

## Barriers in Latino Communities that Inhibit Economic Prosperity and Potential Solutions

Jacob Valencia

### Abstract

This paper seeks to address and understand economic barriers facing the Hispanic and Latino communities that inhibit economic growth and prosperity. By comparing and analyzing holistic data regarding employment, economic status, opportunities, and savings rates in Latino communities to existing data of other demographics, as well as analyzing different facets of education in Latino communities and their relationship to earnings potential, this paper will illuminate some of the many factors that hinder the economic and financial prosperity of Latino communities as a whole. Moreover, this paper aims to provide solutions to these problems and failed policies and to propose substantive, attainable solutions.

### Introduction

#### - Contextualize Problem

In many cases, the modern Hispanic economic experience is one of strife. Since the first wave of Mexican immigration in 1848, Hispanics in the United States have been subject to socioeconomic obstacles that have limited their economic advancement and accumulation of intergenerational wealth (Gutierrez, 2019). While the economic and social conditions for Hispanics have improved since then, there is still significant work to be done to increase the prosperity of Hispanic Americans.

#### - Overview of Sections

This paper seeks to discuss, among other things, economic conditions, job quality and perception, socioeconomic status, education quality and its impacts, hindrances to pivotal economic opportunities, and the impact of financial education as it relates to financial literacy.

### Section 1: Economic State of Latino Communities (Compare and Contrast)

Many different, and sometimes intersecting, factors play into the economic state of Latino communities. Factors including, but not limited to, employment, job types, wealth, and savings behavior all contribute to the disparities that are prevalent today.

#### - Employment

Beginning with employment rates, it is essential to consider both employment per population and employment rates as they paint a more complete picture of Hispanic employment in the United States. Data from the 2019 U.S. census reveals that Hispanics, regardless of gender or ethnicity, tend to have higher employment per population rates compared to other racial or ethnic groups, including White people (Khattar et al., 2022). These higher employment per population rates are likely attributed to the fact that Hispanic communities generally have a relatively younger population. Youth employment figures are higher among this population when compared to other demographics (Dubina, 2021), implying a strong potential for economic growth. However, despite relatively high employment rates, unemployment rates within Latino communities are still higher than those of other demographics; many Hispanic and Latino people would like to work yet cannot find jobs (Khattar et al., 2022). This disparity between the aforementioned higher employment per population rate and the contradictory higher unemployment rate within these communities is a paradoxical problem that is seemingly challenging to address.

In addressing this discrepancy, scholars have examined the types and quality of jobs Hispanics and Latinos hold. Significant evidence exists suggesting that those employed face certain adversities arising from or relating to payment disparities and job quality. While there still

exists a pay gap between Hispanic and non-White Hispanic people (Mora & Davila, 2018), a more surprising reality is that the broadest pay gaps exist in “critical sectors” (Khattar et al., 2022). Critical sectors, as used herein, refers to areas of the economy that are imperative to society's overall well-being and economic growth.[ ] Hispanics and Latinos comprise a large portion of the workforce in critical sectors, making up forty-three percent (43%) of workers in farming, fishing, and forestry; approximately thirty-eight percent (38%) in buildings and grounds and cleaning and maintenance; approximately thirty-six percent (36%) in construction and extraction; more than twenty-seven percent (27%) in food preparation and serving; and approximately twenty-four percent (24%) in transportation and material moving (Dubina, 2021).

The concentration of Latinos and Hispanics in these occupations can be attributed to multiple factors, including but not limited to education levels, work experience, and immigration status (Khattar et al., 2022). The reason for this will be explored later in the paper. Despite being an integral part of the US workforce, these jobs are undervalued because societal perception does not value jobs based on their essentialism but rather their barriers to entry and sometimes their perceived grandeur. The low pay of these jobs relative to other industries also contributes to slower wealth accumulation in Hispanic and Latino communities.

#### - Economic Status

Examining pay, wage, and wealth more in-depth, additional evidence regarding the economic status of Latinos and Hispanics in the United States is revealed. First, there are significant disparities in household wealth across these communities relative to other demographics. As discussed in a 2021 study, Latino’s “level of household wealth is just one-fifth [1/5] that of White Americans” (Perez et al., 2021). This disparity can be attributed to the aforementioned factors regarding employment, intergenerational wealth accumulation, and lower median wages.

Intergenerational accumulation of wealth is lagging among Hispanic and Latino populations. While progress has been made, it does not diminish the fact that “the annual flow of net wealth for Latinos is [approximately] \$380 billion lower than in a per capita parity scenario with their White peers.” (Perez et al., 2021), \$255 billion of which is directly attributable to intergenerational wealth transfers (Perez et al., 2021). The lack of intergenerational wealth in Latino communities is a result of factors like structural racism, immigration status, and income disparities. In the past, structural racism in housing barred Hispanics and Latinos from moving to so-called “White” neighborhoods that often had better homes and schools by making mortgages more challenging to obtain (Castro et al., 2021).

Structural racism has historically made obtaining a quality education harder for Latinos through racial segregation enforced by now unconstitutional and draconian laws and policies—these communities continue to be plagued with the highest segregation rates throughout the country (Castro et al., 2021). Moreover, “in labor policy, Latinos have been historically excluded from protection from labor laws resulting in the disproportionate relegation of many Latino workers to lower-status occupations without protections” (Castro et al., 2021) (today, Latinos remain concentrated in low-wage jobs and are less likely to have benefits).

According to the U.S. Department of Health and Human Services Office of Minority Health, the average Hispanic or Latino household income in (2022) was \$55,321 in comparison to \$74,912 for non-Hispanic White households (U.S. Department of Health and Human Services Office of Minority Health [OMH], 2023). A review of median income shows that an even greater disparity exists for foreign-born Latinos than those born in the US, with median incomes of \$31,700 and \$38,848, respectively (Perez et al., 2021). Compared to the median household

income of a non-Latino White worker who earns \$52,942, these statistics imply that the accumulation of wealth is more difficult for Latinos relative to other demographics based on income. Specifically, income can impact savings behavior as it directly correlates to (i) a person's savings rate, (ii) a person's overall budget, and (iii) a person's discretionary spending for consumption and investing. This behavior is examined further below.

- Savings Behavior

Savings Behavior, as used herein, is defined as anticipating future needs, saving money to allocate to those needs, and any course of action involving the saved funds.

Financial literacy, as used herein, is defined as the knowledge, skill, and ability associated with making financial decisions.

Savings Behavior significantly affects wealth accumulation as it directly relates to amassing capital, owning real estate, and establishing a legacy for posterity. When examining the savings behavior of Hispanic and Latino communities, many factors that make saving among members of those communities less efficient and less fruitful when compared to other demographics are revealed.

Now examining retirement planning—including but not limited to 401(k), IRA, and 403(b) contributions—and financial literacy, a recent study on over 16,000 employees at the University of Michigan found “increased participation and contributions [in an employer's retirement plan] for those [employees] who receive[d] the most informative and customized mailings” (Kaun et al., 2015). Additionally, by examining financial literacy outside of 401(k) plan awareness using US Health and Retirement Survey data, Lusardi and Mitchell (2007) find a positive link between financial literacy and retirement planning, as well as between retirement planning and wealth building (Kaun et al., 2015). Furthermore, previous studies document differences in financial knowledge displayed by Hispanics compared to Whites, with Hispanics displaying some of the lowest levels of financial literacy in the US (Lusardi & Mitchell, 2014).

Household income also plays a significant role in savings behavior, savings rate, and budgeting: studies show that household income is a more important determinant in participation, contributions, and balances in 401(k) accounts than individual income (Kaun et al., 2015). Higher household incomes leave more room for 401(k) contributions after home, food, childcare, and other household expenses are deducted. As discussed earlier in this paper, Hispanic and Latino household income is significantly lower than that of White non-Hispanic households. Connecting these two links, a connection can be drawn between lower household income in Hispanic and Latino communities and lower contributions to 401(k) and other forms of retirement savings.

Not only are contributions lower among Hispanics and Latinos, withdrawal rates are also higher when compared to those of White non-Hispanics in the same age groups (Kaun et al., 2015). This combination of lower contribution rates and higher withdrawal rates hinders the accumulation of capital through savings, making economic prosperity less attainable for current and future generations. Cultural values surrounding money are one contributor to these lower contributions and higher withdrawals (Ghilarducci et al., 2012). A study of Mexican immigrants found that first and second-generation Mexican Americans feel moral obligations to support their families financially, citing cultural norms that create unspoken rules regarding helping parents and families (Ghilarducci et al., 2012). These attitudes are widespread among Hispanics and Latinos, especially since many are immigrants or children of immigrants similar to the Mexican participants in this study. Ultimately, these attitudes surrounding money contribute to lower personal savings.

## Section 2: Educational Barriers and Economic Prosperity

Disparities in education in Hispanic and Latino communities, such as limited access to quality education and lower average education levels, significantly impact their economic prosperity. Specifically, the impact is underscored through the connection between education, financial literacy, and earnings potential. This section delves deeper into educational inequities and their impact on the economic prosperity of Hispanic and Latino communities.

### - Educational Barriers in Latino Communities

In assessing education across Hispanic and Latino communities, differences can be found beginning at the preschool level. Despite abundant evidence that shows the benefits of preschool attendance, “Hispanic children are the least likely to be enrolled in preschool” (Shneider et al., 2006) when compared with other demographics. In 30 states, there is a statistically significant difference between Hispanic and White children's neighborhood preschool enrollment (Hardy & Huber, 2017). It is axiomatic that compared to Hispanic children, White children live in neighborhoods with substantially higher neighborhood preschool enrollment rates. Studies show that preschool enrollment rates in the neighborhoods where predominantly White children live are seven percent (7%) higher than in the neighborhoods where predominantly Hispanic children live, ranging from three percent (3%) to fifteen percent (15%) higher (Hardy & Huber, 2020). Of those Hispanic children enrolled in preschool, sixty-eight percent (68%) are enrolled in public preschool and thirty-two percent (32%) in private. In comparison, White preschool attendance is fifty-one percent (51%) public and forty-nine percent (49%) private (Hardy & Huber, 2020). The differences in preschool enrollment can be attributed to many factors, among them differences in access and peer behavior—fewer peers attending preschool may negatively affect whether they attend preschool (Hardy & Huber, 2020).

Progressing naturally through the educational journey, studies find disparities in higher education related to degree attainment. While degree attainment has improved for Hispanics and Latinos, it still lags behind the degree attainment of their White counterparts (Anthony et al., 2021). Based on pre-COVID data, in 2018, about fifty-four percent (54%) of Latina women and about sixty-one percent (61%) of Latino men have at most a high school diploma or equivalent (Anthony et al., 2021). Compared to their White counterparts, twenty-eight percent (28%) of White women and thirty-five percent (35%) of White men have at most a high school diploma or equivalent (Anthony et al., 2021). When examining this particular disparity, the largest gap exists in the attainment of high school diplomas. Specifically, five (5%) of White men and seven (7%) percent of White women don't have a high school diploma or equivalent compared to thirty-one percent (31%) of Latino men and twenty-seven percent (27%) of Latina women (Anthony et al., 2021). Additionally, focusing on, college degree attainment, Hispanics and Latinos continue to fall behind; approximately twenty-seven percent (27%) of Latina women and twenty-one percent (21%) of Latino men have college degrees compared to fifty-two percent (52%) of White women and forty-four percent (49%) of White men. This disparity's impact on economic prosperity will be more thoroughly assessed later in this paper by examining the relationship between financial literacy and education, as well as education's impact on earnings potential.

### - Impact on Economic Prosperity

Having highlighted the differences in education between Hispanics or Latinos and their White counterparts, said differences effect on economic prosperity can now be . Financial literacy is strongly correlated with education. An examination of financial literacy and education reveals that the more educated one is, the more financial knowledge they are likely to have

(Mitchell & Lusardi, 2015). However, this data also revealed that education alone isn't enough; it suggests that financial education is needed to improve financial literacy (Mitchell & Lusardi, 2015). This will be discussed in more detail later in the paper. Linking education with financial literacy, we can go even further and link financial literacy with economic outcomes. Substantial evidence shows that financially literate people are more likely to plan, save, invest, accumulate wealth, borrow, and successfully manage loans than those who are not financially literate (Mitchell & Lusardi, 2015).

Having already examined disparities in earnings and education, the connection between the two can now be analyzed as degree attainment's impact on earnings potential is evaluated. Beginning in high school, according to the Bureau of Labor Statistics, "Workers age 25 and over without a high school diploma had median weekly earnings of \$682. Workers whose highest level of education was a diploma made \$853 per week, or just over 25 percent more than those who didn't finish high school" (U.S. Bureau of Labor Statistics, 2023). In fact, in 2013 thirty-nine percent (39%) of jobs required a high school diploma or equivalent compared to thirty-four percent (34%) of jobs that required education above a high school degree such as a bachelor's or an associate's (Torpey & Watson, 2014). This evidence shows that even improving high school degree attainment can expand job possibilities and increase earnings potential. There is also evidence of a significant increase in earnings potential among persons with a four-year degree compared to persons holding solely a high school diploma (Carnevale & Fasules, 2017). Particularly, the earnings advantage has more than doubled since the 1970s, with "two-thirds of the growth in earnings inequality since the early '80s . . . [being] due to difference in access to postsecondary learning with labor market value" (Carnevale & Fasules, 2017). In reviewing more concise data, the median weekly wage in the United States for someone with a bachelor's degree is found to be \$1,432 compared to the median wage of \$853 for someone with a high school diploma. While critics may argue that the gaps in educational attainment can be attributed to cultural attitudes surrounding education, evidence suggests that the opposite may be true. Research shows that Hispanics and Latinos, more often than other demographics, agree that a college degree is important to get ahead in life (Pew Social & Demographic Trends, 2009). While there are still "good" blue-collar jobs requiring a high school education, in which Latinos are increasingly employed, they make up a small portion of the jobs available to those with only a high school education and tend to be inaccessible or unattainable to women, especially Latina women (Carnevale & Fasules, 2017).

### **Section 3: Solutions**

Having examined some of the problems - and causes of said problems - prevalent in Hispanic and Latino Communities today, possible solutions aimed at bolstering those communities' economic position and improving their members' economic state can now be examined. Earlier in this paper, economic conditions and employment among Hispanics and Latinos was discussed; more specifically, disparities in employment and their damaging effects were highlighted. While there are numerous ways to improve economic conditions and employment for Hispanics and Latinos, some notable ones include promoting English as a second language ("ESL") programs, improving access to capital, and community-based remedies.

According to 2019 census data, about twenty-eight percent (28%) of Hispanics are not fluent in English (OMH, 2023). While many jobs don't require English competency, being able to speak English in today's job market increases employability and potential earnings; those who

speak English “very well [realize] higher rates of employment, higher rates of full-time employment, and higher median earnings than those who [speak] English less well” (Day & Shin, 2005). With this in mind, it is clear that improving English literacy among Hispanics and Latinos is essential not for assimilation—as some may critique—but for better employment opportunities in the job market. Establishing and promoting ESL programs within concentrated Hispanic and Latino communities can improve language skills, leading to better employment opportunities.

One part of building intergenerational wealth is real estate and asset ownership. Unfortunately, Hispanics and Latinos find it much harder to secure mortgage loans to buy properties. Two differences between Hispanic and Latino mortgage applicants compared to White applicants are their higher debt-to-income ratios and lower down payments (DeSilver & Bialik, 2017). While it is challenging to tackle these problems directly, considering financial literacy’s impact on planning, saving, and better borrowing behavior, financial literacy may do its part to improve some factors that disadvantage Hispanics and Latinos when applying for mortgages; promoting financial literacy later will be discussed in greater detail later.

Finally, community-based remedies such as community centers can improve economic development and employment opportunities. Establishing community centers that serve as information hubs for jobs and resources, networking spaces, counseling offices, resume workshops, and overall support centers has the potential to improve employment and economic prosperity in Hispanic and Latino communities. However, establishing these centers is not enough in itself. In order to ensure these resources get to those who are in need of them, it is imperative to focus on resource mobilization in tandem with resource development. Some ideas for making a community’s resources more accessible include making workshops available through Zoom calls, making workshops occur outside working hours, and posting information regarding community services on the internet and on posters.

- Remedies in Education

Focusing our attention to education, increasing college degree attainment is essential to improving earnings potential and subsequently improving economic power in Hispanic and Latino communities. Doing so will require action that works to break down barriers to education—such as cost—that face Hispanic and Latino communities. One way to do so is by implementing programs that guide people to financial resources that make higher education more attainable and affordable. A model for these programs that already exists is *Single Stop USA*, a national non-profit dedicated to “helping low-income individuals achieve financial self sufficiency and economic mobility through a unique ‘one-stop’ program that combines benefits screening, application assistance, and financial counseling” (Santiago & Stettner, 2013). Programs like *Single Stop USA* help connect students to existing resources. Since this particular solution focuses more on deploying preexisting resources, it is more cost-effective and efficient in terms of the utilization of those resources compared to solutions that focus on creating new resources.

Another educational barrier hindering Hispanic and Latino communities is inadequate financial knowledge—otherwise known as financial literacy. Having established that lack of financial education negatively impacts Hispanics and Latinos, potential remedies that may increase financial literacy in these communities can be explored. We don’t have to look far to find these possible remedies. The U.S. Financial Literacy and Education Commission’s 2021 proposal recommended: “establishing clear guidelines for financial educators [and] opening access to one-on-one financial counseling” (Mollenkamp, 2023). Resources such as financial



counseling, financial management tools, and other financial educational resources already exist. To improve the utilization of these resources, local governments should make them more financially accessible by increasing subsidies to these programs and providing these communities more opportunities to access them. Making them available in Spanish and English is important due to the large proportion of Latinos who aren't fluent in English (OMH, 2023).

### **Conclusion**

There are a multitude of financial and educational barriers impacting economic prosperity. Disparities in employment, such as job quality, affect earnings; the economic status of Hispanics and Latinos, while progressing, continues to lag behind that of their White counterparts; even savings behavior, which has the potential to contribute to the accumulation of wealth, is less efficient among Hispanics and Latinos. Educational barriers, such as disparities in degree attainment, negatively affect employability and lower financial literacy levels among Hispanics and Latinos, harming their overall economic status. To attempt to remedy these issues, partial solutions such as improving English literacy, access to capital, and community-based remedies all offer their own contributions towards the problems. However, it is also necessary to consider improvements to education such as degree attainment and financial literacy within these communities. Overall, in order to most enrich economic prosperity in Hispanic and Latino communities, it is essential to consider and implement both sets of solutions.

### **References**



- Anthony, M., Nichols, A. H., & Pilar, W. D. (2021, December 21). *A look at degree attainment among Hispanic women and men and how covid-19 could deepen racial and gender divides*. The Education Trust.  
<https://edtrust.org/resource/a-look-at-degree-attainment-among-hispanic-women-and-men-and-how-covid-19-could-deepen-racial-and-gender-divides/#:~:text=While%20educational%20attainment%20among%20Hispanics,and%2035%25%20of%20White%20men>
- Carnevale, A. P., & Fasules, M. L. (2017). *Latino education and economic progress: Running faster but still behind*.
- Castro, D., Chamorro, A., Gonzalez, A., Martinez, A., & Maynard, M. (2021). *Understanding Systemic Racism and Resulting Inequity in Latino Communities*.
- Day, J. C., & Shin, H. B. (2005, April 2). *How does ability to speak English affect earnings?*. Census.gov.  
<https://www.census.gov/library/working-papers/2005/demo/2005-Day-Shin.html>
- DeSilver, D., & Bialik, K. (2017, January 10). *Blacks and Hispanics face extra challenges in getting home loans*. Pew Research Center.  
<https://www.pewresearch.org/short-reads/2017/01/10/blacks-and-hispanics-face-extra-challenges-in-getting-home-loans/>
- Dubina, K. (2021, September 15). *Hispanics in the Labor Force: 5 facts*. DOL Blog.  
<https://blog.dol.gov/2021/09/15/hispanics-in-the-labor-force-5-facts/#:~:text=The%20Hispanic%20proportion%20of%20the,labor%20force%2C%20at%2021.2%25>
- Ghilarducci, T., Saad-Lesser, J., Richman, K., Jelm, E., & Knight, R. (2012). *Confianza, Savings, and Retirement: A Study of Mexican Immigrants*.  
<https://curate.nd.edu/show/mk61rf58d1h>
- Gutiérrez, R. (2019, July 29). *Mexican Immigration to the United States*. Oxford Research Encyclopedia of American History. Retrieved 10 Sep. 2023, from  
<https://oxfordre.com/americanhistory/view/10.1093/acrefore/9780199329175.001.0001/acrefore-9780199329175-e-146>.
- Hardy, E., & Huber, R. (2020, January 15). *Neighborhood preschool enrollment patterns by Race/ethnicity*. diversitydatakids.  
<https://www.diversitydatakids.org/research-library/data-visualization/neighborhood-preschool-enrollment-patterns-raceethnicity>
- Khattar, R., Vela, J., & Roque, L. (2022, July 18). *Latino workers continue to experience a shortage of good jobs*. Center for American Progress.  
<https://www.americanprogress.org/article/latino-workers-continue-to-experience-a-shortage-of-good-jobs/>
- Kaun, K. Y., Cullen, M. R., & Modrek, S. (2015). *Racial Disparities in Savings Behavior for a Continuously Employed Cohort*. NBER Working Papers 20937, National Bureau of Economic Research, Inc. <https://www.nber.org/papers/w20937>
- Lusardi, A., & Mitchell O. S. (2014). "The Economic Importance of Financial Literacy: Theory and Evidence." *Journal of Economic Literature* 52(1): 5–44.
- Mitchell, O. S., & Lusardi, A. (2015). *Financial Literacy and Economic Outcomes: Evidence and Policy Implications*. *The journal of retirement*, 3(1), 107–114.  
<https://doi.org/10.3905/jor.2015.3.1.107>
- Mora, M. T., & Dávila, A. (2018, July 2). *The Hispanic–white wage gap has remained wide and relatively steady: Examining Hispanic–white gaps in wages, unemployment, labor force participation, and education by gender, immigrant status, and other subpopulations*.





- Economic Policy Institute.  
<https://www.epi.org/publication/the-hispanic-white-wage-gap-has-remained-wide-and-relatively-steady-examining-hispanic-white-gaps-in-wages-unemployment-labor-force-participation-and-education-by-gender-immigrant/>
- Mollenkamp, D. T. (2023, July 1). *The Racial Gap in Financial Literacy*. Investopedia.  
<https://www.investopedia.com/the-racial-gap-in-financial-literacy-5119258>
- Pérez, L., Sichel, B., Chui, M., & Calvo, A. (2021, December 9). *The Economic State of Latinos in America: The American Dream Deferred*. McKinsey & Company.  
<https://www.mckinsey.com/featured-insights/sustainable-inclusive-growth/the-economic-state-of-latinos-in-america-the-american-dream-deferred#/>
- Pew Research Center. (2009, September 3). *Recession turns a graying office grayer*. Pew Research Center's Social & Demographic Trends Project.  
<https://www.pewresearch.org/social-trends/2009/09/03/recession-turns-a-graying-office-grayer/>
- Santiago, D. A., & Stettner, A. (2013). Supporting Latino Community College Students: An Investment in Our Economic Future. *Excelencia in Education*.  
<https://eric.ed.gov/?id=ED571545>
- Shneider, B., Martinez, S., & Owens, A. (2006). Barriers to Educational Opportunities for Hispanics in the United States. In M. Tienda & F. Mitchell (Eds.), *Hispanics and the Future of America*. essay, The National Academies Press.  
<https://www.ncbi.nlm.nih.gov/books/NBK19909/>
- Torpey, E., & Watson, A. (2014, September). *Education level and jobs: Opportunities by state : Career Outlook*. U.S. Bureau of Labor Statistics.  
<https://www.bls.gov/careeroutlook/2014/article/education-level-and-jobs.htm#:~:text=About%2084%20percent%20of%20jobs,school%20diploma%2C%20and%20bachelor%27s%20degree>
- US Department of Health and Human Services Office of Minority Health. (2023, Feb. 24) Profile: Hispanic/Latino Americans.  
<https://minorityhealth.hhs.gov/omh/browse.aspx?lvl=3&lvlid=64>
- U.S. Bureau of Labor Statistics. (2023, May). *Education pays, 2022 : Career Outlook*. U.S. Bureau of Labor Statistics.  
<https://www.bls.gov/careeroutlook/2023/data-on-display/education-pays.htm#:~:text=In%202022%2C%20for%20example%2C%20workers,every%20level%20of%20education%20completed.>
- WALSTAD, W.B., REBECK, K. and MacDONALD, R.A. (2010), The Effects of Financial Education on the Financial Knowledge of High School Students. *Journal of Consumer Affairs*, 44: 336-357. <https://doi.org/10.1111/j.1745-6606.2010.01172.x>