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ECONOMIC DEVELOPMENT ISSUES OF SPECIAL IMPORTANCE TO HISPANICS

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BACKGROUND

Hispanics have a special interest in economic development, because it offers a means for improving the physical and social quality of life in Hispanic communities, increasing the number and success of Hispanic businesses, and helping Hispanics enter the nation's economic mainstream.

Often, economic development is narrowly defined to mean help in the development and expansion of individually owned Hispanic business and industry. This is an extremely important component of economic development. But the Hispanic community requires a broader approach, which recognizes the need for comprehensive efforts to improve the infrastructure and the tax base of Hispanic communities, create jobs, nurture Hispanic-owned businesses, and involve community-based organizations in development efforts. Such comprehensive economic development is needed by Hispanic communities throughout the United States -- whether in central cities, suburbs, or rural communities.

BUSINESS ASSISTANCE

Hispanics are severely underrepresented as business owners. While our people constitute at least 6.4% of the U.S. population, we own only 1.9% of the nation's businesses. Moreover, more than four of every five Hispanic businesses have no paid employees, and they tend to be concentrated in the service and food industries rather than in manufacturing or high technology.

Several barriers discourage Hispanic business ownership. A major problem is that Hispanics have traditionally lacked access to the "training grounds" for business ownership. Few Hispanics have attended business school, and employment discrimination has minimized opportunities to obtain management experience within large or medium-sized corporations. In addition, access to capital has been extremely limited. Not only have financial institutions been unresponsive, but also Hispanics have lacked the personal contacts with private-sector sources of jobs and capital which could assure a careful hearing for a proposed business effort.

The federal government has for some years indicated a concern for increasing the number and the success rate of minority-owned businesses, but Hispanics have not benefited equitably from these efforts. Too few Hispanics have been employed in career positions within the federal agencies responsible for such programs, such as the Minority Business Development Agency and the Small Business Administration. Even when an Hispanic has headed such an agency, the total number of Hispanics in the organization has usually been minimal.

Federal minority procurement has also been a great disappointment to Hispanics. While some 35 federal agencies have Small Business Utilization Offices, very few Hispanics are employed in these offices, and too few Hispanic businesses have become federal contractors.

Some corporate affirmative procurement efforts have been slightly more successful, but much more remains to be done. Similarly, the minority business

Investment entities established by corporations too seldom have provided capital to Hispanic entrepreneurs. More aggressive programs are needed, and Hispanic organizations must be prepared to work with corporations to increase their awareness of the need for both affirmative procurement and direct investments in Hispanic businesses. At the same time, corporations need to assure that they are seriously targeting Hispanic communities and Hispanic entrepreneurs for available small business assistance.

COMMUNITY ECONOMIC DEVELOPMENT

Comprehensive community economic development efforts are essential means of improving the economic status of both urban neighborhoods and suburban and rural communities with large Hispanic populations. Activities must be undertaken to improve all aspects of a community, including housing, basic infrastructure, job and job training opportunities, human services, and industrial and commercial facilities.

Community development should create jobs, in both Hispanic and non-Hispanic owned businesses. It should assure that water and sewer systems are adequate to handle commercial centers and industrial parks. It should improve the local tax base and thus contribute to improved municipal services. Experience has shown us that a single development project within a community, no matter how valuable, rarely creates the "critical mass" needed to encourage additional development. Instead, a comprehensive plan is needed, and a variety of development efforts must be undertaken which complement each other. To be successful, such efforts need broad-based community support and the involvement of business and industrial leaders, elected and appointed officials, and community-based organization leaders. Community development entities with strong local accountability are an important vehicle for such efforts.

Such efforts in Hispanic communities have been difficult to initiate in recent years. A major barrier has been the devastating federal cutbacks in opportunity-creating programs which make possible both physical development and the capacity-building technical assistance needed before Hispanic communities can undertake such development efforts. Loan programs, particularly those offering low-interest loans in depressed areas, have been cut when they should be expanded to make possible critical infrastructure. Major block grants have been largely deregulated and de-targeted, so Hispanic neighborhoods are even less likely than in the past to receive an equitable share of such funds. High interest rates and an uncertain economy have further crippled local self-help efforts. Capital is expensive and hard to obtain, and the major community development financing entities established by foundations and corporations have proven minimally responsive to requests from Hispanic groups.

Successful economic development in Hispanic communities requires the restitution of critical federal programs, and more partnerships between the private sector community-based entities, for efforts ranging from physical development joint ventures to job training programs. Business and industry commitment is needed for a more active role in helping Hispanic communities help themselves, and assurances are needed that existing programs designed to facilitate economic development become fully accessible to Hispanics.