



**Center for Social Inclusion:** A Project of the Tides Center  
65 Broadway, Suite 1800, New York, NY 10006  
Phone: (212) 248-2785 / Fax: (212) 248-6409

TALKING POINTS  
**ECONOMIC RECOVERY FOR EVERYONE:  
RACIAL EQUITY AND PROSPERITY**

States are poised to receive significant federal funding to stimulate the economy and put people back to work. Much of it targets “shovel ready” projects. Government has to be smart about how it uses our money. The stimulus package alone will not be enough to put everyone who needs a job back to work. And it will not support all the services our communities need. But if it is allocated wisely and fairly, it can be a powerful boost to the economy and improve the lives of many.

To do that, states must ensure that those in the most need benefit from stimulus. While we have made much progress on race and gender equality in this country, we have not yet achieved full fairness, and these inequities limit prosperity for all of us. Targeting stimulus funds to communities in need is not only the fair thing to do, it is the effective thing to do. Considerable research, by Professor Manuel Pastor and others, shows that investing in equity builds the regional economy and helps everyone.<sup>1</sup>

**A Racial Equity Lesson**

The nation’s financial crisis was jump-started by the mortgage crisis. There is an important lesson to be learned from looking at the origins of the crisis in racial exclusion from fair lending opportunities.

- National research has shown that up to 35% of those with subprime loans could have qualified for normal, prime mortgages.<sup>2</sup>
- Blacks and Latinos are much more likely to have sub-prime mortgages than their White counterparts<sup>3</sup> even when they have the same income. In fact, there is a *larger* sub-prime-prime gap between Blacks and Whites at higher income levels.<sup>4</sup>
- Because of usurious loans, Black and Latino communities are much more unstable in the current crisis than White communities, facing higher foreclosure

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<sup>1</sup> Manuel Pastor et al., *Regions That Work: How Cities and Suburbs Can Grow Together* (University of Minnesota Press, 2000)

<sup>2</sup> Christy Rogers, John a. Powell, Andrew Grant-Thomas. “Subprime Loans, Foreclosure, and the Credit Crisis What Happened and Why? - A Primer,” Kirwan Institute for the Study of Race and Ethnicity at the Ohio State University. December 2008

<sup>3</sup> Allen J. Fishbein, Patrick Woodall, “Subprime Locations: Patterns of Geographic Disparity in Subprime Lending”, Consumer Federation of America, September 5, 2006

<sup>4</sup> Debbie Gruenstein Bocian, Keith S. Ernst and Wei Li, “Unfair Lending: The Effect of Race and Ethnicity on the Price of Subprime Mortgages,” Center for Responsible Lending, May 31, 2006

rates as well as the ripple effects of this crisis – higher unemployment rates, lower wages, fewer assets and greater health care related stresses.

If we had paid attention to the most distressed communities, we would have identified some problems that needed correcting for all mortgage seekers and possibly averted the financial crisis we now face. The good news is we can learn from this mistake.

With the economic stimulus package, we have the opportunity to adopt policies of inclusion and prosperity for all. Five key principles can help achieve that goal:

**1. Stimulus investments should ensure that those most in distress benefit meaningfully.**

A primary strategy of the stimulus is to put people to work. Communities with high rates of poverty and unemployment should be targeted. Communities in which 40% or more of residents (20% in rural areas) live at or below the federal poverty level have the highest rates of unemployment, tend to live farthest from jobs, lack sufficient public transit, lack quality child care and education.<sup>5</sup>

***Discretionary funds in the stimulus package would be well-spent in ensuring excluded communities get the services they need.***

- One particularly important lesson from New York City's budget cuts of the mid-1970s has been the cost, both human and fiscal, to the city in the form of tuberculosis, HIV infections and homicides in communities of color. Drug treatment, health services and law enforcement all suffered from budget cuts with a price tag of \$10 billion in immediate savings and \$50 billion in ultimate costs.<sup>6</sup>

***Low-income people cannot compete for jobs when transit is inadequate or too costly. It is critical that states use stimulus money to ensure that public transit remains affordable.***

- The nation's poorest families spend nearly 40 percent of their take-home pay on transportation. Between 1992 and 2000, households that earned less than \$20,000 saw their transportation expenses increase by 36.5 percent or more, while for households with incomes of \$70,000 and higher, transportation costs rose only 16.8 percent.<sup>7</sup>
- A survey by the American Public Transportation Association of 115 of the association's members found that 60 percent of the systems are considering fare increases, while 35 percent are experiencing service cuts. For the past five years,

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<sup>5</sup> Powell, j., Graham, K, "Urban Fragmentation as a Barrier to Equal Opportunity," US Citizen's Commission on Civil Rights, Chapter 7 in Rights At Risk: Equality in an Age of Terrorism (2002)

<sup>6</sup> Freudenberg, et. al., "Impact of NYC's 1975 Fiscal Crisis on TB, HIV, and Homicide", American Journal of Public Health, March 2006, reprinted with permission at [www.larouchepub.com/other/2006/3334ajph\\_bigmac\\_study.html](http://www.larouchepub.com/other/2006/3334ajph_bigmac_study.html)

<sup>7</sup> "Moving to Equity: Addressing Inequitable Effects of Transportation Policies on Minorities," the Harvard Civil Rights Project and the Center for Community Change, 2003

Cleveland, for example, has experienced an increase in ridership, while simultaneously suffering a 63 percent decrease in state funding, resulting in fare hikes.

## **2. Stimulus investments should support infrastructure projects that benefit distressed communities, not solidify inequities.**

The term “shovel ready” conjures up images of highways and bridges, but investment in public transit options that help connect communities with high rates of unemployment to job centers will create more jobs and longer term benefits to the economy than road repair alone. Public transit investments should go beyond urban centers to benefit rural poor communities and help urban communities reach suburban job centers.

- A 2000 study by scholar Michael Stoll of the University of California, Los Angeles, found that no other group in the United States was more physically isolated from jobs than African Americans. Stoll's research revealed that more than 50 percent of Blacks would have to relocate to achieve an even distribution of Blacks relative to jobs; comparable figures for Whites are at least 20 percentage points lower.

A study by the Brookings Institution shows that, nationally, over half of all Blacks live more than five miles from job centers, as do more than forty percent of all Latinos and Asians, compared to a third of Whites. Blacks and Latinos are six times as likely to rely on public transit compared to Whites.

## **3. Stimulus investments should address access to credit in communities pulverized by the collapse of the mortgage market and the job market.**

Investing in communities of color as “regional business partners” is a key building block in spurring the innovation necessary to diversify the economy and compete globally. And we know it works.

- In the midst of near-economic meltdowns in the 80s and 90s, Los Angeles and Houston revived their economies thanks in large part to investment in immigrant and minority-owned businesses.
- New minority-run banks pumped new life into these economies. Dependent even more on energy than New York is on Wall Street, Houston's economy disintegrated when energy prices plummeted. Houston re-invented itself by investing in the city's entrepreneurial culture and substantial immigrant community.
- Los Angeles took a similar approach, investing in the growth of immigrant-run businesses that moved in when older firms moved out. By nurturing the

entrepreneurial talent of their communities of color, both cities have seen much less severe job losses even in a bad economy and despite state budget crises.<sup>8</sup>

***Discretionary stimulus spending should also recognize that community-based organizations are employers, lenders, trainers, connectors and community-stabilizers. Stimulus money would be well-spent if it included provision for community-based organizations to provide immediate financial relief in high poverty communities***

The nonprofit sector in America employs a steadily increasing segment of the country's working population.

- The average annual growth rate in employment for nonprofits (2.5%) was significantly higher than for business (1.8%) or government (1.6%). The number of Americans employed in the nonprofit sector has doubled in the last 25 years. Nonprofit employment represents 9.5 percent of total employment in the United States, with total employees numbering 12.5 million.<sup>9</sup>

Two immediate ways in which community-based organizations can stem the free-fall of communities in trouble are: 1) a stipend program to put people in underserved communities to work on community problems; and 2) loan funds and other financing support services to help disadvantaged entrepreneurs get access to credit and other assistance for business success.

#### **4. Stimulus investments should recognize differences in labor segmentation by race and gender to ensure an equitable distribution of the stimulus' benefits.**

According to research by Professor Darrick Hamilton of the New School for Social Research and others, people of color, particularly Black men, tend to be "crowded" into low prestige jobs and paid lower wages than white male counterparts.

In the construction industry, which will benefit heavily from investment in "shovel ready" projects, men of color and women of all races are significantly under-represented.

- A study of 25 metropolitan areas that measured the difference between the proportion of Blacks in the workforce and in the construction trades found a gap as high as 18 percent, in Atlanta.
- Overall, if Blacks were employed in construction proportionate to their representation in the overall workforce, 137,044 more Blacks would have had construction jobs.

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<sup>8</sup> 'Engine Failure: With Economic Woes That Go Well Beyond 9/11, New York Needs a Bold New Vision to Renew the City's Economy,' Center for the Urban Future, September 2003, <http://www.nycfuture.org>

<sup>9</sup> U.S. Bureau of Labor Statistics, 2001 (as cited by the Independent Sector, Nonprofit Almanac: Facts and Findings, Employment in the Nonprofit Sector).

- Latinos, on the other hand, are generally over-represented, but their jobs typically are less skilled, less unionized, pay less and are more dangerous.<sup>10</sup>

“Shovel ready” projects funded by the stimulus package can benefit unemployed people of color and women if specific incentives and enforcement tools are enacted to ensure fair access to these opportunities. All stimulus projects should require local resident hiring goals and create a link to community-based groups as the first line contact for construction jobs. Local hiring requirements are a proven approach to bring jobs to under-represented constituencies in construction trades. These requirements can be applied to permanent jobs as well.

- Oakland’s \$1.2 billion ports modernization program requires local hiring for all construction work through an agreement reached in 2000 between the Port of Oakland, the general contractor, and unions of the Building Trades Council.
- In Los Angeles, a 2004 Community Benefit Agreement requires local hiring as part of the Los Angeles Airport (LAX) modernization. The agreement covers a very wide range of jobs, including retail and food service employees, airline employees, service contractors and baggage handlers.<sup>11</sup>

A study published by the Partnership for Working Families indicates that the most effective hiring agreements for construction jobs require placement of apprentices who are residents of low-income neighborhoods. It is also important to establish pre-apprenticeship programs and create connections with community-based organizations that can recruit job seekers. Some unions and contractors recognize the value of hiring local residents, but governments should enact incentives, including rewards and penalties, to convince others to do the same.

**5. Data collection on the race, ethnicity and gender of those served by stimulus money is critical to evaluating the success of the stimulus package and to inform government officials, advocates and the public about what works and what does not.**

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<sup>10</sup> Todd Swanstrom, “The Road to Good Jobs: Patterns of Employment in the Construction Industry”, Second Annual Report, Transportation Equity Network, Public Policy Research Center, University of Missouri, St. Louis, September 30, 2008

<sup>11</sup> Kathleen Mulligan-Hansel, PhD, “Making Development Work for Local Residents: Local Hire Programs and Implementation Strategies that Serve Low-Income Communities,” The Partnership for Working Families, July 2008