Introduction
Jobs and Economic Development in Minority Communities
*Realities, Challenges, and Innovation*

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Community economic development (CED) offers a promise of improving economic and employment opportunities for low-income minority communities. Impoverished neighborhoods of color are inherent to our nation, rooted in fundamental failings of the postindustrial economy. The shift to a service economy and the decline of traditional manufacturing has disproportionately impacted such communities by undercutting their employment bases. The concomitant spatial restructuring, with the increasing geographic separation of people and jobs, has added to their woes. Economic globalization has boosted the profits of multinational corporations by depressing labor wages within the United States and exporting jobs overseas to lower-wage and nonunionized environments. All these have contributed to structural unemployment, poverty, and welfare dependency, a process most pronounced for the residents of minority neighborhoods.

But the plight of minority neighborhoods is not merely an outcome of economic restructuring or globalization. Caught in a vicious circle, disadvantaged communities concentrate poverty and accentuate inequality as they segregate and isolate poor people of color. Their location often denies residents access to employment and business opportunities and may hinder civic and political participation. Their existence serves as a mechanism that infects and distorts basic social services, such as public education and health care, creating a two-tier system of citizens. These neighborhoods have emerged as the dumping grounds for environmental ills. Many of today’s ghettos, ethnic enclaves, barrios, and reservations are the visible manifestations of America’s festering domestic shortcomings, which should not be hidden or ignored.

Efforts to address the plight of poor neighborhoods are not new. A systematic response to poverty as a matter of public policy dates back to President Lyndon B. Johnson’s War on Poverty (1964–1968). There is considerable debate about the effectiveness and long-term accomplishments of this effort. Some have argued that little has been achieved because poverty has not been eliminated or even reduced. Indeed, the poverty rate in 2003 was 12.5 percent, not much different from 1968’s 12.8 percent. This simple yardstick, however, ignores some important positive legacies, such as the
dramatic decrease of poverty of the elderly (from 28.5 percent in 1968 to 10.2 percent in 2003) and the important benefits supplied by Medicare. While the effort to address youth poverty has been less effective (from 15.3 percent in 1968 to 17.2 percent in 2003), there is no doubt that the War on Poverty has left a legacy of policies seeking to respond to the structural issue of poverty in systematic and concerted ways.

One such legacy is community development, which was a key ingredient to fighting neighborhood problems during the 1960s. The economic part of community development, that is, CED, remains central to efforts to address the myriad of employment problems blighting many low-income minority communities. There are, of course, social, cultural, and political issues that should be addressed by community development, but improving economic and employment opportunities is critical to the material well-being of any community. Moreover, it is far easier to address the noneconomic aspects of community development when residents are not overwhelmed by a daily struggle to pay the rent, buy food, and cover the other necessities of everyday life. The core challenge for CED today is the same as it was two generations ago—developing effective strategies that are economically sound and incorporate social, cultural, and political realities.

While the core challenge for CED remains unchanged, the realities have altered dramatically since the late 1960s. The five most relevant are the restructuring of the economy, the increase in foreign competition in product markets, a shift in the ethnic composition of the population, a reconfiguration of the urban spatial structure, and a transformation of social policy. These phenomena are interdependent, overlapping, and mutually reinforcing and affect all corners of our society. Nonetheless, the impacts are more pronounced for those at the lower end of the economic ladder both because the forces at work are disproportionately felt there and because the people in that segment are the least able to successfully adjust to change. While the impacts of some of these transformations are discussed in the following chapters, it is useful to provide a summary of how they affect low-income minority communities.

The key feature of the restructuring of the economy is deindustrialization, or the declining importance of manufacturing. In the mid-1960s, the production of durable and nondurable goods accounted for about 27 percent of all value added in the United States. In the last few years, the percentage has fallen to about 13 percent. This decline translated into a corresponding decline in what was once a major source of well-paying jobs for those with limited education. For low-income minority communities, this resulted in a displacement of workers and a subsequent downward mobility. Many of the jobs that have replaced production jobs require more education because of technological change and therefore do not offer the same opportunities for advancement for those without more schooling. The constriction on the avenues of upward mobility has made it more difficult for those at the bottom to work their way out of poverty.

The driving source behind two of the changes comes from beyond the borders of the United States. The increase in foreign competition in the
product market, referred to as the globalization of the economy, has contributed to deindustrialization. In the early 1960s imported goods were equal to about 4 percent of gross domestic product; by 2003 they had climbed to 15 percent. Many of the imports come from developing countries with labor-intensive industries that utilize low-wage, low-skilled workers. This has created an enormous downward wage pressure in the American industries that rely disproportionately on minority workers. The international movement of people, the other face of globalization, has also affected low-income minorities. Unequal development at the global scale and the demand for low-wage workers within the United States, in part to respond to growing foreign competition, have contributed to a renewal of large scale immigration to the United States. While in 1970, only 5 percent of the total population were foreign born, by 2004 this share reached 12 percent. Because the primary sending countries are located in Asia and Latin America, the ethnic composition of the total population has also changed. In 1970, Asians and Latinos comprised less than 6 percent of the total population, but by 2004, they comprised over 18 percent. A disproportionate number of the new immigrants have limited skills and limited English language ability, and these factors have contributed to their concentration in low-income neighborhoods.

The last two transformations are domestic. Over the last few decades, the urban landscape has been spatially reconfigured as freeways and increased automobile usage facilitated the dispersion of people and employment, creating an increased geographic separation of places of residence from places of work. While this phenomenon has affected the whole urban population, the impact on low-income minorities has taken on the form of a “spatial mismatch.” Because of housing discrimination and a lack of affordable housing in many suburbs, many disadvantaged minorities are trapped in the inner city and have limited transportation resources to access the more adequate job opportunities in the outlying areas. The problems created by this spatial mismatch are compounded by the second domestic change, the transformation of social policy. A part of the change has taken on the form of a retreat from civil rights, including dismantling affirmative action programs and ending forced school integration. The former restricts the immediate economic and employment opportunities for low-income minorities, while the latter diminishes the long-term prospects for their children. In some states, the movement against race-based policies and programs has taken on an anti-immigrant spin. The other part of the policy change is a radical shift in the programs for the poor from income support to moving people into employment. The latter can potentially generate positive outcomes, but this can only come about with adequate support (e.g., job training, transportation, child care services, etc.) to give workers an opportunity to move beyond wages that fail to lift them and their families out of poverty.

The five changes outlined above have not only created new realities and hurdles for community economic development but have also necessitated new approaches. The demographic recomposition brought about by the
growth of the Latino and Asian population requires that CED strategies are more sensitive to issues of language, assimilation, and citizenship. Immigrant neighborhoods face many of the same daily struggles for survival as traditional inner-city communities but may have their own cultural and institutional support systems. These realities require different approaches, and this diversity presents a risk of fragmenting the CED movement. Worse, immigrants are at times pitted against other poor ethnic and native minority groups for the same very small piece of the economic pie.

Despite these differences, there is still a common thread, the struggle to improve economic and employment opportunities. Given the new realities, answers to the economic shortfalls have been elusive. The challenge is made more difficult by the fact that many solutions are constrained by a lack of political will, a tendency to “blame the victims,” and an inadequacy of resources. Despite the magnitude of the problems and the plethora of hurdles, or perhaps because of them, we need to renew the goal of enhancing employment opportunities as central to community economic development. For the overwhelming majority of poor neighborhoods, the single largest source of income comes from paid work. Unfortunately, wages are low, benefits are scarce, and work is unstable. What is critically needed is a rethinking and reformulation of community economic development that takes into account the particularities of different minority groups. For a problem so pervasive and deep as structural unemployment and underemployment, we cannot hope to devise a panacea or a solution that “fits all.” We need innovative strategies to respond to the new challenges, but we must be careful not to change just for change’s sake.

Charting a new course for CED requires not only action but also thoughtful reflection, discussion, and debate. This book contributes to the evolving literature by adopting a multipronged perspective to examine specific case studies of economic development and job creation in different physical and social settings. The book contains work by leading scholars who seek to forge a new agenda for community economic development in minority neighborhoods.

The book is divided into four parts. The first part, “The Context,” examines some of the larger demographic, economic, social, and physical issues as well as policies that determine or influence the characteristics and problems of low-income minority neighborhoods. These communities are marginalized but not completely insulated from developments beyond their borders. The second part, “Labor Market Development,” discusses factors and forces that shape labor demand and supply, including strategies, policies, and practices of workforce development. The focus is on understanding the impacts on minority communities from multiple perspectives. The third part, “Business Development,” examines what has been traditionally viewed as a way to create jobs. This section concentrates on the opportunities and barriers encountered by minority-owned businesses and investigates the role and contributions of ethnic entrepreneurs in minority communities. The last part, “Complementary Strategies,” explores the connections with other community development strategies. This includes
social and survival networks, affordable housing, and social services. These approaches complement economic strategies by addressing the complex daily realities of workers.

Part 1 starts with Evelyn Blumenberg’s examination of the recent changes in the demographic and spatial structure of U.S. metropolitan areas, which in turn have changed the characteristics of neighborhoods (Chapter 1). Over the last few decades, renewed large-scale immigration has driven population growth and increased ethnic diversity. Immigrants and their children have reshaped the urban landscape by transforming many central-city neighborhoods and older suburbs. Despite overall growth, the pattern within metropolitan areas has been very uneven. Suburbs have grown in population, but the populations of many central cities have declined. Another feature of the new urban configuration is the spatial mismatch discussed earlier. For residents trapped in low-income neighborhoods in the inner city, the dispersion of employment has created a geographic barrier to economic opportunities. While all metropolitan areas have been affected by demographic and economic changes, there is nonetheless diversity in outcomes. Although poverty is still concentrated in central-city neighborhoods, many inner-ring suburbs have become blighted while the cores of some cities are prosperous. Because of the diversity in spatial configuration and population composition among and within metropolitan areas, community economic developers must tailor strategies and programs to meeting the needs of the residents of the neighborhoods in which they work.

Public policy determines how governmental resources and power are used to address the problems of low-income people, and one of the most important is the dramatic shift in social policy mentioned earlier. Welfare reform ended income entitlements for the poor and replaced them with tax credits for the working poor. But has this shift eliminated poverty and welfare dependency? Chapter 2 by Douglas Houston and Paul Ong explores the impacts of welfare reform’s “new policy regime” on poor neighborhoods in the nation’s three largest metropolitan areas: New York, Los Angeles, and Chicago. They find a mixed picture, with a decline in rolls and concentrated poverty, but progress being very uneven across regions and across communities within regions. Even under the best conditions, many have not been able to escape poverty and have moved only from depending on welfare to being a part of the working poor. The authors conclude with a discussion of the implication of these findings for community economic development.

Low-income minority communities have often been pictured as islands, cut off from the job opportunities, services, resources, and amenities of the rest of the metropolitan area. Manuel Pastor, Chris Benner, and Martha Matsuoka explore the opportunities presented and the challenges faced by “community-based regionalism,” the marriage of community concerns with regional perspectives (Chapter 3). This concept is premised on the idea that by engaging in regional strategies, ethnic community-based organizations (cbo’s) can identify new opportunities, connect to new allies, and affect
policies that structure their local environment. The authors try to take a “realistic look” at the potential of community-based regionalism to affect community economic development for minority communities by drawing on the experiences of CBOS in the San Francisco Bay Area. They conclude that community regionalism as a strategy for local economic development may benefit some groups, but not others. They propose a “regional audit,” a framework by which communities can identify if regionalism might be a good match for them.

Given this book’s focus on employment outcomes, we clearly need to understand how the labor market functions with respect to minority neighborhoods. This is addressed in Part 2, which discusses labor force development policies in the United States that aim to enhance the employment earnings of low-income, low-skilled workers. Such policies have met with mixed success. This is partly the outcome of the programs’ inability to train workers in skills that employers demand, with a resulting mismatch between jobs and available skills. The challenges of mounting successful workforce development programs are further compounded in low-income and minority communities because of the economic conditions there. Residents of such neighborhoods lack the resources to extend their job search to outlying areas. Travel to areas where jobs are more abundant presents economic and logistical challenges. Drawing from empirical data, with some concrete examples from Los Angeles, Michael Stoll gives a detailed account of how low-skill labor markets function (Chapter 4). He also examines best practices in workforce development and explores a variety of potential policies that can lead to a better matching of low-skilled workers in minority communities to jobs.

Overcoming the geographic barriers that separate low-income workers from employment opportunities is the focus of Chapter 5 by Michela Zonta. The phenomenon of spatial mismatch has been widely used to explain poor labor-market outcomes. Most of the studies on this topic examine job search from the supply side, focusing on the characteristics of job seekers. Zonta’s chapter takes an alternative approach. Focusing on the demand side, she examines the effects of firm location on job applicant rates among minorities. Her study discusses the employment patterns and practices of over one thousand firms in New York, Philadelphia, Atlanta, and Los Angeles. Her findings confirm the spatial mismatch hypothesis, as firms closer to minority communities tend to have more Latino and African American job seekers. She suggests that a key component of economic development strategies for minority communities is the lowering of spatial barriers.

While the working poor face common struggles to survive, contingent workers employed by the informal economy represent a significant and extremely disadvantaged subsegment of the immigrant labor force. In Chapter 6, Abel Valenzuela sheds light on the complex characteristics and special needs of Latino contingent workers. Contingent workers exist at the very margins of the economy and have little formal and ongoing relationship with those who use their labor. In many ways they are independent contractors, but they lack
the benefits and freedom enjoyed by contractors in professional fields. Valenzuela identifies three key areas that economic development strategists should consider to improve the economic status of this group, including promoting small-scale entrepreneurship. The first is a place-based strategy that emphasizes the role of community institutions, ethnic networks, businesses, churches, and civic organizations. Second is the need for specialized training programs with a clearly defined market niche. Finally, Valenzuela highlights the importance of accountability. Contingent workers are particularly vulnerable to exploitation, and strategies like living wage ordinances and campaigns to expose unduly harsh and illegal working conditions can greatly improve their plight.

One way to enhance employment opportunities is to revitalize the economic base of minority communities, and Part 3 contains three examples of the potentials and limitations of this approach. While most revitalization strategies view job generation as a critical component, few have focused on the role of minority businesses. Chapter 7 by Thomas Boston fills this gap by examining the contribution of minority-owned businesses to community development. Using Atlanta as a case study, he demonstrates the employment impact of such businesses when they are fully integrated in the development process. About half of the planning, design, and construction contracts in Atlanta’s revitalization effort have gone to minority-owned firms. In examining black-owned contracting companies, Boston finds that they tend to hire more minority employees than firms owned by non-minorities and often offer better employment conditions as well. He concludes that the promotion of minority business involvement in communities with high concentrations of minority populations is a sound economic development strategy.

Minority-owned businesses in ethnic economies are often small family businesses. While these businesses create employment opportunities for workers of the same ethnicity, they usually operate with limited resources and are very vulnerable to external circumstances. In Chapter 8, Tarry Hum examines the challenges faced by the Chinese immigrant economy in New York City in the aftermath of September 11, 2001. The impacts of the tragedy on Manhattan’s Chinatown economy have been devastating. While focusing on the impacted immigrant economy, Hum also outlines the components of an economic development strategy that transcends the narrow boundaries of the ethnic enclave and promotes linkages to the regional economy.

Not all business development for minority communities is situated in urban settings, and this is particularly true for American Indians. In the last few decades Indian gaming emerged as a significant, albeit controversial, strategy of ethnic entrepreneurship among many Indian tribes. Since Congress passed the Indian Self-Determination Act of 1975, a number of tribes have departed significantly from self-reliant development strategies, which drew primarily on local tribal government resources, and have instead pursued gaming enterprises, which encourage interaction and economic
alliances with outsiders. Chapter 9 by Ted Jojola and Paul Ong examines the economic impacts of Indian gaming on eleven Native American tribes residing within a fifty-mile radius from the city of Albuquerque. They carefully document the effects of gaming on the quality of life of Native Americans, their economic well-being, and the leverage they have to influence their everyday landscape.

While the narrow focus of economic development strategies is to increase employment opportunities and wages for workers, a broader definition should also incorporate complementary strategies. Part 4 examines three approaches that complement economic strategies for low-income, minority workers.

One of the most important lessons learned over the last decade is the importance of networks. What is it about neighborhoods and reciprocity that enhances economic development? What types of social networks and ties exist in ethnic communities, and do they lead people to “get by” or “get ahead?” These are the questions addressed in Chapter 10 by Anastasia Loukaitou-Sideris and Judith Hutchinson. Focusing on the Pico Union neighborhood of Los Angeles, the authors illuminate the activities, alliances, and collaborations among different Latino groups in the area. They find that Latinos in Pico Union engage in multiple informal associations revolving around the family, the school, the church, and the recreation center. Such associations serve more as survival networks to help people get by than as venues for major economic advancement. Nevertheless, the emotional and practical support they provide often allows individuals to enter the job market. The authors also identify different strategies for economic advancement followed by two different ethnic groups in the neighborhood, the Oaxacans and the Salvadorans. They conclude that policy responses for economic development strategies may differ significantly from one ethnic group to another and should be tailored to the particularities of needs, cultural norms, and circumstances.

Because the working poor spend more on housing than any other major item, a lack of affordable housing can make a bad financial situation worse. Jacqueline Leavitt asserts the importance and interdependence of strategies for economic development with efforts to ensure affordable housing (Chapter 11). Campaigns for a living wage ordinance go hand in hand with efforts to preserve the existing housing stock in the community, as activists see housing and economic development as two sides of the same coin. Leavitt details a new tool for community economic development, the community benefits agreement, as exercised by the Figueroa Corridor Coalition, an alliance of unions, community-based organizations, clergy, businesses, and neighborhood groups that strives for economic development, business improvement, and affordable housing in Los Angeles.

Low-income communities of color are often dependent on social service agencies to provide basic needs, such as food, child care, health care, and transportation. Lois Takahashi argues that effective community economic development strategies must not only seek to match the job skills of
individuals and households with appropriate jobs but also should consider their need to access social services at the same time they are seeking and maintaining employment (Chapter 12). She uses data from an empirical study of minority populations in Orange County, California, to show that sustainable participation in the labor force by low-income minority households requires an effective system of flexible social services to counteract rising living costs, low wages, and lack of health care benefits. She argues that the social service delivery system should “synchronize more closely with the complex and dynamic daily routines of working persons of color.”

This book does not pretend to offer a magic recipe that will end chronic unemployment and underemployment in communities of color. Collectively, however, the chapters, which cover diverse communities and practices, send several unambiguous messages. While the broader goal remains to improve employment opportunities through community economic development, a single strategy that “fits all” is impossible. Concrete policies, programs, and practices must be tailor-made, taking into account the particularities, needs, and skills of individuals and their communities. Access and linkages emerge as key words for the economic development of minority communities. Access to education, training programs, housing, and social services are essential for workforce development and for finding and maintaining decent jobs. Linkages, in the form of alliances to and collaborations with the wider community and region, the labor movement and unions, and other inner-city and suburban groups, can counteract the historic tendencies of isolation and segregation experienced by communities of color. Finally, the promise for economic development lies with complementary strategies that, depending on the context, may incorporate aspects of both the formal and informal economy and ensure access to affordable housing and social services.

These lessons are central to today’s community economic development, but they are also pivotal to success in the future. The same structural factors and underlying dynamics that create impoverished minority neighborhoods now are likely to become even more powerful in the future. The twenty-first century will witness a heightening, deepening, and intensifying of globalization, economic and spatial restructuring, and the ethnic recomposition of the population. In this book, we have covered some of the new paths that CED must follow, but much more reflection, discussion, and debate will be needed to help formulate the requisite innovations to address old and emerging problems.

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