

# RACE matters

## Unequal Opportunities for RURAL FAMILY ECONOMIC SUCCESS

### Why Equal Opportunity is Important

- We know much of what is needed to ensure family economic success in rural communities. The most critical factors are the ability to earn family-supporting incomes, the availability of affordable goods and services, and the opportunity to save and accumulate assets. In shorthand, the goals are to “Earn It, Keep It, Grow It.” The realization of these goals requires economically viable communities that provide good jobs for families, accessible amenities, and quality, affordable commercial goods and financial services.
- The consequences of failing to ensure family economic success in rural areas are far-reaching. If rural families are not able to build a strong economic base, rural communities will decline. And if rural communities decline, family out-migration by those who can afford to leave will escalate, further eroding the vitality of struggling communities. Those families that remain will find it even harder to raise kids.
- Embedded racial inequities produce unequal opportunities for family economic success in rural communities. Systematic policies, practices, and stereotypes work against families and neighborhoods of color and regions with high percentage of minorities to affect their opportunity for achieving family economic success. We need to understand the consequences of these embedded racial inequities, how disparities are produced, and how they can be eliminated in order to ensure that all families have the same opportunity to become economically successful.

### Barriers to Equal Opportunity

- Poverty's interaction with race. When high concentrations of poverty and race are mapped for rural communities, distinct regional and population histories emerge that reflect longstanding legacies and current consequences of differential treatment: African Americans in the rural South, American Indians in the rural West and Midwest, Latinos in the rural Southwest, and Whites in Appalachia.



NON-METRO COUNTIES WITH HIGH POVERTY, 2000

SOURCE: CALCULATED BY ERS USING CENSUS 2000 DATA, U.S. CENSUS BUREAU.  
NOTE: HIGH POVERTY IS DEFINED AS A POVERTY RATE OF 20% OR MORE.

- Spatial and racial discrimination. Rural communities in the South with at least 30% Black populations have attracted industries with mostly low-wage, low-quality jobs. These communities gained fewer and lost more jobs than low-Black-concentration communities in the same region. In effect, then, all community members are negatively impacted by spatial and racial discrimination. Still, when jobs become available, minorities are near the bottom of the hiring queue.<sup>1</sup>

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1. B. Dill, “Poverty in the Rural US: Implications for Children, Families, and Communities,” 1999.

## Barriers to Equal Opportunity (cont'd)

- **Historical bias in policy formulation with enduring effects for American Indians.** In 1887 the Dawes Act allowed the U.S. government to divide up Indian reservations, allocate tracts of land to individual Indians, and open "surplus" land to homesteaders. Title to most reservation land today is held by a host of different entities, including non-Indians. This fractionated ownership has created barriers to Indians' ability to use the land as an asset, which has had a devastating impact on the economic and social well-being of Indians living on reservations.<sup>2</sup>
- **Bias in current policy application.** Laws and procedures that may appear race-neutral have had significant disparate impact by race in rural areas. For example, the practice of partitioning by lawyers and real estate traders in rural land transactions has contributed heavily to the fact that Blacks have lost rural land 2-1/2 times faster than Whites over the last century, with an 80% loss occurring since 1969. That property is now owned mostly by Whites or by corporations.<sup>3</sup>
- **Bias in private sector decision-making.** In rural areas low-income communities of color are disproportionately subjected to environmental toxins, rendering them vulnerable to serious illnesses and the expensive health care these require (if it can be afforded at all). For example, pesticide processing facilities are located in communities with a 55% higher percentage of people of color than the national average and a 48% higher percentage of people of color below the poverty line.<sup>4</sup>
- **Racial discrimination.** While all low-income rural families experience "the high cost of being poor,"<sup>5</sup> discrimination in hiring and financial services (see below) make that cost even higher for racial minorities.

## The Consequences of Unequal Opportunity

- **Earning it: the readiness to earn.** In non-metro areas, Hispanic, Black, and Native American men have college attainment levels that are a third of Whites; Hispanic, Black, and Native American women obtain college degrees at about half the rate of their White counterparts. Asian non-metro residents have twice the college graduation rate of Whites.<sup>6</sup>
- **Earning it: the opportunity to work.** Non-metro Hispanics, Blacks, and Native Americans are more concentrated among low-skilled occupations than are non-Hispanic Whites and Asians. Non-metro White, Hispanic, and Asian men have lower joblessness rates than women in their group, while unemployment rates for both rural Black and Native American men and women hover around 30%.<sup>7</sup> Hispanic, Native American, and African American families, as a result, need to rely on public assistance, food stamps, and Medicaid more so than do Whites.<sup>8</sup>
- **Earning it: access to gap-closing supports.** Access to the Earned Income Tax Credit, which is available to all low-wage workers, is critical to the well-being of rural minorities because it helps to narrow the gap between what a family earns and what it takes to live. The rural South, with concentrated African American poverty, and rural areas in and around American Indian reservations, along the Mexican border, and in California's central valley with a large Hispanic immigrant population exhibit the highest percentage of EITC claims in the U.S.<sup>9</sup>

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2. Indian Land Tenure Foundation, Frequently Asked Questions, [www.indian-landtenure.org](http://www.indian-landtenure.org).

3. Associated Press, "Torn from the Land," 2002, [www.ap.org/APpackages/torn.cover.html](http://www.ap.org/APpackages/torn.cover.html).

4. "Race and Rural America: A Snapshot," Applied Research Center presentation to NRFC, April 2005.

5. Strengthening Rural Families, "The High Cost of Being Poor," Annie E. Casey Foundation, 2004.

6. [www.ers.usda.gov/Briefing/RaceAndEthnic/education.htm](http://www.ers.usda.gov/Briefing/RaceAndEthnic/education.htm).

7. [www.ers.usda.gov/Briefing/RaceAndEthnic/laborforce.htm](http://www.ers.usda.gov/Briefing/RaceAndEthnic/laborforce.htm).

8. [www.ers.usda.gov/Briefing/RaceAndEthnic/wellbeing.htm](http://www.ers.usda.gov/Briefing/RaceAndEthnic/wellbeing.htm).

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## The Consequences of Unequal Opportunity (cont'd)

- **Keeping it: affordable goods and services.** Since 80% of rural areas lack public transportation,<sup>10</sup> having a car is essential to keeping a job. Yet, low-income rural residents, especially minorities, are relegated to the subprime auto finance industry that charges exorbitant interest rates. In addition, data suggest that African Americans in particular are charged higher dealer markups.<sup>11</sup>
- **Keeping it: fair financial services.** Rural borrowers are more subject to the predatory lending practice of prepayment penalties on subprime home loans than are their urban counterparts. The probability of receiving a prepayment penalty rises significantly when a borrower lives in a zip code area with a relatively high minority population.<sup>12</sup>
- **Growing it: increased family assets.** Home ownership rates for all racial ethnic groups are higher in non-metro than in metro areas, with Black and Hispanic rates noticeably higher and the racial gap smaller than those experienced by their urban counterparts.<sup>13</sup> Yet, rural homeowners are more likely to live in physically substandard units and be cost-burdened because of their lower median incomes.<sup>14</sup> Furthermore, Whites are 96% of farm owners, controlling 98% of the acreage.<sup>15</sup>
- **Growing it: thriving neighborhoods and communities.** While only 10% of rural Whites live in high-poverty counties, nearly 1/2 of all non-metro African Americans and Native Americans and 1/3 of non-metro Hispanics do.<sup>16</sup> High-poverty communities are most vulnerable to higher-cost goods and services and predatory lending.



9. A. Berube & T. Tiffany, "The 'State' of Low-Wage Workers," The Brookings Institution, February 2004.

10. M. Sherraden et al., "Wealth Creation and Rural America," November 2003, [www.nrfg.org](http://www.nrfg.org).

11. A. Kim, "Taken for a Ride," Progressive Policy Institute, November 2002.

12. Center for Responsible Lending, "Rural Borrowers More Likely to be Penalized for Refinancing Subprime Home Loans," September 2004.

13. [www.ers.usda.gov/Briefing/RaceAndEthnic/wellbeing.htm](http://www.ers.usda.gov/Briefing/RaceAndEthnic/wellbeing.htm).

14. Housing Assistance Council, "Home Ownership as an Asset in Rural America," April, 2003.

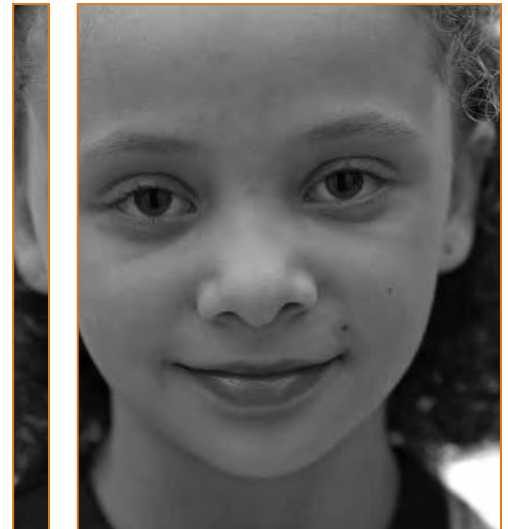
15. "Race and Rural America: A Snapshot," above.

16. C. Beale & J. Cromartie, "The Defining Characteristics of Regional Poverty," in *Perspectives on Poverty, Policy, and Place*, Fall, 2004.

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## Strategies to Promote Equal Opportunity

- **Compilation of data and use of its results to promote equity.** Collecting and analyzing data to determine if discrimination is occurring is a critical first step toward disparities reduction because it makes concrete what the issues are. As a result, dialogue about race can be action-focused. Some propose a national report card on racial and ethnic discrimination to, among other goals, assess the extent to which discrimination undermines the achievement of important social policy objectives like welfare reform and asset accumulation for low-income minorities.<sup>17</sup> Such data should include a specific focus on rural families and communities, which have had less research attention than low-income urban residents. In crafting such a focus, analysts need to be sure the level of data presented is meaningful enough to be actionable. For example, in the West, where counties cover larger expanses of territory than in the East, county-level data may not be comparably useful for identifying the sources of disparities and planning specific change strategies.
- **Racial equity impact analysis.** Current and pending policies and decisions that affect rural families and communities could be assessed for disparate impact by race or ethnicity. Similar to an environmental impact statement, a racial equity impact analysis is a systematic way of ensuring the fairness of resource allocation and interventions and reducing the likelihood that policies and decisions will have unintended negative consequences for racial minorities. It is more desirable and less costly to avoid this consequence up-front than to try to correct it later. The Annie E. Casey Foundation's Race Matters Toolkit contains a guide for conducting a Racial Equity Impact Analysis.
- **Change in policies and practices that contribute to disparities.** For example, it has been proposed that the Community Reinvestment Act cover finance companies and auto financing so that low-income, disproportionately minority, communities are protected from predatory practices. Further, automobile finance companies could be subject to disclosure requirements in their lending practices.<sup>18</sup>
- **Promotion of culturally sensitive strategies.** Groups like California Tomorrow,<sup>19</sup> with its focus on education in immigrant communities, and the Harvard Project on American Indian Economic Development<sup>20</sup> are excellent resources for understanding issues of rural family economic success within the context of the cultural heritage and values of specific racial-ethnic communities.
- **Mobilization of stakeholders for promotion of opportunity for all.** Organizations and agencies whose goal is the empowerment and self-determination of minority families and communities are growing in number and strength. Proyecto Azteca works with families in the colonias of the rural Rio Grande Valley;<sup>21</sup> MDC helps rural North Carolina make the transition from an ethnically diverse but culturally segregated manufacturing and low skills workforce to a high-tech workforce that embraces cultural diversity.<sup>22</sup> These exemplify a growing number of advocates, community organizations, and service providers dedicated to reducing disparities and promoting rural family economic success simultaneously.



17. M. Fix & M.A. Turner, "A National Report Card on Discrimination in America," Urban Institute, March 1998.

18. A. Kim, above.

19. [www.californiatomorrow.org](http://www.californiatomorrow.org).

20. [www.ksg.harvard.edu/hpaied](http://www.ksg.harvard.edu/hpaied).

21. See [www.bordercoalition.org](http://www.bordercoalition.org).

22. [www.mdcinc.org](http://www.mdcinc.org).

