



ACHIEVING LATINO MOBILITY

A White Paper of the Aspen Institute Latinos and Society Program's

*America's Future Summit:
Unlocking Potential, Advancing Prosperity*

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*This white paper **ACHIEVING LATINO MOBILITY** is the result of discussions held during the **America's Future Summit: Unlocking Potential, Advancing Prosperity**. None of the comments or ideas contained in this paper should be taken as embodying the views or carrying the endorsement of any specific participant at the gathering or of any of the supporting donors.*

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TABLE OF CONTENTS

Acknowledgements 2

Executive Summary 3

Community Development and Gentrification 6

Workforce Development..... 10

Financial Literacy and Wealth Building 13

Entrepreneurship and Scaling Latino-Owned Businesses..... 16

Conclusion 19

ACKNOWLEDGEMENTS

As the content of this white paper is derived principally from conversations and presentations that took place at the *America's Future Summit: Unlocking Potential, Advancing Prosperity*, we would like to acknowledge the speakers and participants in attendance and also the generous support of the sponsors who made the Summit possible: Target, Bank of America Charitable Foundation, JPMorgan Chase Foundation, Woody and Gayle Hunt Family Foundation, Ricardo Salinas/Grupo Salinas, Comcast NBCUniversal Telemundo, Edison International, Cabrera Capital, McCormick Foundation, The Chicago Community Trust, City Colleges of Chicago- Malcolm X, National Museum of Mexican Art, Joyce Foundation, ComEd, We Power Tech-Amazon Web Services Institute, Clare Muñana, and World Business Chicago.

We would also like to thank the authors, Scott Astrada and Gwyn Hicks, who wove together content from various sources and formats generated during the Summit to articulate the key issues and recommendations for ensuring Latino economic mobility; and Haili Lewis, Events and Communications Coordinator, and Maria Samaniego, Program Manager, of the Aspen Institute Latinos and Society Program for leading the production and dissemination of this white paper.

EXECUTIVE SUMMARY

The opportunity for the United States to continue to prosper as a nation is directly tied to Latino Americans' access to opportunity and mobility. This impact is due to the population's projected growth and influence on the economy as consumers and producers. However, economic disparities hamper the ability of Latinos to achieve positive increases to educational outcomes, obtain quality employment, and achieve greater economic prosperity.¹ This inequality creates a major barrier to Latino economic and social mobility. Leveling the playing field is paramount to ensuring that Latinos are able to achieve their full economic potential to contribute to their families, communities, and the nation.

Representing 18 percent of the total US population, Latinos have accounted for half of the national population growth since 2000. Over the coming decades, the Latino population is expected to continue its rapid climb. By 2060, nearly 1 in 3 people in the U.S will identify as Latino.² In addition to their marked influence on the nation's demographic composition, the growing Latino population will have a tremendous role in determining the growth of the US economy, especially as it relates to entrepreneurship.

Taken as a whole, the economic contribution of Latinos to the US economy would be equivalent to a gross domestic product (GDP) of \$2.13 trillion dollars.³ If compared to the GDPs of other countries, it would rank as the 7th largest GDP in the world (larger than the GDP of India).⁴ By 2020, researchers estimate that Latino economic contribution will account for 12.7 percent of the country's total GDP—and fuel nearly a quarter of all US GDP growth.⁵ The growing number of young Latinos joining the workforce, replacing a retiring generation of Baby Boomers, is expected to be a major driver of that growth.

Despite the increasing contributions of Latinos to the US economy, the average household income of Latinos remains comparatively low (especially among Latino Millennials), exacerbating an ever-growing wealth gap between Latinos and non-Latinos.⁶ This challenge is compounded by Latino Americans' inability to secure and wield the kind

"The economic fate of this country depends largely on a group of people who have been underinvested in, are undereducated, and are often marginalized."

Melissa Bradley

Project 500, speaking at the Aspen Institute Latinos and Society Program's *America's Future Summit: Unlocking Potential, Advancing Prosperity*

¹ Democratic Staff of the Joint Economic Committee, U.S. Congress, *The Economic State of the Latino Community in America*, updated July 2016, available at https://www.jec.senate.gov/public/_cache/files/c80b26fc-9d13-4537-a7a3-aa926e483cdf/the-economic-state-of-the-latino-community-in-america-july-2016-update-final-with-appendix-table-.pdf

² Nielsen, "From the Ballot Box to the Grocery Store: A 2016 Perspective on Growing Hispanic Influence in America," August 23, 2016, available at <http://www.nielsen.com/us/en/insights/reports/2016/from-the-ballot-box-to-the-grocery-store-hispanic-influence-in-america.html>

³ Werner Schink and David Hayes-Bautista, "Latino Gross Domestic Product (GDP) Report," Latino Donor Collaborative, June 2017, available at <http://latinodonorcollaborative.org/latino-gdp-report/>

⁴ Ibid.

⁵ Ibid.

⁶ National Association of Hispanic Real Estate Professionals and Hispanic Wealth Project, "State of Hispanic Homeownership Report 2017," available at <http://hispanicwealthproject.org/shhr/2017-state-of-hispanic-homeownership-report.pdf>

The Aspen Institute Latino and Society Program works to promote understanding of how the success of the American Latino community and the success of this nation are deeply intertwined. Its work includes:

- Convening emerging and established thought leaders of all backgrounds and subject matter expertise to engage in thoughtful conversations about the realities of diverse communities in the US and practical solutions to challenges;
- Elevating dialogue involving policy topics, including civic participation, education and economic advancement for American Latinos;
- Building a pipeline of American Latino thought leaders throughout the Aspen Institute who can put policy changes into motion; and
- Influencing the way that people who interact with its program—the media, policymakers, or decision-makers—understand and engage with American Latinos.

of power and influence needed to better advocate on behalf of themselves and ultimately advance their rights, interests, and opportunities. Instead, Latinos remain sorely underrepresented in almost every sector of influence in our economy and society, including political offices, executive suites, academic leadership, editorial boards, the financial sector, and so on. To secure the nation's long-term prosperity, communities, policy leaders, businesses, schools, financial institutions, and other stakeholders must come together to identify and pursue policies, programs, and approaches that are rooted in equity and empower Latinos to reach their full economic potential.

The Aspen Institute **Latinos and Society Program** is focused on bringing together thought leaders, policy professionals, and business executives from across a wide spectrum of sectors and ethnicities to find solutions to shared challenges and promote understanding of how the success of the American Latino community and the success of this nation are deeply intertwined. Its recent *America's Future Summit: Unlocking Potential, Advancing Prosperity* convened experts from a variety of fields to address critical challenges that are stifling Latino economic advancement and, as a result, hampering America's economic potential. The Summit uplifted people, ideas, and promising solutions that could catalyze action to reverse this trend.

Nearly 200 policy, business, and thought leaders gathered at Malcolm X College in Chicago for the Summit and participated in a series of illuminating keynote presentations, personal testimonials, panel and one-on-one discussions, and breakout sessions. Participants

worked together to identify barriers to Latino economic advancement and develop solutions stakeholders can learn from and implement to promote Latino prosperity at the community, state, and national level.

The conversations coalesced around issues critical to realizing the economic power of Latinos, including ecosystems that support entrepreneurship, balanced development that invites input from the community, financial security, quality jobs, and the skills needed for the jobs of the future.

Many of the challenges hindering Latino advancement are prevalent throughout other communities of color. Across the country, community development and gentrification are reshaping neighborhoods and widening the wealth gap between whites and Latinos by bringing economic gains to some while forcing many long-time residents—particularly lower-income households and other underrepresented demographic groups—to relocate to more affordable, less resourced, and often more remote neighborhoods. Similarly, throughout the United States, challenges related to discrimination, cost of training, and educational disparities disproportionately hamper the ability of people of color and ethnic minorities to access quality jobs that offer living wage compensation, benefits, and employment security.

For Latinos to benefit from community economic development and gain access to quality jobs, the nation as a whole must foster a system that supports inclusive models of economic growth and prosperity. The Brookings

Institution's annual Metro Monitor, which measures communities' progress in this area, shows the country has a long way to go. In a recent assessment by Brookings of the nation's 100 largest metropolitan areas, just two areas—Cincinnati and Greenville—showed consistent progress in narrowing racial economic disparities.⁷

Securing Latino economic mobility requires the work and attention of multiple stakeholders, such as those who participated in the *America's Future Summit*. Latinos, African Americans, and other underrepresented populations must come together through networks, coalitions, and informal collaborations to explore and understand each other and work together to promote solutions that improve employment, increase wages, and strengthen prosperity. Although the action steps presented here are focused on lifting up the Latino community, building partnerships across a broad spectrum is the foundation for many of these ideas. Through collaboration, communities of color can support one another and work together to advance the economic mobility and well-being of both black and brown communities across race, ethnicity, gender, and sector.

Along with these partnerships, building understanding and addressing cultural considerations unique to communities of Latinos will help to overcome the specific barriers they face in moving up the economic ladder. Here, too, understanding, acquiring, and more effectively exercising levers of power and influence will enable more Latinos to harness their economic and political power to advance policies that support economic mobility.

This report explores four key areas affecting Latino economic prosperity:

- Community development and gentrification;
- Workforce development;
- Financial literacy and wealth building; and
- Entrepreneurship.

With the future of the United States directly tied to the economic well-being of nearly one-fifth of the population—Latino Americans—we all have a stake in ensuring their success and that every American has equal access to opportunity, regardless of race, skin color, economic status, address, or educational attainment. The ideas presented here come from discussions that took place at the Summit on and off stage, and as such represent the perspectives of informed speakers and participants. The ideas presented here are intended to seed solutions and inspire actions that elected officials, business leaders, community leaders, educators, nonprofit organizations, investors, philanthropists and other decision makers and influencers will consider and build upon. Additionally, this report highlights examples of successful models that businesses, organizations, towns, and communities are already implementing to promote upward mobility for Latinos. The Aspen Institute Latinos and Society Program will continue to explore these issues and invite additional input for how to move these ideas forward.

"Investing in [the] Latino community will pay dividends for years to come."

Abigail Golden-Vazquez
The Aspen Institute Latinos
and Society Program

⁷ Chad Shearer, Isha Shah, Alec Friedhoff, and Alan Berube, "Metro Monitor," The Brookings Institute, February 2018, available at <https://www.brookings.edu/research/metro-monitor-2018/>

COMMUNITY DEVELOPMENT AND GENTRIFICATION

In cities throughout the nation, economic and demographic shifts, while ripe with opportunity, also come with challenges. This is particularly true for marginalized communities. A combination of historic practices that created and reinforced disinvestment in these communities—such as racial discrimination in mortgage lending—along with newer investment patterns driven by opportunity to exploit lower cost investments in these neighborhoods are radically and rapidly reshaping the economic landscape. This phenomenon, which is happening in towns and cities across the United States—known broadly as gentrification—is increasingly displacing long-time residents, many of whom are Latinos and other people of color. Priced out of their homes and neighborhoods, they are forced into suburban and even exurban areas. This is generating a range of consequences for children, families, and entire communities.

“It is essential for part of the conversation to be about place-based neighborhoods that feature balanced development and are economically vibrant, diverse, and inclusive.”

Gustavo Velasquez
The Urban Institute

Attracted by affordable housing and business opportunities, an influx of higher-earning newcomers to these communities, who are able to bear the cost of more expensive housing and business leasing, inevitably leads to increased property tax revenue and business profit. Such economic development growth has many positive results, including increased investment in local schools and city and municipal services, lower crime rates, and employment opportunities. However, not all community members share evenly in these benefits, and many long-time residents find themselves priced out of buying homes, affording rent, or keeping up with the cost of living increases that come with the

economic development. The impact of these collective effects can displace entire communities. These moves increase commute time, make it harder to secure good jobs, and shorten time with family. This displacement can also make it difficult to access goods and services, social supports, and other daily necessities. On a larger scale, gentrification is altering the cultural, economic, political, and demographic make-up of neighborhoods, cities, and entire regions. It is also exacerbating financial and workforce challenges for many Latino families.

Homeowners may benefit from increasing home values while at the same time struggle to pay the increasing property taxes if the sharp rise in home value is not accompanied by a corresponding growth in income. Many local businesses and community centers, once anchors to the community, may also struggle to compete. Increased real estate prices and rents and competition from national businesses and companies as well as new clientele can make it hard to stay in business. Gentrification can also erase the cultural vibrancy, character, and authenticity of neighborhoods where many families have made their homes, sometimes for many generations. This is particularly significant for immigrant communities that often rely on neighborhood enclaves for various aspects of economic and cultural support.

While investment in communities is essential to propelling those communities forward, a balanced approach that seeks development without displacement and focuses on existing communities rather than an influx of new residents will temper the negative consequences of gentrification. Community participation and voice in the transformation of their neighborhoods demonstrates commitment of inclusion and not just development to attract outsiders.

ACTION STEPS

Community leaders and development boards, developers and builders, financial institutions, businesses, and current residents all have important roles to play in leveraging the benefits of economic development to create vibrant communities, economically competitive business districts, and flourishing neighborhoods that also enable existing residents and businesses to thrive. Although the following actions steps are presented with a Latino lens, these findings and recommendations may also benefit other communities affected by gentrification. Building a diverse coalition of stakeholders that work together to create change can jumpstart many of these ideas.

Community Leaders and Development Boards

- Community leaders can take an inventory of available affordable multi-family housing units and collaborate with building owners to determine how to preserve the current price structure in a changing housing market. Some landlords may be eligible for a Community Development Block Grant or other government funding to keep their buildings affordable. Additionally, community leaders can put policies in place to ensure a percentage of new development is accessible to low and moderate income residents.
- Communities can leverage the benefits of new development without losing existing culture by ensuring the development integrates, rather than supplants, cultural aspects of the neighborhood. Artist co-ops that foster cultural development and incubation, historical buildings, and dedicated outdoor spaces for community activities and events can help promote and maintain the cultural fabric of a community.
- Incentive zoning is another opportunity for community leaders to prevent displacement of current residents and preserve local culture. Each city has its own requirements for set-asides for affordable housing that it can use to incentivize builders to integrate features that meet the needs or interests of the community—such as parks or art spaces—in exchange for allowing developers to create higher-density buildings.
- Community Land Trusts can help preserve an area’s cultural roots. Under this approach, a community group acquires land and pledges to use it to benefit the neighborhood. To keep housing prices down, the group may build a home on the land and sell the structure at an affordable price, but retain ownership of the land and lease it to the homeowner for a designated time period, typically 99 years. Separating the building from the land keeps the land in the community’s possession and away from developers, but still allows people to buy a home and earn equity in the structure. As part of the deal, the community group pledges the home will always be affordable.

Developers and Builders

- Builders, local government, and businesses can maintain cultural relevance by approaching new development with a racial equity lens. Balanced development that supports existing and culturally relevant businesses will help ensure those businesses are able to compete with incoming big box stores or national chains.
- Additionally, developers can seek out government and social impact capital that considers a triple bottom line approach—social, environmental, and economic—rather than funding that only looks at profits and investor return.
- By establishing intentional and early communication with local communities through public town hall meetings and local events, developers can hear concerns and secure community buy-in for earnest balanced approaches to new development.

“Locals are afraid of being displaced. To address this, it’s on the business to ensure our products are relevant to the people in the community. . . We made the brewery an affordable luxury by leaning into local culture and making it a place to have fun with friends and family for a low cost.”

- David Favela
Border X Brewing

COMMUNITY LAND TRUST MAKES HOUSING ACCESSIBLE

Bridge Park is a 1,200-foot-long pedestrian-only expanse connecting the Washington, D.C. neighborhoods of Capitol Hill, known for gentrification and wealth, and Anacostia, an area of high poverty. The project—led by Building Bridges Across the River, in partnership with dozens of local organizations and businesses—features green spaces, cultural amenities, and gathering spots.

Building Bridges led hundreds of community meetings to inform an Equitable Development plan. In the fall of 2017, JPMorgan Chase announced \$5 million in funding over a three-year period to implement the plan, including \$3 million to preserve existing affordable housing and prevent people from being displaced.

The group created a community land trust, which received an infusion of cash from JPMorgan, and tapped City First Homes as an incubator to allow the trust to start purchasing properties now, rather than wait and risk being priced out. The trust is led by an advisory committee made up of community members, experienced housing professionals, and other stakeholders.

Other notable aspects of the project include:

- A homebuyers' club that offers classes in home ownership and financial literacy;
- Down payment assistance (currently a pilot);
- Individual development accounts that provide match dollars as an incentive for families to save up for closing costs and down payments;
- Tenants' rights workshops for renters; and
- Micro-loans (small business loans typically up to \$5,000) and training and technical assistance for existing small businesses.

- Developers and builders can also establish proactive communication with community and existing neighborhood businesses to minimize the displacement and maximize the existing businesses' economic potential. By engaging local businesses earlier, developers can work with them to ensure new development integrates or builds upon the existing business community. Developers can also explore opportunities to expand or relocate businesses within the neighborhood (e.g., offer competitive or flexible leases to existing businesses for new buildings with new facilities, furnishings, and infrastructure).

National Retail and Chain Business

- Big box stores can be great community partners by hiring local, sponsoring neighborhood institutions (cultural centers, sports teams, schools, or clubs), and sourcing products from local businesses to meet local demand. Local policymakers have a role to play in designing equitable and smart business communities. Many cities are proactively implementing policies to combat the rising business and commercial rents that are pushing small businesses into closure.⁸ Companies themselves can invest in the local community. For example, Starbucks has made it a priority to integrate its space in low and moderate income places by guaranteeing space for workshops, meetings, and events.⁹

⁸ Olivia Lavecchia, "How Rising Commercial Rents Are Threatening Independent Business, And What Cities Are Doing About It," Institute for Local Self-Reliance, April 20, 2016, available at <https://ilsr.org/affordable-space/>

⁹ Jordan Lebeau, "Starbucks Hopes 15 New Stores Will Make It Part Of The 'DNA' Of Low-Income Communities of Color," *Forbes*, October 13, 2016, available at <https://www.forbes.com/sites/jordanlebeau/2016/10/13/starbucks-hopes-15-new-stores-will-make-it-part-of-the-dna-of-low-income-communities-of-color/#7ee8ee44adc>

- Companies can also work directly to meet the needs of the community. Whole Foods allows each of its individual stores to assess how best to address the needs of the community and make sure food gets to those in nearby neighborhoods who need it. Several times a year, the stores hold community giving days (otherwise known as 5% Days) when each store donates five percent of that day's net sales to a local nonprofit or educational organization.
- Local government officials can team up with businesses to start or expand minority-led chambers of commerce that advocate for local small businesses, create a central community resource for growth and development, and support priorities for future business development. For example, the Louisiana Chamber of Commerce offers entrepreneurship classes, ESL classes, credit union and banking partnerships, connections to Goldman Sachs small businesses initiatives, and access to the US Small Business Administration and the Louisiana Economic Development.¹⁰ These types of robust programs can be expanded and replicated in chambers of commerce throughout the country.

Banks and Credit Unions

- Homeowners gain more from economic development than renters. By educating Latinos about homeownership, financial institutions can help Latinos access grants, loans, and credit-building tools needed to buy a house. Local banks, nonprofits, community organizations, and municipalities can lead this public outreach campaign to inform potential homebuyers and map the steps to homeownership.
- Banks may unwittingly exacerbate gentrification by granting mortgage credit to developers or landlords calculated at what rents could be at market value, rather than at the rent-controlled rate. This often enables developers to buy buildings for cheap, then implement strategies to push out rent-controlled tenants in order to flip the units to a market rate condo or rental. By working proactively with developers and landlords, banks and credit unions can ensure that long-term plans for rent-regulated properties include protections for tenants, such as right-of-first-refusal for current tenants when units are converted for sale.

Current Residents

- Residents can access nonprofit legal services to prevent landlords, developers, and rental companies from discriminating or illegally proceeding with projects or practices to redevelop local businesses, housing, and programs. Blight, eminent domain, apartment construction, and lease management are all intricate legal areas where residents need to be informed as it relates to community economic development.

¹⁰ "Local Resources," Hispanic Chamber of Commerce of Louisiana, available at <https://www.hccl.biz/programs-and-initiatives/local-resources/>

WORKFORCE DEVELOPMENT

Good jobs benefit workers, businesses, and communities. But for many Latinos, quality jobs that offer living wage compensation, benefits, and employment security are out of reach. An increase in the number of jobs that are automated, as well as the advent of artificial intelligence and its future potential in the workplace, threaten

to exacerbate this problem. While many entrepreneurs point to opportunities stemming from the gig economy, these opportunities do not guarantee economic stability. Instead, these jobs may lead to new customers in the short-term, but lack the stability of a regular cash flow and traditional benefits. As a result, economic security remains a challenge.

Workers without a college degree could once obtain a good-paying job in fields such as manufacturing, often with room for advancement. However, in recent decades, those jobs have nearly disappeared and there has been an increasing shift to low-paying, poorer-quality service jobs. Automization threatens to perpetuate this challenge, despite policy efforts to bring back manufacturing jobs. In addition to low wages, these jobs typically lack access to benefits such as healthcare,

retirement savings plans, and sick or family medical leave—all critical elements of quality employment. Furthermore, unpredictable schedules and shift work typically found in the service industry can make income inconsistent, pushing financial security further out of reach.

Job data shows this problem is likely to get worse. According to the US Department of Labor, just over half of all new jobs created in the next few years will be jobs that require a high school degree or less and will tend to be lower-skill jobs that pay lower wages.¹¹ Latinos and African Americans are already overrepresented in many of these jobs and at risk of continuing to hold jobs that lack benefits, good pay, and opportunity for advancement. Artificial Intelligence and automation, which are predicted to replace the same jobs many Latinos and other communities of color currently hold, could further exacerbate this challenge.

As the country's populations of color increase, and as the nature of local economies and geographic and industry hubs of production change, we must build a Latino pipeline to meet emerging workforce demand while working to ensure all jobs are quality jobs that feature steady income, good benefits, and room for advancement.

ACTION STEPS

Increasing Latino access to quality jobs requires helping workers build the skills they need to advance, preparing workers for the emerging job market, and improving the quality of available jobs. Promising partnerships show community leaders, businesses, and colleges each have an important role to play in addressing this challenge.

"We need to go beyond stability and figure out how to move forward by meeting the needs of workers as well as the interests of the business community."

Aida Cardenas
Building Skills Partnership

¹¹ U.S. Bureau of Labor Statistics. *Table 6. Occupations with the most job growth, 2014-24*, last modified December 8, 2015, available at <https://www.bls.gov/news.release/ecopro.t06.htm>

Businesses

- Programs that help workers build the skills needed to become more productive in their jobs and earn higher wages—also known as human-capital development—can lead to upward mobility for individual workers, improve long-term employment prospects, and, ultimately, strengthen the local workforce which in turn helps build stronger communities. For example, [Bank of America's Consumer Academy](#) equips new hires for career advancement by ensuring employees have a clear understanding of career paths within its consumer banking line of business and are buttressed by training, development, and support throughout their career journey.¹²
- Businesses can increase access to quality jobs and strengthen their own productivity by helping people build careers rather than just landing jobs. Combining entry-level jobs that do not require an advanced degree with on-the-job training and tuition reimbursement programs can create career pathways that lead to worker and company success.
- Retailers and companies that employ service workers, such as restaurants, can upgrade these positions by offering access to healthcare and other benefits and eliminating on-call scheduling, whereby employees call the day of or even hours before a shift to find out whether or not they are needed. If they are not called in,

"We need to help people build careers, not just access jobs."

Christie Gragnani-Woods
Bank of America

GIVING ALL WORKERS A SEAT AT THE TABLE

California's Building Skills Partnership (BSP) works to improve job opportunities for low-wage property service workers through on-the-job programs that involve language skills, citizen classes, digital literacy and financial education.

BSP's Green Janitor Education Program brings together the US Green Building Council-Los Angeles (USGBC-LA), the Building Owners and Managers Association of Greater Los Angeles (BOMA-GLA), and Service Employees International Union (SEIU)-United Service Workers West to provide janitors with hands-on energy management and green cleaning training needed to enable buildings to meet green performance standards. The program addresses energy efficiency, recycling, waste management, water conservation, and other sustainable and green cleaning practices. It also gives janitors a seat at the sustainability table alongside building owners and managers creating a strong example of social equity where everyone participates in management and maintenance of a building. Partnerships and programs such as this can address industry needs while improving the lives of workers by investing in human capital.

Learn more about BSP's approach [here](#).

they do not get paid, making it impossible to budget for a steady income or plan child care. In some cases, employees report for a shift, only to find they are not needed or are sent home early. These workers receive less or no pay and can incur costs associated with going to work, such as transportation and child care. Improved scheduling will relieve these challenges. For example, Starbucks managers work with employees to create consistent, predictable schedules that balance each worker's individual needs.¹³

Community Colleges

- Community colleges can increase job prospects for graduates by offering programs of study that anticipate and reflect workforce needs of the future, such as cybersecurity, and ensuring students are prepared to meet those needs.
- Students who graduate with a mound of debt can find it impossible to catch up once they enter the job market. By offering workforce stipends—living expenses for training or learning experiences—community colleges as well as local workforce development funders can help students avoid graduating from college with excessive debt.

¹² Bank of America, "The Academy for Consumer and Small Business," available at <http://careers.bankofamerica.com/us/the-consumer-academy-at-bank-of-america.aspx>

¹³ Starbucks Newsroom, "Starbucks Approach to Staffing and Scheduling," available at <https://news.starbucks.com/views/starbucks-approach-to-staffing-and-scheduling>

- Establishing partnerships with local businesses can help prepare students to meet the demand of local businesses. City Colleges of Chicago works with businesses to identify positions that experience high turnover and create apprenticeships that train students to succeed in those positions. This approach benefits companies as well as the students.
- Colleges can support student success by aligning class schedules to business hours.

Community Leaders

- Community Benefit Agreements (CBAs) have proven to be a successful tool for improving access to quality jobs. Community organizations come together around a given area where a large development project has been proposed and where there are public dollars going toward subsidizing that economic development. The community organizations work with the private developers who are receiving public subsidies to identify needs in that community, such as additional affordable housing or local hiring practices for jobs in the area. The tool allows communities to hold private developers accountable when they benefit from public dollars to ensure local residents benefit as well.

“We must reimagine colleges as pathway[s] to wealth, not just pathways to degrees.”

Juan Salgado
City Colleges of Chicago

FINANCIAL LITERACY AND WEALTH BUILDING

Despite their economic potential, Latinos often face short- and long-term threats to their financial future. With income volatility as a backdrop, many Americans struggle with accessing, choosing, and maximizing tools for saving and investing in their short-term and long-term financial goals, such as financing higher education or [planning for retirement](#)—or coming up with money in an emergency.^{14,15} This is particularly true for Latinos, who often lack generational wealth and face persistent challenges like limited knowledge about money management, financial products, and trusted banking services, but see the value of financial education.¹⁶ In a recent survey, 71% of middle-income Latinos said they believe they are behind on preparing for retirement as opposed to 63% of the general population, and 63% said they wish their employers would provide more information on saving for retirement.¹⁷

A significant driver of the knowledge gap between Latinos and non-Latinos is that Latinos are overrepresented in low-wage jobs that do not offer the benefits or opportunities designed to improve financial security and build household wealth.¹⁸ Without established credit or robust savings, it can be difficult to get an auto loan, rent an apartment, obtain a mortgage, or build a business. As a result, Latinos are often forced to rely on alternatives, such as exorbitantly priced payday lenders, auto title lenders, and check-cashing stores.¹⁹

Many Latinos have difficulty securing the financial services that could help them address these issues. The same survey found 59% are unsure about who to go to for financial advice and guidance, 53% say it is difficult to find financial services companies that know how to help households like the ones they belong to, and 42% believe they have different financial planning needs than the average American household.

Establishing financial security starts with financial literacy. Policies and practices that focus on helping Latinos build savings and income, plan for retirement, and accrue wealth for generational transfer can lead to greater financial

“The calculated worth—goods and services—of Latinos in the US makes them the world’s seventh largest economy . . . with the third largest growth rate.”

Dr. David Hayes-Bautista
UCLA Center for the Study of Latino
Health and Culture

¹⁴ The Aspen Institute Financial Security Program and The Aspen Institute Latinos & Society Program, “Sí Se Puede: Building Retirement Security for Latinos and the US,” October 2017, available at <https://assets.aspeninstitute.org/content/uploads/2017/10/Designed-Latinos-and-Retirement-Brief-Web.pdf>

¹⁵ Board of Governors of the Federal Reserve System, “Report on the Well-Being of U.S. Households in 2017,” May 2018, available at <https://www.federalreserve.gov/publications/files/2017-report-economic-well-being-us-households-201805.pdf>

¹⁶ National Endowment for Financial Education, “Latinas: Hungry for Financial Education, Challenged By Cultural Stereotypes,” March 1, 2018, available at <https://www.nefe.org/Press-Room/News/Latinas-Hungry-for-Financial-Education>

¹⁷ Javier Simon, “Latinos Need Retirement and Financial Planning Assistance,” Plan Advisor, October 3, 2017, available at <https://www.planadviser.com/latinos-need-retirement-and-financial-planning-assistance/>

¹⁸ Cherrie Bucknor, “Hispanic Workers in the United States,” Center for Economic and Policy Research, November 2016, available at <http://cepr.net/images/stories/reports/hispanic-workers-2016-11.pdf>

¹⁹ UnidosUS, “Stop Payday Predators,” available at http://stopthedebttrap.org/wp-content/uploads/2016/10/SPP-Latinos-Fact-Sheet-NCLR_Final.pdf

security and help close the wealth gap between Latinos and whites while helping Latino communities continue to recover from the devastation caused by the financial crisis of 2008.²⁰

Employers also have a role to play in helping Latino workers save for retirement. Many Latinos do not participate in workplace savings plans and just 12 percent of Latinos own a defined benefit plan (an employer-guaranteed pension that provides a monthly check, typically calculated based on the employee's length of employment and salary history, from retirement until death).²¹ Enrollment rates among Latinos are high when employer-based plans are offered. However, due to the types of jobs that Latinos often over index in—low-skilled, low-pay, small business, or non-union—these types of benefits are less likely to be offered. Some states, such as California, have sought alternatives to employer-based plans, such as a [Secure Choice](#) plan that creates a state-run retirement plan for employees who don't have access to a plan through their employers.²² Programs like Secure Choice provide a model to ensure all employees start building for their retirement and long-term financial security.

Level of education, type of job, income, family network, and a number of other factors impact Latinos' ability to plan for and achieve their long-term financial goals, including taking steps to build wealth. Improving the financial capability of Latinos and increasing the capacity of Latino households to plan for their financial future requires a diverse set of solutions that consider the range of different education, workforce, and immigration backgrounds of Latinos.

ACTION STEPS

Efforts to help Latinos gain financial literacy and build wealth must address specific cultural obstacles, such as cultural norms of social stigma surrounding discussions about financial need, resistance to talking about money, and concerns that wealth-building goes against some culturally ingrained religious values.

"To build community wealth, we need to build individual wealth."

Tawanna Black

Center for Economic Inclusion

Banks/Financial Institutions

- Proactively providing financial literacy resources to Latinos—in English and in Spanish—is an opportunity for banks, credit unions, and other financial institutions to build new customer relationships. This creates an optimal entry point for Latinos into the financial mainstream.
- Lenders or affiliates can build trust in Latino communities by establishing a physical presence and demonstrating cultural relevance in the neighborhoods where they plan to do business. Building a tangible connection to the community they are located in will also help create a sense of shared growth (i.e. physical presence or partnerships with Community Development Financial Institutions).
- To prevent individuals from falling victim to predatory lending, financial institutions have a responsibility to provide information, transparency, and support to those who do not qualify for a traditional loan. For example, nearly 80 credit unions nationwide belong to [Juntos Avanzamos](#).²³ The program requires participating credit unions to serve Latino communities with bilingual forms and materials, use alternative credit underwriting, have Latinos on their boards of directors, and provide dual-language financial education.

²⁰ Dedrick Asante-Muhammad, Chuck Collins, Josh Hoxie, and Emanuel Nieves, "The Road to Zero Wealth: How the Racial Wealth Divide is Hollowing Out America's Middle Class," Prosperity Now and Institute for Policy Studies, September 2017, available at https://prosperitynow.org/sites/default/files/PDFs/road_to_zero_wealth.pdf

²¹ The Aspen Institute Financial Security Program and The Aspen Institute Latinos & Society Program, "Sí Se Puede: Building Retirement Security for Latinos and the US." October 2017, available at <https://assets.aspeninstitute.org/content/uploads/2017/10/Designed-Latinos-and-Retirement-Brief-Web.pdf>

²² Hank H. Kim, "The Secure Choice Pension," Pension Rights Center, available at <http://www.pensionrights.org/what-we-do/events/re-imagining-pensions/secure-choice-pension>

²³ Federation, "Juntos Avanzamos - Together We Advance," available at <http://www.cdcu.coop/initiatives/juntos-avanzamos-together-we-advance/>

Intermediary Organizations/NGOs

- Establishing credit can be a gateway to accessing other things that in turn help build wealth—like stable housing or a new business. Mission Asset Fund, a nonprofit group in San Francisco that works with credit-rating agencies, promotes lending circles as an opportunity for individuals to access cash and build their credit scores.²⁴ Lending circles are typically formed among six to 12 people. The loan amount ranges from as little as \$300 to \$2,400.
- Financial advisors, who are predominantly white males, often lack the cultural competency to effectively address Latino-specific concerns. Promoting diversity in the financial advisor profession will help drive financial inclusion. A nonprofit advocacy group could create a campaign in partnership with Latino executives in target industries (financial advisors, banking, and entrepreneurs) to promote diversity in positions that directly interact with Latino communities.
- Latinos need to understand what policies can help them build wealth and learn how to use them. For example, working with the Ad Council, a nonprofit or coalition of nonprofits, such as Mission Asset Fund, Latino Policy Forum, or Instituto Progreso, could engage public and private stakeholders by conducting a public education and outreach campaign to promote information about policies such as the Earned Income Tax Credit (from a state view and city view), Children’s Savings Accounts, and the Savers Tax Credit.

Academic Institutions

- Colleges and high schools can help Latinos increase their financial literacy by providing classes or electives on finance and wealth building. Not only will these students gain the knowledge needed to strengthen their finances, they are also likely to bring conversations from these classes home and share lessons with their families and households.
- Offering financial lessons early can bolster student success while helping students develop skills that will help them build wealth as they become adults. Chicago’s [Ariel Community Academy \(ACA\)](#) offers classes from kindergarten through eighth grade that, in addition to mandated public school curriculum, incorporate concepts of investing and financial literacy into the classroom.²⁵ Through a partnership with Nuveen Investments, a Chicago-based investment company, the Ariel-Nuveen Investment Program awards each incoming first grade class a \$20,000 grant that follows the students until their graduation. In the early years, representatives from Ariel and Nuveen invest and manage the funds. However, as the students advance through the school’s unique investment curriculum, they become actively involved in the investment decisions.

Businesses

- Businesses can help by making financial classes a regular part of their employee benefit programs. As new generations move into jobs and get employee benefits that their parents may not have received, classes in financial literacy and counsel in how best to invest and save their earnings will help them build financial wealth over time. Employers can also offer financial wellness programs that feature financial planning and counseling services, budgeting assistance, and debt counseling.

²⁴ Mission Asset Fund, available at <https://missionassetfund.org/>

²⁵ Ariel Investments, “Ariel Community Academy,” available at <https://www.arielinvestments.com/ariel-community-academy/>

ENTREPRENEURSHIP AND SCALING LATINO-OWNED BUSINESSES

Latino entrepreneurs are a major catalyst of small business creation in the United States, starting businesses at a rate three times faster than the national average and surpassing their counterparts.²⁶ Between 2007 and 2012, 86% of all the growth in small businesses can be attributed to Latino entrepreneurs—and Latina-owned businesses have proven to be a significant driver of this growth.²⁷ In the coming years, Latino entrepreneurship will play an

“This is not just about economic pacing. It’s about realizing this is the new America. We are the new majority. The majority will mean nothing to us if we do not begin to build economic power.”

Melissa Bradley
Project 500

increasingly central role to small business growth in the United States. Considering that small business growth is responsible for a majority of job creation, with two out of three net new jobs created by small businesses, the Latino entrepreneur is a key player in keeping the US economy strong.²⁸

Beyond the macro-economic statistics, for many Latinos, owning a business represents an opportunity to contribute to their family and their community. This has far-reaching impact, providing youth employment and harnessing community talent and innovation. Investing in and fostering thriving entrepreneurial ecosystems within communities will increase opportunities for Latinos to build wealth and financial security.

However, the current policy and financing environment often impedes Latinos’ ability to succeed as business owners. Latinos experience greater challenges in accessing capital than their white counterparts. Other barriers include wealth differences between Latinos and non-Latinos, lack of financial capital, evidence of lending discrimination, lack of access to procurement and supply chain opportunities, human capital barriers, and disparities in family business background. These challenges also impact Latino business owners’ ability to scale. Latino-owned businesses tend to have lower average sales and hire fewer employees than white-owned businesses—disparities that have widened over the past couple of decades.²⁹

Sales from Latino-owned businesses, compared to what they would generate if they were on par with the average non-Latino-owned business, represent a \$1.38 trillion opportunity gap for the US economy.³⁰ This untapped potential has a cascading effect on the wider economy through unrealized economic growth in the form of

²⁶ Marlene Orozco, Paul Oyer, and Jerry I. Porras, *2017 State of Latino Entrepreneurship*, Stanford Graduate School of Business, February 2018, available at www.gsb.stanford.edu/faculty-research/publications/state-latino-entrepreneurship-2017

²⁷ Ibid.

²⁸ John Paglia and David T. Robinson. “Measuring the Role of the SBIC Program in Small Business Job Creation.” Library of Congress. January 2017. Available at https://www.sba.gov/sites/default/files/articles/SBA_SBIC_Jobs_Report.pdf

²⁹ Robert W. Fairlie, *Latino Business Ownership: Contributions and Barriers for U.S.-born and Immigrant Latino Entrepreneurs*, U.S. Small Business Administration, January 2018, available at https://www.sba.gov/sites/default/files/Latino-Business-Ownership-Research-Paper_.pdf

³⁰ See note 26.

employment, household income, tax contributions, and missed opportunities for businesses that supply or are supplied by Latino-owned businesses. This results in a much broader impact across the American economy, affecting a significant group of stakeholders beyond Latino business owners and their families.

For Latino-owned businesses to maximize their contribution to the economy, they must scale. Only then will business owners, communities, and the nation realize and benefit from the full economic potential of this growing and entrepreneurial sector of society.

ACTION STEPS

Expanding opportunities for Latino entrepreneurs requires cross-sector cooperation as well as policies that promote the benefits of Latino-owned businesses to the broader community.

Local Leaders and Community Networks

- Local and state governments can increase the number of Latino-owned businesses by prioritizing minority-owned business growth and diversification strategies within larger economic development plans and policies.
- Beyond capital, small business owners and entrepreneurs need relevant, culturally competent, and convenient business training from local chambers of commerce, business and academic networks, or local entrepreneur networks that prepare Latinos to launch businesses in emerging fields, such as technology and computer science.
- Groups like Project 500 are capitalizing on the historic levels of economic development and investments being made in Washington, D.C., by offering minority-owned businesses the hands-on training, capacity building, mentoring, and networking needed to leverage significant growth opportunities.

Financial Institutions

- Banks and other financial institutions have an important role to play in supporting small businesses and promoting partnerships that can address funding gaps in the marketplace, increase the enterprise value of minority-owned businesses, and scale those businesses. Latino-owned businesses are typically smaller than non-Latino-owned businesses and their cash flow often fluctuates. On average, small businesses have approximately 27 days of cash buffer to pay their bills. Increasing access to community lending loans, underwriting small loan sizes, and addressing the billing structure can improve cash flow.

“We need to be forward thinking and focus on relationship building. Mentoring Latino protégées is a tremendous opportunity to give back and build the workforce we need.”

Allen Gutierrez
Small Business Administration

ASCEND 2020

JPMorgan Chase’s Ascend 2020 connects minority entrepreneurs to business schools, suppliers, and community partners to improve access to management strength (through business education), markets (business-to-business and consumers), and money (seed capital, flexible credit, and equity investment).

Headquartered at the University of Washington Foster School of Business, the program promotes business education, consulting services, and partnerships with anchor institutions that are committed to increasing spending with minority-owned firms to create equitable career and entrepreneur opportunities critical to generating wealth in communities throughout the country.

Since the program’s launch in 2016, Ascend 2020 has helped more than 140 businesses earn a total of \$8 million in investments, which includes \$5 million in contracts and \$3 million in new capital. JPMorgan Chase recently expanded Ascend 2020 from six US cities to 10.

- For small businesses that apply for capital but are not approved, financial institutions can offer access to other resources that open up possibilities for entrepreneurs and support growth. The Association for Enterprise Opportunity (AEO), a national non-profit organization dedicated to changing the way that capital and services flow to underserved Main Street businesses, recently launched [myWay to Credit](#), the first-ever bank referral marketplace for small business lending.³¹ For small businesses that don't currently qualify for financing, myWay to Credit offers opportunities to connect to a vetted network of community lenders and small business mentors. Early bank adopters played an essential role in the successful creation of the referral marketplace. Woodforest National Bank partnered with AEO during the early design and testing phase, and JPMorgan Chase invested through its \$150 million Small Business Forward initiative to ensure the creation of a scalable service that is replicable for any referral partner regardless of size. Both firms are currently referring customers to the marketplace.

Businesses

- Schools can teach and nurture entrepreneurship by using curriculum, internships, and partnerships with local businesses to expose students to the wide range of entrepreneurial industries in today's economy. Businesses can enhance this opportunity by sponsoring contests for innovative ideas and projects that offer groups of high school students opportunities to win prizes or recognition.
- Local Hispanic Chambers of Commerce chapters can support Latino entrepreneurs by creating networks and peer-to-peer learning groups that mentor new businesses, share information on new requests for proposals (RFPs), and encourage members to partner on RFPs.
- The Small Business Administration or US Hispanic Chamber of Commerce can expand networking opportunities by creating an online marketplace where Latino-owned businesses can connect with other businesses.
- Businesses can contact chambers of commerce and diversity supplier certifying organizations to increase access to and knowledge of Latino-owned businesses that are able to meet their procurement needs.

³¹ Available at <https://mywaytocredit.com/>

CONCLUSION

Every American has a stake in unlocking the Latino potential to drive prosperity in the US for people of all backgrounds, nationalities, race, and ethnicity. To succeed, stakeholders across all ethnicities must come together to eliminate racial and cultural inequality and provide opportunities for Latinos to get a good education, secure quality jobs, and achieve long-term economic stability. Businesses, community groups, financial institutions, colleges and universities, and policymakers can take specific actions to move this effort in a positive direction, including many of the solutions identified at the *America's Future Summit: Unlocking Potential, Advancing Prosperity* and outlined in this report.

Additionally, Latino Americans must secure and wield the kind of power and influence needed to better advocate on behalf of and ultimately advance their rights, interests, and opportunities, including more effectively using their influence as a major consumer market. This means identifying and pursuing activities to increase Latino representation across every sector: political office, executive suites, school superintendents, university presidents, editorial boards, philanthropy, and more. To achieve true equality and opportunity, Latinos must be able to frame their own narratives and positively affect their future.

With the financial stability of the nation dependent on Latino economic mobility, it is vital that a broad range of stakeholders come together across race, ethnicity, gender, and sector to promote solutions that enable Latinos to harness their full economic power and forge a path to economic strength for the entire country.

"It's not enough to get there. When you get your seat at the table, do something with it. Give back. Empower other people. Open doors of opportunity for others."

Nina Vaca
Pinnacle Group

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We would like to acknowledge our 2018 America's Future Summit Host Committee for making the event and the conversations that led to this white paper possible.

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We would like to acknowledge the following for their help in leading and capturing the important discussion that informed this white paper.

Haven Allen

Brigitte Anderson

Ted Archer

Veronica Arreola

Jose Baca

Ivan Barron

Melissa Bradley

Tammy Brownlee

Aida Cardenas

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The Aspen Institute founded the **LATINOS AND SOCIETY PROGRAM** in 2015 to create a place for Latinos and non-Latinos to learn about their shared future and jointly explore solutions to the challenges of our times. Its vision is to foster a more informed citizenry and promote the engagement of all people in securing a prosperous and inclusive future for America. This policy program convenes diverse audiences and subject matter experts to advance three important policy areas, civic participation, economic advancement and educational opportunity. The program is also connecting a pipeline of Latino leaders to Institute programs, fostering collaboration, and strengthening their networks. To learn more, follow @AspenLatinos, or visit [AspenInstitute.org/policy-work/latinos-society](https://www.aspeninstitute.org/policy-work/latinos-society).



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