

Many Hispanics Are Hit Hard by Economic Slump

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DALTON, Ga. — In his first years in the United States, Carlos B. Jacinto endured the itinerant life of a Guatemalan migrant worker, from picking fruit in Florida to moving logs at a sawmill in Washington. Eventually, he settled here in northern Georgia and erected a middle-class American life.

The carpet factories that sustained this town were desperate for workers to supply a nationwide boom in home construction. The wages Mr. Jacinto earned over the last decade were enough to buy a minivan and a brick house with a yard and a swing set for his four young girls. It was a long way from his childhood home in Guatemala, a wooden shack without electricity or plumbing.

But last month, amid the shrinking fortunes of the American economy, Mr. Jacinto, 37, was laid off. Everything he has achieved is suddenly at risk.

“Am I going to be able to keep up the payments on my house?” he asked. “I never believed this could happen. Now, we don’t know the future.”

The economic downturn unfolding across the United States is imposing a particularly punishing toll on Hispanics, a group that was among the primary beneficiaries of the expansion in recent years. What had been a story of broad and steady advances has given way to growing joblessness, diminishing paychecks and lost homes.

The boom in American housing generated millions of new jobs for those willing to engage in physically demanding tasks, from factory work churning out floorboards, carpeting and upholstery, to landscaping, roofing and janitorial services. Latinos occupied widening swaths of these trades and filled large numbers of relatively high-paying construction jobs.

As a great influx of Latino immigrants spread beyond the initial entryways of the Southwest into smaller cities and towns across the South and the Midwest, many found employment doing much of the unpleasant work shunned by those with better prospects.

But now significant portions of this work are disappearing. What were once the fastest-growing areas of the nation, including states with expanding Hispanic populations like Florida, California, Georgia and Nevada, are often bearing the brunt of the pain.

From April of last year to April of this year, the Labor Department reported, the unemployment rate among Hispanics spiked 1.4 percentage points, to 6.9 percent. By comparison, the overall jobless rate rose half a percentage point, to 5 percent.

For the nearly 19 million Latino immigrants in the United States, the downturn in the job market has cut significantly into earnings, dropping the share of those sending money home to families in Latin America from nearly three-fourths two years ago to about half, according to a survey released last month by the Inter-American Development Bank.

Economic troubles now threaten to reverse a long period of gains in homeownership among Latinos as well. From 1994 to 2006, the rate of Hispanic homeownership climbed to 50 percent from 41 percent, according to census data, a pace more than double the increase among non-Hispanics.

Growth was fueled by heavy reliance on subprime mortgages — loans extended to people with troubled credit histories, which have since proved the most likely to go bad. By 2006, 47 percent of the loans issued for home purchases by Hispanics were subprime, nearly double the rate for non-Hispanic whites, according to a paper by the Joint Center for Political and Economic Studies. Only African-Americans leaned harder on subprime loans.

Last year, the homeownership rate among Latinos fell, a trend that is likely to continue: one in 12 of the mortgages made to Latino households in 2005 and 2006 is likely to fail, estimates Catherine Singley, a policy fellow at the National Council of La Raza, an advocacy group in Washington.

Georgia is one of many states where Hispanics are now feeling strains. From 2000 to 2007, the state's Hispanic population grew more than 70 percent, according to census data.

In the Atlanta area, construction exerted a strong pull, mirroring the national trend. Nationally, Latinos rose from one-fifth of the construction work force in 2000 to almost one-third by 2006,

according to an analysis of Labor Department data by the Economic Policy Institute.

Among foreign-born Hispanics, construction was responsible for 46 percent of the growth in employment from 2004 to 2006, according to Rakesh Kochhar, an economist at the Pew Hispanic Center.

Now, that dynamic is working in reverse. "Hispanics are concentrated in an industry that is leading the downturn," Mr. Kochhar said.

For the last eight years, Jose Serrano, an illegal immigrant, has crammed into rented houses in Atlanta with five and six other men while working construction jobs that paid about \$10 an hour, sending most of his earnings home to Mexico City to support his wife and three children.

But since November, Mr. Serrano has failed to find steady work. Every morning, he joins dozens of others in a parking lot, where contractors hire for odd jobs. Most days, he waits in vain, he said.

Now, there is no money to send home. He has sold his car, navigating Atlanta's freeway-laced sprawl by bicycle. He has been borrowing from friends to pay his rent of \$150 a month.

Others in his situation have returned to Mexico, he said, discouraged by the deteriorating job market and a recent surge in crackdowns against illegal immigrants. If things do not improve soon, so will he, though he is pained by the thought of having to lean on the very family he is supposed to be supporting.

"Your dreams have disappeared," Mr. Serrano said. "Your family is counting on you for basic necessities. You feel defeated."

Dalton, a town of 35,000 people 90 miles northwest of Atlanta, is where three-fourths of the carpeting in the United States is produced. It benefited from the housing boom, serving as an archetype of Hispanic upward mobility.

Before the 1980s, the carpet industry attracted mostly white blue-collar workers from as far as Tennessee and Alabama, offering wages that paid enough to support families. But competition intensified and as similar jobs sprang up elsewhere, Dalton's carpet mills struggled to find enough workers.

Among Latinos, word spread that a small town in Georgia, with fresh air and thick stands of trees, had abundant jobs at wages reaching \$14 an hour. Houses were affordable.

"This was the dream they were seeing on television," said America Gruner, founder of the Coalition of Latino Leaders, a local social service organization.

Today, Latinos make up about 40 percent of the city's population, up from 10 percent a decade ago. Some 70 percent of the students in the city school system are Hispanic.

"They came in here and saved jobs," said Dalton's mayor, David E. Pennington. "This is a one-industry town. If they hadn't come here, the carpet industry was going to leave."

For several years, Rafael Ortiz picked strawberries in California for 12 and 14 hours a day, being paid about \$250 a week. On a visit home to his village in the Mexican state of Guanajuato a decade ago, relatives told him he could make twice as much in northern Georgia, working indoors.

Mr. Ortiz and his wife boarded a Greyhound bus with their six children — the youngest then 8 years old. They arrived with no savings, staying with cousins.

Mr. Ortiz quickly found a job in a factory making bathroom mats and toilet seat covers. Nearly all of the workers were from Mexico or Guatemala, he said. He was paid \$8.50 an hour, with as much overtime as he was willing to take. He brought home \$450 to \$500 a week.

Over subsequent years, Mr. Ortiz, 62, never lacked for work. In 2000, he paid \$4,500 for a trailer, plunked it on a three-quarter-acre lot and called it home. He recently became an American citizen.

"I have 10 grandchildren, and there's plenty of room there to run around," Mr. Ortiz said. "That's my satisfaction."

But last fall, Mr. Ortiz's father grew ill. He returned to Mexico to be with him before he died. Since coming back to Dalton in February, he has not found work. He no longer takes his grandchildren out to eat, he said. He relies on his grown children to pay the bills.

From the fall of 2005 to the end of 2007, carpet industry jobs in Whitfield County declined to 15,416 from 17,140, according to the Georgia Department of Labor.

At the Southern Janitorial Services Corporation, where 95 percent of the employees are Latino, working hours are being cut and paychecks are down from \$450 a week to as little as \$300 a week, according to Gabriela Gardea, the company's receptionist.

The impact of smaller paychecks is now rippling out to businesses built to serve the Latino influx. At El Sombrero, a Mexican restaurant in an old brick storefront downtown, sales have dropped by half since the beginning of the year, said the owner, Adolfo Morones. He has been forced to lay off a waiter and two kitchen employees, he said.

At La Michoacana, a grocery store festooned with colorful piñatas, the owner, Efrain Espinoza, said he was losing money. "We don't know how long we can continue like this," he said.

A taxi service that ferries Latino workers from home to job has idled three of its six cars, Maria T. Perez, the owner, said.

Born in Mexico, Ms. Perez arrived here from Los Angeles a decade ago to put her five children — then mostly teenagers — beyond the reach of gangs, she said. She started the taxi service in 2001, making use of no-money-down financing to buy her first car, a used Buick Regal.

As Dalton filled with Latinos, her business expanded, earning her a \$40,000 profit in 2004 and again the following year, she said.

She and her husband, Ricardo Torres, bought a four-bedroom house with a swimming pool, a huge living room, a washer-dryer and a kitchen with granite countertops. They paid \$240,000, with no money down, she said.

The promotional mortgage payment of \$1,700 a month was manageable, she said. But the taxi business dipped the following year. And by early 2007, their mortgage payment had jumped to \$2,500, she said.

Last summer, with the taxi service losing money, Ms. Perez stopped making house payments. In January, she and her husband gave up their home to foreclosure, she said, joining a growing crowd. From January to March of this year, Dalton registered 111 foreclosure filings,

nearly four times the number of the previous year, according to data from RealtyTrac.

Ms. Perez and her husband are now camping in the taxi company office. They do their laundry at a Laundromat, and cook with a hot plate, opening the door to release the smoke.

"I don't know what's going to happen in the future," she said. "The only thing that's left is to wait and see."