intermediaries that facilitate workers' adaptation and mediate legal challenges. In some sectors, like agriculture and manufacturing, immigrant leaders and unions have reconciled their differences and offer pathways for career advancement. For undocumented workers in the construction industry, job centers provide skills training, support entrepreneurship and alternative modes of employment, and connect workers to legal and community services.

These examples provide an overview of the relation between intermediaries and economic opportunity. Though the dynamics of labor markets are important, it is also important to understand that economic opportunity results from the collective action of Latino/as and the organizations that maintain such opportunities. Effective intermediaries provide support services to accommodate child care, provide ESL when necessary, target skills development to those demanded by industry, and provide workers with a long-term career development perspective. Most important, effective intermediaries maintain partnerships with employers to design skills training, to structure internships for program participants, and work with managers to find a good match for their trainees. Intermediaries reach employers across metropolitan areas circumventing the spatial isolation of barrios. These programs are advocates for the most vulnerable workers and serve as character references.

[One of the greatest challenges that we face today is the hypocrisy of universalism. The current structure of WIA and other laws regulating employment programs mandate that programs are open to all workers and prevent the targeting of specific population groups, though special earmarks are made for youth programs. In an ideal world where every group has equal access to information and there are no transportation or other costs associated with making the connections to and participating in the publically financed system, universalism is a sound principle. In practice, the real implications of this approach are the exclusion and abandonment of services for the most vulnerable

populations. In a recent study published by the *CENTRO Journal*, my colleague Ramon Borges found that in regions where community organizations were actively participating in the system, economically deprived neighborhoods were served and Puerto Ricans had access to employment training services. In other places, where little efforts were made to target specific populations, vulnerable populations were excluded from the publicly financed employment training system. Community organizations keep the doors open to public programs and are instrumental in providing employment and career support services.]

Final Thoughts

In closing, Latino/a economic disparities are the direct result of labor-market dynamics that induce the concentration of Latino/as in low-wage jobs and to a concentration in neighborhoods with ineffective or nonexistent ties to mainstream institutions. Social isolation and exclusion as an explanation of economic disparities focuses our attention on collective action to strengthen our own institutions and leads us to see economic opportunity as something that we seek and make, not something that is made for or given to us.

The question of social isolation and exclusion is a theme that is examined through the Siglo XXI conference. Many panels will examine in more detail various aspects of social conditions and the solutions to the full complement of complex problems faced by our communities. We are here to learn from the diverse experiences of Latino/as and to formulate more effective strategies to overcome social disparities. We will benefit from interdisciplinary approaches and evidence-based solutions to the intricate problems associated with social isolation and exclusion.

Thank you for the opportunity to reflect on the pathways to economic opportunity for Latino/as.