

## **Preface: The Hispanic Labor Force and the Employment-Based Welfare State**

Unlike the nations of Europe that have only recently begun to accept the fact that immigration is an integral part of their cultural and social realities, the United States has always embraced its identity as a nation of immigrants, even if newer arrivals have not always been welcomed with open arms or treated with respect by those who came earlier. For the immigrants from Europe who came to America in the nineteenth and early twentieth centuries, the United States promised the real possibility of economic success and upward social mobility. In a rapidly growing nation with many entry-level jobs, the first rung on the ladder of economic progress was relatively easy to reach. Even for eastern and southern Europeans the fact of racial similarity made assimilation relatively easy and after a few generations hardly any notable distinctions among national origin groups remained. As Richard Alba noted nearly 20 years ago, over time European immigrants lost their unique cultural identities and outward markers and evolved a true “European American” ethnic identity (Alba 1990). For these groups the new country was truly a melting pot and the retention of any aspect of one’s original cultural identity was a matter of choice that remained mostly symbolic.

For more recent immigrants from other parts of the world, the incorporation experience has been far different. During the latter part of the twentieth and the beginning of the twenty-first centuries, the vast majority of immigrants have come from Asia and Latin America (He 2002). Although some of these new immigrants, especially those with advanced technical skills, have done quite well, others, and especially those with little human capital, have not (Duncan and Trejo 2005; Portes et al. 2005; Portes and Rumbaut 2001; Portes and Zhou 1993; Telles and Ortiz 2008). Although immigration is not the core focus of this book, we are forced to deal with the issue of immigration because of its salience for the Hispanic, and especially the Mexican-origin population. The issue of the incorporation of immigrants into the economic mainstream also serves as a way of framing the problem of low levels of work-related benefits, including retirement plans and group health insurance coverage, among Hispanics.

Although certain Mexican Americans have been citizens since the United States annexed the northern part of Mexico in 1848, even for segments of this group the economic incorporation process is not complete and questions remain as to whether it ever will be. For large segments of the Mexican-origin population, middle-class economic security remains elusive even after generations. As a result,

many Mexican-origin youth seem to have abandoned the hope for middle-class success and have adopted a behavioral orientation that minimizes the value of education and reflects a marginalized social identity (Espinosa and Ochoa 1986; Matute-Bianchi 1986; Portes and Rumbaut 2001; Romo and Falbo 1996; Suárez-Orozco and Suárez-Orozco 1995). Faced with what appear to be insurmountable barriers to moving ahead, certain individuals turn their back on middle-class culture and embrace a counterproductive life in gangs and on the street (Hagan and Peterson 1995). Educational levels in the Mexican-origin population remain shockingly low and high school dropout rates far exceed those of other groups (Matute-Bianchi 1986; Romo and Falbo 1996). Even if they remain in school, Mexican-origin students perform less well than other students (Portes 1999).

The economic and social situation of the Mexican-origin population, then, is complex and reflects factors related to immigration, low educational levels, and occupational disadvantage (Duncan and Trejo 2005; Portes and Rumbaut 1996; Telles and Ortiz 2008). Sociologists and others who study immigration have employed the phrase “segmented assimilation” to characterize the situation in which some segments of the population fail to move ahead economically, occupationally, or socially. The concept of segmented assimilation serves to draw attention to the fact that for certain individuals, upward mobility and economic success are not inevitable, and it motivates us to ask what the reasons for this blocked assimilation might be. The notion that a group consists of segments or strata with different cultural, social, and personal characteristics that determine their chances of upward mobility provides a theoretical and empirical means of understanding why some Mexican-origin families have become members of the middle class while others have not.

Among successful Mexican-origin families, one finds those headed by doctors, lawyers, professors, and well-paid professionals of all sorts. These families own homes, purchase stocks and bonds, and participate in employment-based retirement and health insurance plans. Among the unsuccessful, one finds families that never made the transition from an economically marginalized status to the middle class. These families, some of whom consist of old-stock Mexican Americans, never succeeded in making the transition out of the lower classes and many become permanent members of a stigmatized underclass. In this book we define “success” as entry into the American middle class, at least economically. In addition to an adequate income, though, being middle class implies the adoption of certain norms that include a high value on education and the desire to see one’s children do better than oneself. A central goal of most families is to assure that their children receive a good education and obtain a good job. For new arrivals the objective is upward mobility and even greater success for the second and subsequent generations. Such success, of course, depends on an adequate income. With a good income one can save money, buy a home, educate one’s children, take vacations, help others in need, and do much more. Successful families make up successful communities with collective economic and social assets and resources that can be used to start businesses, further the ambitions of individuals, or deal with the setbacks experienced by any one family.

## **The Absence of Employment Benefits**

As central as income and wealth are to the determination of a family's security and long-term prospects, though, employment-based benefits are essential. Indeed, the very definition of a good job or a profession includes not only an adequate income but also retirement and health benefits. Since at least World War II, retirement and health benefits have become a routine aspect of professional occupations and they have become a central component of negotiations between management and labor (Asher and Stephenson 1990; Quadagno 2005; Weir et al. 1988). In order to attract and retain highly trained and productive employees, employers must offer attractive benefit packages. Today even for middle-class workers, employment-based benefits are becoming less generous. As health-care costs soar, so does the cost of health insurance and many employers find it necessary to shift a greater portion of the cost onto employees who sometimes find that they cannot afford the premiums. Defined benefit retirement plans that insure a worker a predictable income for life are being replaced by defined contribution plans that place the responsibility for insuring sufficient retirement income on the employee (Munnell and Sundén 2004). The economic crisis that began in 2008 means those even large employers must renegotiate labor contracts and make financial cutbacks that threaten the generosity of benefit plans even further.

For many middle-class Americans, then, the income and health-care security that came to define a good job after World War II is eroding. For those individuals and families who never made it into the middle class, including a large segment of the Hispanic population, this erosion of benefits is less relevant. For those who have traditionally worked in jobs that do not offer benefits there is little to lose. Individuals in lower tier service sector jobs and the chronically unemployed never have been able to save for retirement or future consumption, nor has health insurance ever been part of the equation. The new benefit insecurity that is unsettling segments of the middle class has been business as usual for poor Hispanic families. The employment-based welfare state in the United States stands in stark contrast to that of other developed nations in which universal health care and other benefits are provided as public goods.

## **The Social Safety Net Across the Life Course**

In the absence of employment benefits, one must rely on publicly funded programs such as Medicaid and the State Children's Health Insurance Plan (SCHIP) for health care. For non-disabled childless adults, public health coverage is basically nonexistent. Without a retirement plan, one must rely on personal savings, the equity in one's home, or other assets to finance one's final years. A job that does not offer a retirement plan, though, is not likely to pay enough to allow a person to save much at all. The lack of benefits is part of a cycle of poverty that can be truly vicious and low-wage workers often find themselves trapped in an economic morass from which families and entire communities cannot escape.

In the following chapters we examine the employment-based benefit system that defines the US welfare state and identify those barriers that many Hispanic and especially Mexican-origin families face in gaining access to such benefits. When we conceived of this book project, our intention was to focus on the Mexican-origin population that we have been studying for 30 years. Mexican-origin individuals, who define their ethnic origin or ancestors as “Mexican,” make up over 60% of the Hispanic population and are the least likely of any group to have health insurance or retirement plans. The lack of such benefits accompanies the well-documented disadvantages experienced by the Mexican-origin population in terms of education, income, and wealth. The fact that a large fraction of the Mexican-origin population has little access to such benefits explains a large fraction of the economic insecurity of Hispanics as a whole.

Unfortunately, much governmental and other data available related to employment and work-related benefits that include Mexican-origin samples report results in terms of a combined Hispanic category. Rather than restrict our presentation to the data we and others have collected on the Mexican-origin population, we employ the wider range of information related to Hispanics. Comparisons of analyses based on the Mexican-origin population alone and those based on the combined Hispanic population reveal similar patterns, largely because of the fact that in representative samples the Mexican-origin segment dominates and its contribution to aggregate patterns is clearly obvious. In what follows, then, when we use the term Hispanic we are referring to data that combine Mexican-origin individuals and other Hispanics. When we can, we focus on the Mexican-origin population and use the term Mexican-origin.

## **An Outline of the Following Chapters**

Each of the chapters in this book focuses on a different dimension of the employment-based benefit system of the United States and its impact on the economic security and health-care access for the Hispanic population. Although we focus heavily on the Mexican-origin population, the implications of the problems we identify in an employment-based system of social welfare are relevant to other vulnerable groups. The study is in the tradition of political and organizational sociology and reveals the fundamental weaknesses of the social welfare state in the United States relative to other developed nations. Our presentation takes a life-course perspective and examines the implications of low-wage employment and few or no benefits for the children of such workers, the workers themselves and their spouses, and the elderly.

In Chapter 1 we examine the nature of the employment-based social welfare state in the United States and its implications for the Mexican-origin population. We identify those structural sources of disadvantage associated with low levels of education and employment in sectors of the economy and in jobs in which benefits are not offered or offered at a cost that is prohibitive to low-wage workers. Although

our discussion focuses on the Mexican-origin population, the structural barriers to benefits we identify also affect other groups.

In Chapter 2 we document the growth in the Hispanic population of the United States, of which the Mexican-origin population is the largest group. In this chapter we delve more deeply into the nature of employment among Mexican-origin workers including the economic sectors in which they find employment and the nature of the jobs they hold within sectors. As we demonstrate, Mexican-origin workers experience an occupational “ghettoization” in that they are disproportionately employed in sectors and jobs that do not offer benefits. This fact explains a large fraction of the Mexican-origin disadvantage.

In Chapter 3 we examine the effects of low levels of parental benefit coverage on children. Families with low incomes and no health insurance find themselves dependent on welfare, food stamps, housing assistance, as well as on Medicaid and the State Children’s Health Insurance Program (SCHIP). Given the inadequacy of employment in terms of providing access to basic services, individuals in low-wage jobs, as well as the unemployed or underemployed, find themselves particularly dependent on publicly funded services. Yet many families that qualify for services on the basis of low family income do not participate in public programs and, consequently, many poor children do not receive the care they need (Centers for Medicare and Medicaid Services 2005). For parents at the economic margin, obtaining the services their children need is time consuming and can interfere with attempts to achieve economic security.

In Chapters 4 and 5 we investigate the ways in which gender affects health insurance coverage and the access to retirement plans. In Chapter 4 we examine employment patterns and benefit coverage among working-age males. In this chapter we document the fact that Mexican-origin males are more likely than other males to be employed in agriculture and the low-wage service sector in which benefit coverage is low. Even within sectors, though, Mexican-origin males are less likely than workers from other groups to have health or retirement coverage. The implications of inadequate retirement coverage are serious. Without the capacity to save and in the absence of an employer-based retirement plan, old-age income insecurity is almost inevitable. In addition, given the fact that there are almost no public sources of health care for nondisabled working-age males, the lack of employment-based health insurance represents a serious health risk.

In Chapter 5 we examine the access to benefits among Mexican-origin women under the age of 65. For women, marriage has traditionally served as the source of income security as well as the major source of health-care coverage and retirement security. The male breadwinner model upon which Social Security and other programs are based defines the family as the core social institution for providing individual security and support. For minority women, including those of Mexican origin, marriage has never guaranteed income security or access to basic health care (Shuey and Willson 2008; Willson 2003). Those women with husbands employed in low-wage service sector jobs are at elevated risk of lacking health-care coverage and an adequate retirement income. Late-life divorce, widowhood, and low-wage jobs contribute to this high risk of retirement insecurity. Some women, of course,

are employed and have access to such benefits through their own employment. For many women, including a large fraction of Mexican-origin women, neither marriage nor employment guarantees an adequate family income or benefits.

In Chapter 6 we turn our attention to the elderly and examine their retirement incomes and health insurance coverage. Given a lifetime of employment in low-wage jobs that did not provide benefits, many older Mexican-origin retirees find themselves in dire economic straits. Although Social Security and Medicare have greatly reduced the level of extreme poverty and improved health-care access among the elderly, those who have no private retirement income, few assets, and no supplemental Medigap insurance to pay the costs of health care not covered by Medicare face serious debt if they become ill (Jacoby et al. 2001). With low retirement incomes, often consisting of Social Security alone and with little accumulated wealth, these individuals have little ability to help younger generations.

In Chapter 7 we conclude the presentation with an examination of future policy directions and possible reforms to deal with the problems inherent in an employment-based retirement and health insurance system for low-wage Americans and summarize the unique vulnerabilities of Mexican-origin workers and families. The basic weaknesses of an employment-based system have become particularly clear during the recession that followed the subprime mortgage disaster. Even for those who have access to retirement plans, defined contribution plans are for the most part woefully underfunded and will not provide the income that a retired worker and his family will need. In addition, individuals in low-wage jobs often find themselves without health insurance just when they need it most. It is clear from our analysis that in the absence of universal publicly funded health care and in the absence of an adequate retirement income, a large fraction of the Mexican-origin population, along with large numbers of other low-income Americans, faces permanent exclusion from the American dream.

Hispanic Families at Risk

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