

# AFTER STIMULUS: SUSTAINABLE ECONOMIC SECURITY FOR LATINOS

By Catherine Singley\*

## INTRODUCTION

The first weeks and months of 2008 saw rapid action by Congress and the Bush Administration to address growing concerns about the weakening economy. To spur consumer spending and business activity, Speaker Nancy Pelosi of the U.S. House of Representatives, House Minority Leader John Boehner, and Treasury Secretary Henry Paulson worked together to craft a bill to issue tax rebates for workers, investment tax incentives for businesses, and loan limit increases for qualified mortgages. The House bill, the Recovery Rebates and Economic Stimulus for the American People Act of 2008 (H.R. 5140) was introduced on January 28, 2008 and passed by the House the next day. The Senate version of this legislation was passed on February 7, 2008 and included the House measures plus expansion of the rebates for senior citizens receiving Social Security benefits and for disabled veterans. The House passed the bill with the Senate revisions that same day, clearing the legislation for President Bush's signature. The President signed H.R. 5140 into law on February 13, 2008.

While the economic stimulus legislation succeeds in demonstrating Congress's willingness to work in a bipartisan manner to pass a stimulus package swiftly, H.R. 5140 by itself will not provide sustainable economic security for most Americans. Specifically, the package shortchanges many of the nation's 44.3 million Latinos\*\* by excluding provisions for the most vulnerable segments of the population. Unfortunately, the positive publicity generated by the speedy passage of the stimulus package threatens to forestall further congressional action to improve the economy.

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\*\* The terms "Hispanic" and "Latino" are used interchangeably by the U.S. Census Bureau and throughout this document to identify persons of Mexican, Puerto Rican, Cuban, Central and South American, Dominican, and Spanish descent; they may be of any race.

Even before the economy leaped to the top of the national agenda this year, Latinos were already anxious about their economic security. In 2007, 31% of Hispanics were “very worried” or “fairly worried” about their economic security, compared with 22% of African Americans and 18% of Whites. When polled about their specific concerns, Hispanics were more worried than Blacks and Whites about “losing [their] job,” “finding a job,” and “having enough money to put food on the table.” The rising cost of living has put particular strain on Hispanic families; more than one in three Latinos sacrificed going to the doctor or buying something their children needed in the last year because of the cost.<sup>1</sup> Today, more Americans are echoing Latinos’ anxiety about the economy; in a *Washington Post*-ABC News poll from February 2008, 39% of people surveyed cited the economy/jobs as “the single most important issue” in their choice for president this election year.<sup>2</sup>

The unique conditions facing Hispanics on the brink of this recession are acute. Troublesome trends in four critical areas of economic well-being – nutrition, health care, homeownership, and employment – threaten to erode the economic progress of Hispanics. Policy-makers must address these urgent concerns to prevent Latinos from falling further behind. This focus will improve the outlook for working Latinos and the U.S. economy as a whole.

## CRITICAL ECONOMIC CHALLENGES FOR HISPANICS

Twice over the past decade, Congress passed legislation in response to worries about economic recession. The legislation enacted to respond to the 2001 recession failed to reach most Latinos, including those hit by layoffs in hospitality and service occupations and by cuts in state services. The 2001 tax rebates excluded most low- and middle-income Hispanic workers, and most Hispanics did not meet the unreasonable requirements for unemployment insurance compensation.<sup>3</sup> Again in 2003, provisions to avert recession were poorly targeted and excluded the neediest families from assistance. Despite the woefully inadequate stimulus measures of 2001 and 2003, Hispanics made significant inroads to the middle class in the subsequent years; however, Latinos are losing ground in nutrition, health, homeownership, and employment as the nation again faces the possibility of recession.

### Nutrition

■ **Despite income gains, food insecurity among Latinos is rising.** Between 2001 and 2006, the proportion of Hispanic families in the middle income quintile grew to nearly one in five families (19.0%).<sup>4</sup> Latino workers earning low incomes, as well as those who have just transitioned to the middle class, often encounter difficulties purchasing enough food for their families. After the 2002 Farm Bill restored access to food stamps for some legal immigrants, food insecurity among Latinos declined, even though the number of Latino families in poverty was increasing. In 2006, however, this trend was reversed as inflation outpaced wage gains. The percent of food-insecure Hispanic households jumped from 17.9% in 2005 to 19.5% in 2006.<sup>5</sup> An economic downturn further strains these families’ budgets, especially since low-wage jobs are the first to be cut during a recession.

- **While food stamps help many families, eligible Hispanics face barriers to participation.** The Food Stamp Program (FSP) has helped thousands of Latino families in recent years by giving them the ability and the knowledge to maximize the nutrition content of their food. Despite these benefits, eligible Latinos participate in the FSP at a lower rate than eligible Blacks and Whites. More than 8.5 million Latinos were eligible for the Food Stamp Program in 2005, but only 54.8% participated, compared to 79.3% of Blacks and 63.0% of Whites.<sup>6</sup> In addition to challenges faced by many food stamp participants that keep take-up rates low, eligible Latinos face unique obstacles. In many cases, linguistically appropriate outreach and information about the FSP is not available, and fear and confusion about eligibility standards affect both citizens' and noncitizens' access to the program.<sup>7</sup> An economic downturn intensifies these obstacles by limiting the outreach capacity of FSP to underserved communities.

## Health

- **Hispanics are especially likely to lose employer-sponsored health insurance.** Latinos are the most uninsured major racial or ethnic population in the country. In 2006, 34.1% of Hispanics were uninsured for the full year, compared to 10.8% of non-Hispanic Whites and 20.5% of non-Hispanic Blacks.<sup>8</sup> Part of the reason for this disparity is that Hispanic workers are less likely to have access to employer-sponsored insurance (ESI) than Whites or Blacks. One study found only 65.9% of Hispanic workers was employed by a firm that sponsors health insurance, compared to 85.9% of White and 87.7% of Black workers.<sup>9</sup> Moreover, nationwide declines in ESI have disproportionately impacted Hispanic workers, and this trend could continue. Between 2001 and 2005, Hispanic workers experienced a drop in ESI of more than twice the rate of White and Black workers.<sup>10</sup> If a mild to moderate recession occurs this year, experts project that 4.2 million workers will lose their insurance by 2010.<sup>11</sup> In light of the disadvantage Latinos already face in accessing and retaining ESI, it is likely that a disproportionate number of these losses will be among Latino workers.

## Homeownership

- **Many Latino homeowners are losing wealth as mortgages reset and home values drop.** Although the Hispanic homeownership rate reached an all-time high in 2006 of 49%, recent spikes in foreclosure rates threaten to erode those gains.<sup>12</sup> Like most Americans, Latino homeowners rely on their home equity to provide a financial safety net. However, Latinos are particularly vulnerable in a downturn in the housing market. Home equity accounts for 88% of the average Latino homeowner's net worth, compared to 61% for White families.<sup>13</sup> Forecasters predict 1.8 million foreclosures in 2008. In addition to the loss to homeowners, whole communities are being devastated by rising foreclosure rates. This phenomenon is especially prevalent in minority communities where risky mortgages are concentrated. Vacant and abandoned homes lower neighboring property values, may become safety hazards, and state and local governments lose tax revenue.

## Employment

- **Despite hard work and long hours, Latinos are on the front lines for job cuts.** Nationally, Hispanics of working age are more likely to be employed than Blacks and Whites. Their strong presence in the labor force continues in 2008, with a participation rate of 68.6% and an employment rate of 64.2% in January.<sup>14</sup> As workers across the country are losing their jobs, Hispanics are acutely impacted for two reasons. First, approximately one in three construction workers – in an industry that has suffered major losses as a result of the housing market crisis – is Latino.<sup>15</sup> The housing crisis has dealt a double blow to thousands of Hispanic construction workers who have lost their jobs and now face the real possibility of losing their homes. In addition, Hispanics are concentrated in low-wage jobs, which are the first to be eliminated during a recession. In the event of a mild to moderate recession, labor market projections show that Hispanic unemployment will rise to 7.5% in 2009, the highest rate in more than five years.<sup>16</sup>
- **Many Latino workers lack pathways to good-quality jobs.** While some Hispanic workers face many of the same obstacles that hinder the employability of low-wage workers in general, such as low educational attainment, uneven work history, child care duties, and limited access to transportation, such barriers are further complicated by limited proficiency in English. Limited English proficient (LEP) persons' access and advancement potential in the job market hinges on language ability, as well as job skills. Yet, despite the demand for job training that integrates English acquisition, fewer than 10,000 LEP persons are served annually by federally funded job training programs. As a result of limited integrated training options for Latinos and other LEP workers, critical workforce shortages persist in sectors such as health care and retail, even as the economy as a whole falters.

## KEY PROVISIONS OF H.R. 5140

On February 13, 2008, the President signed H.R. 5140 into law. Congress intended for the bill to “provide economic stimulus through recovery rebates to individuals, incentives for business investment, and an increase in conforming and [Federal Housing Administration] loan limits.” These measures provide some short-term assistance to Latinos. Specifically, H.R. 5140:

- Issues a minimum tax rebate of \$300 to individuals who file income tax returns for earnings of at least \$3,000 during the 2007 fiscal year. The rebate is doubled for married taxpayers who file together and it phases out for individual incomes of more than \$75,000 and \$150,000 for couples. This provision represents the first time a stimulus package has included refundable rebates for workers who have low-tax liability, including many low-income Latino workers.
- Includes rebates of \$300 for each child of a taxpayer. This measure is intended to provide additional assistance to larger families, which describes a large share of Hispanic families.

- Includes incentives for businesses to increase their assets in 2008 by investing in new technology and equipment subject to special depreciations and deductions for a limited time.
- Temporarily raises the loan limit for certain mortgages insured by either the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac).

It is likely that H.R. 5140 will alleviate some financial pressure in the short term for many Americans, including many Hispanic workers and their families. However, like its predecessors, this economic stimulus act excludes measures to address Hispanics' critical economic challenges, and fails to take steps to enable Latinos to keep the gains they have made. In particular:

- The tax rebates, while they reach low-income workers, do nothing to improve the economic standing of the working poor, nor do they directly address the food insecurity families face during times of acute financial strain.
- H.R. 5140 contains no provisions to address the health care needs of the under-insured and the uninsured, a population which is overwhelmingly Latino.
- The housing provisions in H.R. 5140 are an important first step to preventing foreclosure, but they fall short of providing low- and middle-income families with options for safe and affordable mortgages, and they lack measures to stabilize the distressed neighborhoods that foreclosures leave in their wake.
- The stimulus package misses an opportunity to invest in willing workers to connect them with employers in growing sectors who face shortages of semi-skilled and skilled labor.

## POLICY RECOMMENDATIONS

While the newly enacted stimulus package takes steps to address the economic downturn, it does not do enough for low-income, uninsured, and under-employed Latinos. As such, policy-makers are correct to continue to focus on the economy. It is essential that Congress take advantage of the momentum generated by the Recovery Rebates and Economic Stimulus for the American People Act of 2008 to take further action to respond to the worrying trends outlined above. The following policy priorities will protect the fragile progress of thousands of Latino families in the short term, and provide the tools to ensure their economic security into the future.

### Nutrition

- **Increase food stamp benefits.** In addition to alleviating hunger for families that may have fallen on hard times, the FSP stimulates agriculture and retail growth. Every \$5 in new food stamp benefits generates approximately \$9.20 in community spending and significantly increases levels of new spending on food.<sup>17</sup> Furthermore, increased food stamp benefits generate demand for jobs in agriculture, an industry in which four out of five farmworkers are Hispanic. More than 3,000 farm jobs are generated for every \$1 billion of food demand from the program.<sup>18</sup> Currently, the

maximum food stamp benefit is only \$1 per meal to purchase food, which is roughly based upon the cost of the Thrifty Food Plan. To tide families over during the current economic downturn, Congress should increase food stamp allotments by at least 20% in the short term, and take steps to ensure that the minimum - rather than the maximum allotments - are based upon the Thrifty Food Plan.

- **Improve access to food stamps.** Investing in the training and hiring of food stamp customers who are familiar with enrollment procedures would create new connections to the FSP for underserved communities, including many Hispanics. Not only are current customers the most qualified to guide families through the application and verification process, they also stand to benefit directly from this skill-building job opportunity. A second measure to address the cumbersome reverification procedures for a finite period will prevent families from falling off of the FSP in the midst of real need. Currently, food stamp recipients are subject to reverification procedures that cause them to miss work and lose wages, while simultaneously draining resources to process excessive paperwork. It is unlikely that many households will see significant increases in income or assets in the short term, making frequent reverification procedures unnecessary. Therefore, eligibility for the FSP should be determined once during the current period of economic weakness.

## Health

- **Pass the “Legal Immigrant Children’s Health Improvement Act (ICHIA).”** Due to Congress’s unwillingness to restore access to Medicaid and the State Children’s Health Insurance Program (SCHIP) to legal immigrant children and pregnant women, many states have dipped into their own budgets to ensure that these populations have access to critical health care services. However, when states experience budget shortfalls, immigrant families are often some of the first to lose benefits because of the lack of federal support. Congress should ensure consistent funding to the more than one-third of states who already cover immigrant families and enable other states to provide legal immigrants health coverage if their financial circumstances are compromised.
- **Increase funding for Community Health Centers (CHCs).** CHCs are community-based health care providers that serve as important sources of affordable preventive and primary health care for many low-income families. Many low-income families cannot afford routine health services through other traditional points of care. As the frontline health care providers during an economic downturn, CHCs are the first to feel the consequences of a growing uninsured population. Nearly 40% of CHC patients are Hispanic, placing Latinos among the fastest-growing pool of CHC users out of all racial and ethnic groups.<sup>19</sup> Without adequate resources, CHCs may risk overburdening clinics with already thin staffing and potentially be forced to limit the range of health services available to needy families. Congress should invest in specific resources to enhance the funding of CHCs during periods of weak economic growth and should dedicate investments to sustaining the role of CHCs in the long term.

## Homeownership

- **Promote safe homebuying and help owners keep their homes.** Congress must increase funding for programs that help low- and middle-income families purchase homes using safe and affordable mortgages. With mortgage rates at their lowest point in two years, many families may be able to purchase a home with the assistance and protection of affordable homeownership programs. In addition, millions of families are facing foreclosure due to the poor lending practices employed by the mortgage industry and need an affordable refinance product to save their home. Congress can adapt existing federal resources - such as the Federal Housing Administration (FHA) and Veterans Affairs (VA) insurance programs, Government Sponsored Enterprises (GSE), or Federal Home Loan Banks (FHLB) - to reach troubled borrowers.
- **Stabilize distressed neighborhoods.** To curb further downward spirals in safety and home values, Congress should increase funding for neighborhood stabilization programs, such as community landbanking and rehabilitation construction programs. Funds should be made available to qualified Community Development Finance Institutions (CDFIs), CDCs, or other nonprofits that can ensure that the redevelopment of vacated properties furthers the overall goal of sustainable homeownership and affordable housing for all communities.

## Employment

- **Fund integrated job training.** Economic efficiency is maximized when supply and demand in the labor market are closely matched. Given the growing proportion of Latinos in the workforce, it is in both the employer's and the employee's interest that Hispanic workers have the skills they need to be productive. Job training initiatives must be adequately equipped and programmatically flexible to connect workers to good-quality jobs. The same programs that train workers to improve their job skills should also prepare LEP persons to be competitive candidates for employment. Programs that combine training and English acquisition have outstanding employment and career mobility outcomes for participants. Research and demonstration projects should expand to include integrated training, especially in states and localities where the demand for English language assistance is high.
- **Improve job training in expanding sectors.** Despite other negative economic indicators, various sectors of the economy are still adding jobs. From retail and health care to transportation and "green jobs," good-quality jobs await well-prepared workers. Nearly six million Hispanic workers with less than a high school education stand to benefit from occupational training in growing areas of the labor market. For example despite adding 380,000 jobs in 2007, the health care industry still under-employs Latinos in many major health care professions. Increasing federal funding for successful job training programs in growing industries, like health care, would not only correct workforce mismatches in the short term, but would also propel traditionally underserved workers into well-paying jobs in high-demand areas of the labor market.

Hispanics continue to make significant contributions to the economy as workers, employers, taxpayers, and consumers. Given the current threats to Latinos' economic progress and their critical needs in nutrition, health, homeownership, and employment, it is up to Congress to go beyond the economic stimulus package to enact the measures outlined above. In doing so, policy-makers will lay the foundation for true and lasting improvements to the economic security of Latinos, thereby strengthening the U.S. economy as a whole.

## ENDNOTES

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