

# The Wealth Gap for Women of Color

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**W**ealth—what we own minus what we owe—provides a stable foundation for economic security, allowing families to recover in times of crisis and work towards greater economic mobility. Individuals may have private assets such as bank accounts, home or vehicle ownership, stocks, bonds, or private retirement accounts such as a 401(k). They may also have public assets such as Social Security, Medicare, Medicaid, Unemployment Insurance, or government-sponsored pension plans.

Across the board, communities of color are at a wealth disadvantage. Wealth disparities are particularly burdensome for women who suffer from systemic racial and gender-based discrimination. As more women have joined the workforce—creating both dual- and single- income earning households—the labor market has made little progress in eliminating gender and race-based disparities in wages and employment outcomes. And, unfortunately, this limits women's ability to build wealth over a lifetime.

In 2007, White women had a median wealth of \$45,400, compared to \$100 and \$120 respectively for African American and Latina women.<sup>1</sup>

This fact sheet will highlight the experiences of women of color in comparison with White men and women. In particular, we explore the economic effects of motherhood and differences in income, poverty, occupational segregation, savings and financial assets, and retirement security.



## FACTS AT A GLANCE:

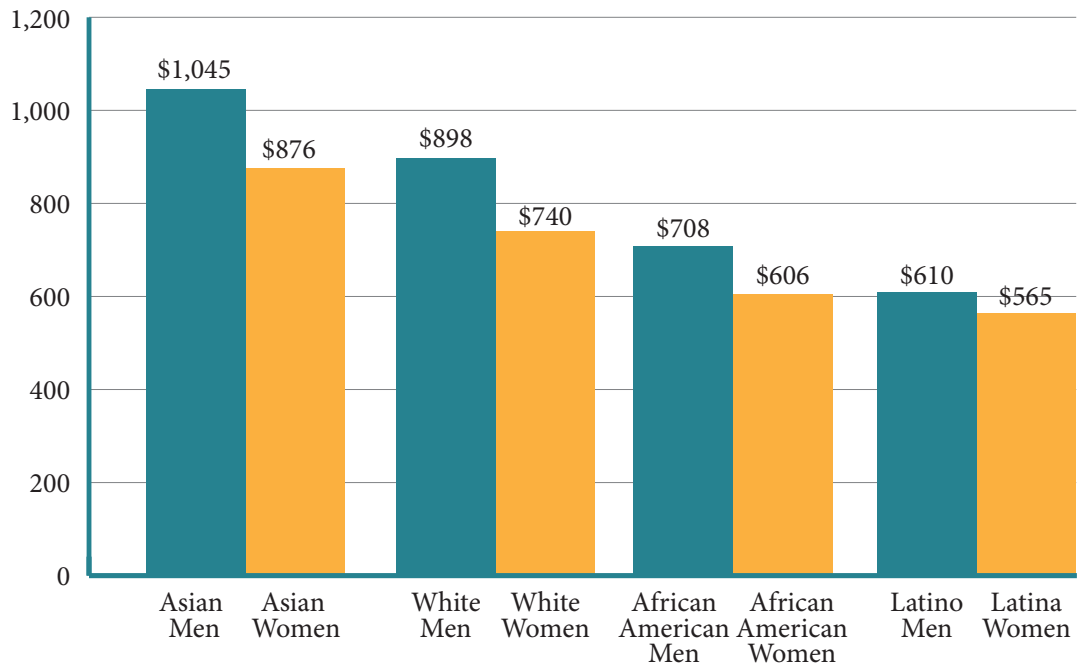
- In 2007, White women had a median wealth of \$45,400, while African American women and Latinas had a median wealth of \$100 and \$120, respectively.
- In 2012, African American women and Latinas earned 64 percent and 54 percent of White men's wages, compared to 78 percent for White women.
- In 2011, 40 percent of never-married mothers were African American and 24 percent were Latina, although only 12 percent and 19 percent of total mothers were African American and Latina.

# Income inequality and poverty

## Earnings disparities

Income earned from employment is a crucial foundation for wealth accumulation, yet women of all races earn less than their male counterparts. Latinas and African American women earn approximately 54 percent and 64 percent of White men's wages, respectively, while White women earn 78 percent of White men's wages.<sup>2</sup> In terms of median weekly earnings, Figure 1 highlights income disparities between men and women of color in the first quarter of 2014.<sup>3</sup> We can see that wage gaps have a significant impact on take-home earnings for African American women and Latinas especially, which directly limits their ability to save and invest.

FIGURE 1: Median weekly earnings in the first quarter of 2014 by race and gender  
Source: Bureau of Labor Statistics, (April 2014). Usual Weekly Earnings of Wage and Salary Workers, First Quarter 2014. U.S. Department of Labor.

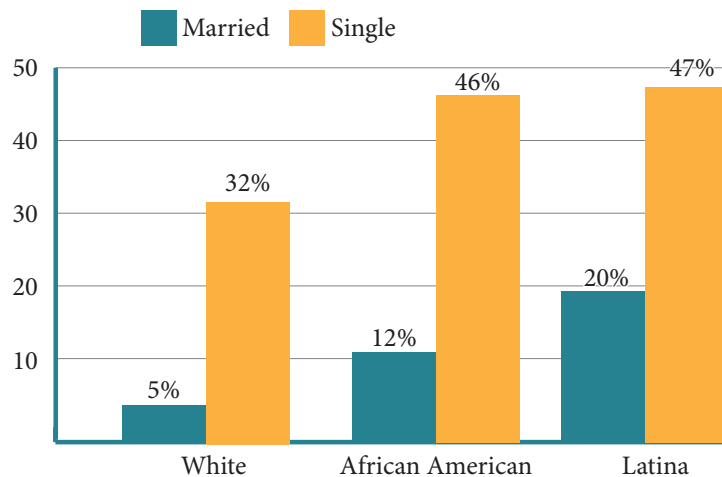


## Poverty

Low wages drive up poverty rates for women, many of whom support families solely with their earned income. In 2012 across all races, the poverty rate among families with a male head of household was 12.4 percent, but the poverty rate was 45.6 percent in families with a female head of household.<sup>4</sup> Of these, single mothers generally have the lowest income, and never-married single mothers are especially disadvantaged. In 2011, never-married single mothers earned a median family income of \$17,400 per year—30 percent of the median income among all households with children. Latinas and African Americans were particularly affected: In 2011, 40 percent of never-married mothers were African American, 24 percent

FIGURE 2: Poverty rates of mothers by race, ethnicity, and marital status, 2013.

Source: Half in Ten Report--2014. (2014). Mothers. National Women's Law Center.

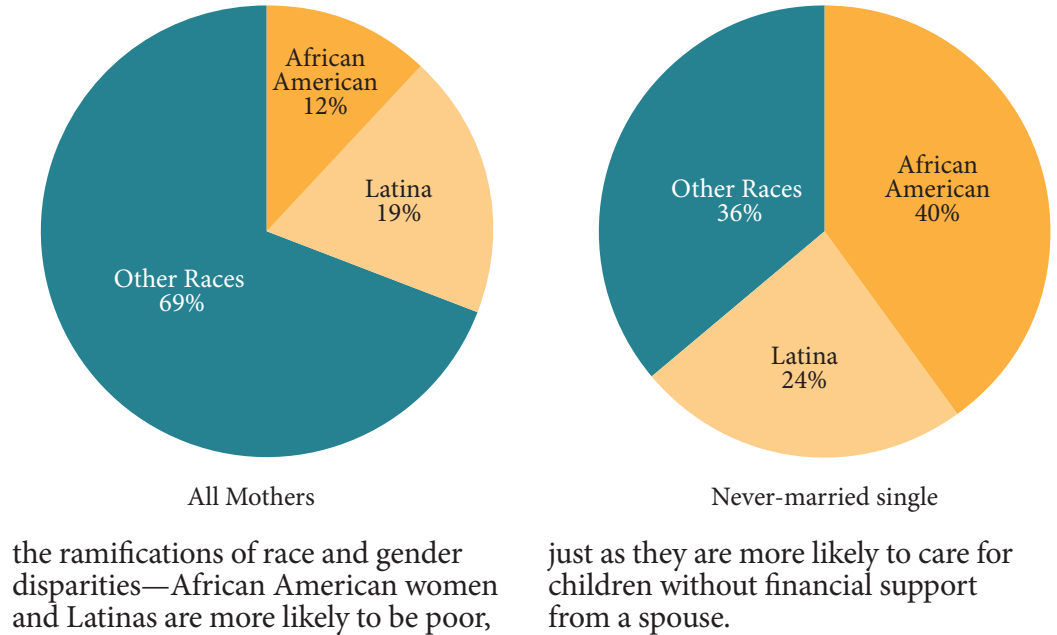


were Latina, and 32 percent were White, even though only 12 percent and 19 percent of all mothers were

African American and Latina, respectively, and 60 percent were White.<sup>5</sup>

Because women of color are more likely to support children on their own, their disproportionately low salaries severely limit their economic well-being. For instance, the 2012 Federal Poverty Level (FPL) for a family of four was \$23,283, yet one in four low-wage Latina or African American women working year round earned less.<sup>6</sup> And in 2013, 32 percent of white single mothers were in poverty, compared to 46 percent of African American and 47 percent of Latina single mothers. By comparison, only 5 percent of White married mothers, 12 percent of African American married mothers, and 20 percent of Latina married mothers live in poverty.<sup>7</sup> These findings highlight

FIGURE 3: Comparison of all mothers to never-married mothers by race, 2011  
Source: Wang, W. Parker, K. Taylor, P., (May 2013). Breadwinner Moms. Pew Research, Social & Demographic Trends.



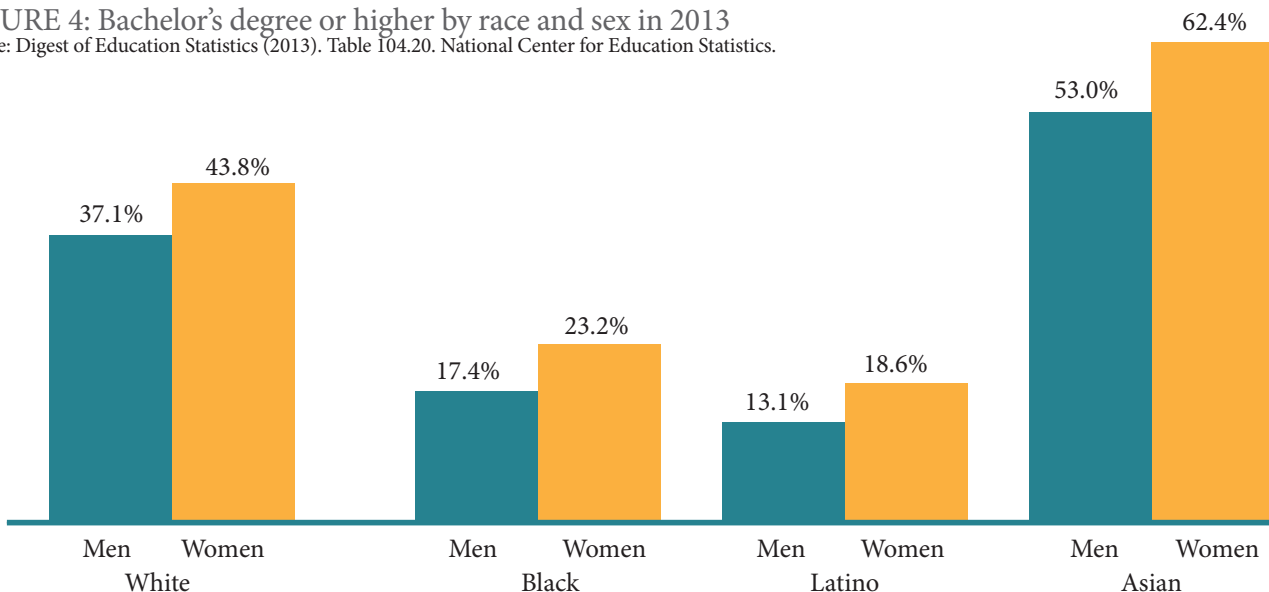
### Educational attainment

In the midst of race and gender-based wage disparities, statistics on educational attainment contradict frequent assumptions. While one

may attribute gender-based wage discrepancies to women's lack of educational qualifications, we find that this is not the case. In fact, as

illustrated in Figure 4, women were more likely to earn a bachelor's degree than men age 25-29 in their racial or ethnic group in 2013.<sup>8</sup>

FIGURE 4: Bachelor's degree or higher by race and sex in 2013  
Source: Digest of Education Statistics (2013). Table I04.20. National Center for Education Statistics.



## Unemployment and occupational factors

For Latinas and African American women, the type of employment and access to employer-provided benefits explain the large difference between their wealth accumulation and that of men all of races, as well as Asian and White women. Historically, women of all races and African American men have been disproportionately represented in the public sector, which has worked to prevent sexual and racial discrimination since the 1960s and 1970s. In 2011, women comprised 48.3 percent of the workforce, yet 59.5 percent of state and local

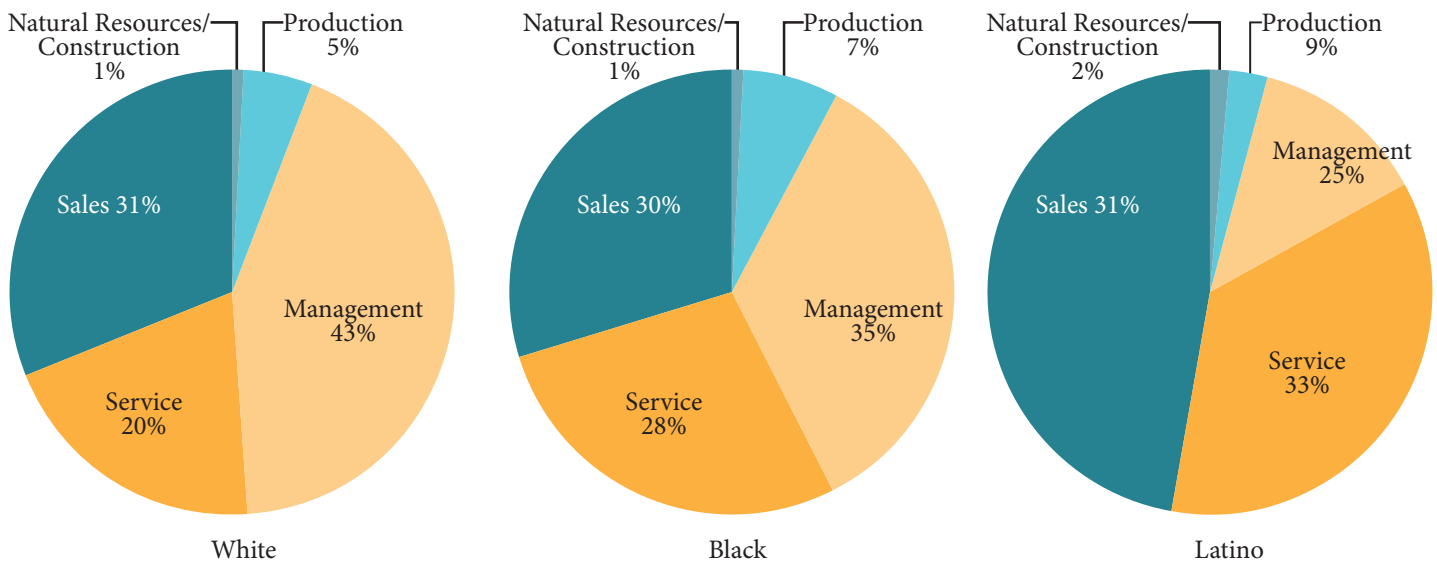
workers and only 46.7 percent of private sector workers. That same year, 10.9 percent of all workers were African American, but 12.8 percent were state and local workers and 10.3 percent were employed in the private sector.<sup>9</sup> As a result, women and African Americans represented around 70 percent and 20 percent, respectively, of the 765,000 state and local government jobs lost between 2007 and 2011.<sup>10</sup> Moreover, while major sectors of the economy have begun to recover the job losses from the Great Recession, public sector employment continued to decline

at record levels. In August 2012, federal, state, and local government jobs had declined in 10 of the past 12 months, and by May 2014, government employment was still 2.3 percent below pre-recession levels.<sup>11, 12</sup>

Beyond sector of employment, the industries in which women work are fairly segregated by race. Figure 5 shows the prevalence of African American women and Latinas in the service industry, while a higher share of White women work in management.<sup>13</sup>

FIGURE 5: Female occupations by race

Source: Current Population Survey, Household Data (2013). Annual Averages, Employed persons by occupation, race, Hispanic or Latino ethnicity, and sex.



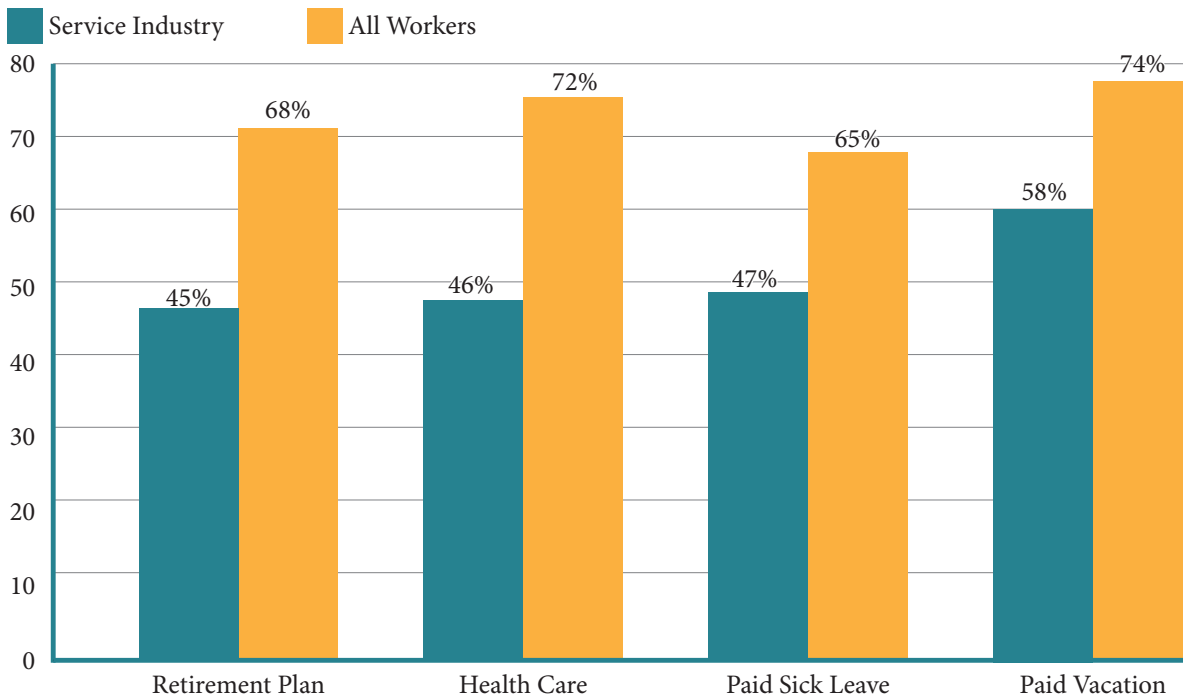
Not only are service sector jobs generally lower paying, seasonal, part-time and hourly, but also they often offer less in the way of workplace benefits and support. Breaking down the various

occupational industries by types of benefits, we find that the workers in the service sector are least likely to have access to employer-provided retirement plans, healthcare plans, paid sick leave, or paid vacation.

Figure 6 illustrates the disparity between service workers' access to employer benefits and overall civilian workers' access.<sup>14</sup>

FIGURE 6: Employer-provided benefits by occupation

Source: Bureau of Labor Statistics (2013). Employee Benefits in the United States – March 2013. U.S. Department of Labor.



Benefits provide crucial assistance for workers to build wealth and establish long-term stability because they support workers in times of unforeseen crisis and protect them against loss of wealth. Employer-provided healthcare, for

example, pays for medical costs that would otherwise be out-of-pocket expenses cutting into any wealth-building savings. Another example is paid leave, giving workers the flexibility to care for sick children without losing income and allowing

them consistent financial support for their families.<sup>15</sup> For Latinas and African American women working in the service industry, a lack of benefits contributes to difficulty in accumulating wealth in comparison with other groups.

## Savings and financial assets

Latinas and African American women lag behind Asian and White women and men of all races in wealth building. Home equity, for example, constitutes the largest proportion of wealth for middle-class families. Yet, in the first quarter of 2014, only 43.3 percent of African Americans and 45.8 percent of Latinos were homeowners, compared to 72.9 percent of whites.<sup>16</sup> The average equity of a White woman's home was \$74,000 in 2007, while the average equity of a Latina and African American woman's was \$35,000 and \$47,000, respectively. Similar disparities exist with regards

to stocks—another financial asset—where 45 percent of single White women own stock, but only 23 percent of single African American women and 14 percent of single Latinas own such assets.<sup>17</sup>

Taking on certain kinds of debt such as homeownership or education expenses can be beneficial for wealth building because these investments can lead to higher future earnings. However, credit card debt can be problematic if used to finance daily necessities, especially for women, who have lower wages and earnings potential on average. Forty-seven

percent of White households had credit-card debt in 2012, as compared with 44 percent of African Americans, 45 percent of Asians, and 42 percent of Latino households.<sup>18</sup> But, when exploring the relationship between gender and credit card debt, research has shown that women are more likely to carry credit card balances and be charged late fees, yet less likely to pay their balances in full or comparison shop for cards.<sup>19</sup> Other studies show that women have less financial knowledge than men and are less willing to take financial risks.<sup>20</sup>

# Retirement security

## Savings for retirement

African American and Latino households are less likely to have adequate retirement savings. Not only are they less likely to have access to employer-provided retirement plans, but they are also less likely to have assets in a retirement account. In 2012, 62.3 percent of Whites had access to workplace plans, while only 53.8 percent of Asians, 54.3 percent of African Americans, and 37.8 percent of Latinos did.<sup>21</sup> While 63.4 percent of White households have retirement accounts, only 38 percent

of African American households and 30.8 percent of Latino households do. Moreover, while 56.7 percent of all workers had less than \$10,000 in retirement assets in 2010, 74.4 percent of African Americans and 80.6 percent of Latinos had less than this amount in retirement savings. Furthermore, the mean savings of working age households in 2010 was \$111,749 for Whites, \$20,132 for African Americans, and \$17,600 for Latinos.<sup>22</sup>

Another factor is leakage: when

participants in retirement plans withdraw from their retirement accounts for other financial needs such as educational expenses, past-due bills, or medical expenses.<sup>23</sup> This process is most common among African Americans and women. As of 2010, 14.3 percent of women had withdrawn from their pension plans, compared with only 8.8 percent of men. In terms of race, African Americans and Latinos were 276 percent and 47 percent more likely than Whites to withdraw from their accounts.<sup>24</sup>

## Social Security

Because of their lower rate of access to employer-provided pensions and their low earnings, women of color find Social Security to be of particular importance even as pay disparities over a lifetime of work contribute to their lower benefit levels. In 2012, women constituted approximately 55.4 percent of Social Security beneficiaries age 65 and older.<sup>25</sup> However, in 2011, women only received an average of \$10,418 in annual Social Security benefits, contrasting to men's average benefit of \$13,234. Moreover, men were more likely to have other sources of income—56 percent of men had asset income compared to 48 percent of women, and 46 percent of men had pensions compared to 26 percent of women. Breaking these gender disparities down

by race, African American and Latina women received \$9,825 and \$7,648, respectively, in annual Social Security benefits, compared to \$10,917 for White women and \$14,025 for White men.<sup>26</sup> In addition to wage disparities by race and gender, the fact that African American women are less likely to marry and more likely to divorce contributes to this discrepancy, as they are less likely to receive spousal or widow Social Security benefits. In 2009, 34 percent of African American women were ineligible for these specific benefits, while only 17 percent of Latinas and 6 percent of White women were ineligible.<sup>27</sup>

At the same time, however, Social Security income is proportionately

more important for senior women of color, representing a larger share of their total income. In the most extreme cases, 45 percent of Latinas aged 65 or older relied on Social Security for 100 percent of their income in comparison to 37 percent of Latino men of this age group. Forty percent of African American women and 30 percent of African American men relied on Social Security for 100 percent of their total income, while 26 percent of White women and 15 percent of White men of this age group depended on Social Security to the same extent.<sup>28</sup> Social Security is therefore a crucial source of income that helps keep older Latinas and African American out of poverty and improves their quality of life.

## Effects of motherhood

Issues of childbearing and childcare strongly affect wealth accumulation, as motherhood is a unique constraint on women's labor force participation. There are clear economic effects of motherhood, particularly on wages, labor-force participation, and occupational status. This "motherhood penalty" results from forgone education and years of absence from the labor force to raise

children. Additionally, research shows a 4 percent wage penalty for having one child and a 12 percent penalty for having two or more children.<sup>29</sup> These differences result from dropping out of the labor force, relying on part-time work, selecting family-friendly occupations, or passing up promotions. Wage penalties for working mothers may also stem from employer

discrimination or diminished efforts in the workplace.<sup>30</sup> Research shows that having children imposes more difficulties on low-wage earning women, including women of color. These women not only have higher labor-force participation rates, but also have limited access to alternative sources of income when taking care of children or paying for childcare.<sup>31</sup>

## Moving forward

In order to build wealth for low-income women of color, we must focus on policies targeted to their needs: childcare, child support, fringe benefits, paycheck fairness, and economic security. Specifically, policymakers should focus on asset accumulation for never-married mothers, who are predominantly from communities of color and face particular barriers to building wealth.

These women need higher disposable income to pay for daily

necessities; policies can address this problem by seeking to make food, childcare, and health care more affordable. This means protecting the Supplemental Nutrition Assistance Program (food stamps), subsidizing quality childcare, and supporting living-wage policies to increase household income.<sup>32</sup> Other options include child savings accounts, refundable child care tax credits, Social Security caregiving credits, and federally mandated paid family and medical leave—all of which would allow working mothers to

care for children without bearing an excessive financial toll, while encouraging savings among these populations.<sup>33</sup> Auto-enrollment into 401(k) plans and access to tax-preferred retirement savings accounts are also important. However, unless the root causes of racial and gender disparities are addressed, along with a push for widespread financial education, women of color will continue to face obstacles that will keep them from achieving financial security for themselves and their families.<sup>34</sup>

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