EXECUTIVE SUMMARY

How Inequity Rigged the Economy and How to Change the Rules.
News headlines report this recession’s grim statistics.

“Four months into the year, the unemployment rate has already soared to 8.9 percent.”

“Foreclosure filings surged.”

“Stock market down 50% from Oct. 2007 peak.”

While all Americans worry about economic insecurity during this crisis, its most damaging effects have been unevenly distributed. People of color are unemployed, hungry, homeless and without healthcare at alarming rates. Many have already fallen through the widening cracks in the social safety net, and countless more are about to go under. This dire and worsening situation amounts to a state of emergency. Examining the disparities reveals patterns that are not simply coincidental. Indeed, people of color face barriers to opportunity at every turn, and the impact is devastating, not just to them, but also to struggling white people. Ultimately, to ensure a stable and growing economy for all will require solutions that directly address these disparities.

This report takes us beyond the numbers to explore the root causes of racial inequity. As the recession ravages the country, the Applied Research Center has been following its path. From Rhode Island’s welfare offices to job placement centers in Detroit, from Washington State’s hospitals to construction sites of Austin, Texas, we gathered real stories about what this recession means in a country in which race is a significant predictor of one’s economic situation. These stories and supporting data reveal the policies behind the patterns of racial inequity that have created an economy that is precarious for everyone. The report calls for an inclusive recovery, recognizing that a healthy economy requires explicit attention to our deepest racial divides.
The distribution of the recession’s worst results is not random. Rather, the conditions that create this disparity are structural, deeply embedded into the rules, the histories and the cultural currents of this country. As the nation unites to recover and rebuild, the time has come for new rules so that everyone can engage on fair and even terms. To avoid repeating this crisis we must recognize and combat the compounding effects of racial inequity.

**KEY FINDINGS**

- People of color have been relegated to precarious, low-wage work—or no work—at disproportionate rates. Black, Latino, Asian and American Indian communities face barriers to employment, including discrimination in hires and promotions, unfair criminal background checks and the lack of protections for immigrant workers. As a result, communities of color on the whole, relative to whites, face higher rates of poverty, are less likely to have healthcare and consistently face recessionary levels of unemployment and underemployment.

*Note: Unemployment rates are taken from seasonally-adjusted monthly data for March of each year. Unfortunately, the Census doesn’t collect or provide data disaggregated by nationality and/or ethnicity for Asians and American Indian, at this time.

**Unemployment by Race, 1973-2009**

- **Vietnam L. W.**, a Black man in his mid 40s, cannot land a job. In addition to the contracting job market and his minimal education, Vincent is marked by a criminal record from two decades ago that follows him **everywhere**. When he does get an interview, he is often turned away, told that his criminal record makes him ineligible. Homeless, Vincent spends his nights on other people’s couches. Facing compounding obstacles at every turn, from a lack of education, employment and housing to few opportunities for advancement, he faces the prospect of being permanently poor.
• **MARIA CECILIA OSORIO** lives in Nogales, Arizona with her two children. The border town has been hit hard by the recession, and she has been unable to find work for weeks. But even before the economic downturn, Osorio struggled with abuse and exploitation as a worker. She worked in a produce factory where she and her fellow employees were paid just $6 an hour, less than the minimum wage. “They discriminate a lot when you don’t have papers,” she said. “They did everything but crack the whip to make us work.” Osorio recalled that the boss would threaten to call the border patrol if they did not do exactly as they were told.

• Because people of color have less income and less wealth, they have less to fall back on in hard times, and yet the safety net for poor families has been eroded over the past dozen years. The compounding effects of lower wages, diminishing wealth and a decayed social safety net leave families of color with little hope and a growing possibility of falling into desperate times.

• **FARRAH HASSAN**, an Iraqi American mother of four in her early 30s, was laid off from her job as a teacher’s assistant. After her unemployment benefits ran out, she applied for cash assistance. Two months later, however, she was sanctioned for not complying with the state’s work requirement, and her benefits were cut off. At the same time, Hassan’s mortgage bill doubled, and she fell behind on her payments. The house was soon put into foreclosure. The prospect of being simultaneously jobless, homeless and penniless leaves Hassan and her family with an accumulated debt that could take a generation to recover from.

• The cumulative effects of historic and current housing discrimination—including restrictive racial covenants, redlining and neighborhood segregation—have left people of color with less equity and access to credit, making them vulnerable to disproportionate rates of predatory lending and foreclosure. Communities of color were saddled with predatory subprime loans at very high rates. Many were sold subprime loans when they could have qualified for prime loans. The foreclosure epidemic has plagued communities of color and caused a loss of wealth that will have lasting generational effects. Disproportionate rates of foreclosure compound the deep and growing racial wealth divide.

**Racial Wealth Divide, 1992-2007**

Source: Survey of Consumer Finance, Federal Reserve, 2007

1. Name has been changed.
• **SANDRA HINES**, a middle-aged Black woman, lost her family home to foreclosure. Like the great majority of American families, the primary source of wealth in communities of color is in housing. The family moved into a rental house, but it, too, was hit by foreclosure. Her story, combined with the stories of millions of other people of color who have recently lost their homes and most of their assets—wealth that was allowed by government policies (or lack thereof) to transfer to corporate interests—represents the latest chapter in a long-standing and intensifying racial wealth divide.

**KEY RECOMMENDATIONS**

These problems are profound but need not be permanent. Many viable policy solutions exist to address root causes, systemic barriers and structural racial inequities. Policies must immediately help those most adversely affected by the recession and proactively tackle existing racial disparities through conscious attention to racial impacts. Ultimately, the building of a healthy economy must fundamentally rest upon both emergency actions and new policies that are racially inclusive and equitable for everyone.

1. **Overarching Policy Framework**
   - Expand the use of Racial Equity Impact Assessments for public planning and policy so that we can anticipate and prevent racial inequities before adoption of new policies and practices. This would provide a mechanism to consciously and systematically address racial inequities proactively during the policymaking process.

2. **Immediate Actions: Alleviate State of Emergency**
   - Moratorium on foreclosures
   - Suspension of Temporary Aid for Needy Families lifetime time limits
   - Moratorium on workplace immigration raids
   - Expunging of criminal records for most past offenders and elimination of questions about past convictions on public employment applications ("Ban the Box" initiatives)
   - Enforcement of anti-discrimination laws

3. **Policies Needed within the Next Year**
   - Employee Free Choice Act
   - Community Reinvestment Act Modernization
   - Immigrant Legalization
   - Green Jobs-Good Jobs
   - Raise the Minimum Wage
   - Pass Comprehensive Universal Healthcare
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