



# RACE matters

## Unequal Opportunities for INCOME SECURITY

### Why Equal Opportunity is Important

- We know much of what is needed to produce income security. Families need fair returns on their work and a stable, predictable income; savings and assets that help them survive crises and plan for the future; and a strong and deep safety net that sustains them during economic downturn. Federal and state policies strongly shape families' outcomes on these measures.
- The consequences of families failing to have income security are far-reaching. Income insecurity and poverty impact families across the life course. They are associated with compromisingly high levels of debt, the greater cost of available goods and services, and reduced levels of child and family well-being on virtually every indicator relevant to growth and success.
- Embedded racial inequities produce unequal opportunities for how families fare in the achievement of income security. Systematic policies, practices, and stereotypes work against families of color to affect their opportunity for achieving income security. 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 be income secure.

### Barriers to Equal Opportunity

- **Racial discrimination in hiring.** Even after controlling for differences in skills, White applicants are more likely than equally qualified Blacks to receive job offers. Hiring discrimination is more severe against Black males than females and against Blacks than Hispanics.<sup>1</sup>
- **Vulnerability to economic downturns.** African Americans and Latinos are disproportionately represented among those who lost their jobs during the most recent recession. In part their vulnerability derives from concentration in the occupations most typically affected by recession. Workers of color, who disproportionately fill the ranks of part-time, temporary, and low-wage workers, are less likely to qualify for unemployment insurance because of its wage and work criteria. As a consequence, Whites are more likely to receive unemployment benefits from the government than are Blacks or Hispanics.<sup>2</sup>
- **Differential eligibility for the child tax credit.** Because of systematic differences in income, family composition, and employment status, Black and Hispanic children receive much less benefit from the child tax credit than White children. Fewer than half of Black children and about half of Hispanic children were eligible for the full \$1,000 credit in 2005, compared with 62 percent of White children. Black and Hispanic children are more than 10 times as likely to lose credits because their incomes are too low than because they are too high. White children are more likely to see their credit reduced because their incomes are too high. The average tax credit applicable to White children is \$157 more than for Blacks and \$83 more than for Hispanics.<sup>3</sup>

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1. H. Holzer, "The Low Wage Labor Market," <http://aspe.hhs.gov/hsp/lwlm99/holzer.htm#11>.

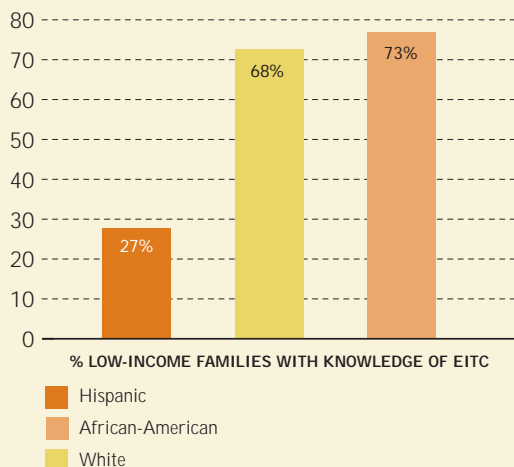
2. Unemployment Insurance: Frequently Asked Questions, Economic Policy Institute, August, 2004, [http://www.epinet.org/content.cfm/issueguides\\_unemployment\\_faq](http://www.epinet.org/content.cfm/issueguides_unemployment_faq).

3. L. Burman & L. Wheaton, "Who Gets the Child Tax Credit?" Tax Policy Center, October, 2005, <http://www.taxpolicycenter.org/publications/template.cfm?PubID=9456>.

4. E. Maag, "Disparities in Knowledge of the EITC," Tax Policy Center, March, 2005, [www.taxpolicycenter.org](http://www.taxpolicycenter.org).

## Barriers to Equal Opportunity (cont'd)

- **Differential access to Earned Income Tax Credits.** Data from the 2001 National Survey of America's Families (NSAF) show large disparities in who knows about the EITC among families with income below twice the poverty level. Only 27% of low-income Hispanic parents know about the EITC — significantly less than their peers of other races and ethnicities. A smaller portion of Black, non-Hispanic parents report knowing about the EITC (68%) than other non-Hispanic parents (73%).<sup>4</sup>



- **Differential access to food stamps.** Limited publicity and little outreach have been directed to eligible immigrant populations. Inadequate translation and interpretation continue to affect access, especially when it comes to clients who speak neither English nor Spanish. Non-citizens continue to be concerned about the consequences of benefit receipt for their naturalization applications and ability to sponsor relatives; in some cases they fear deportation of undocumented family members. In California and Texas, applicants for food stamps are fingerprinted, deterring some eligible non-citizens from applying.<sup>5</sup>

- **Racial politics of policy debates.** At the outset of government provision of welfare support, mostly White women received these benefits.<sup>6</sup> Since benefits became more available to people of color in the 1960s and 70s, policy debates around welfare have become infused with negative images (such as “welfare queen” and immigrants “taking jobs away” from the native-born populace). Simultaneously, the policy emphasis has shifted from being a federal income support program to one with limits on benefits and prescriptions on behaviors.
- **Bias in policy formulation.** States that adopted “get-tough” welfare policies (time limits stricter than required by the federal government, a family cap policy, and stricter sanctions) have higher percentages of African Americans and Latinos as welfare recipients. The relationship between recipient demographics and welfare policy holds true even after controlling for a range of other factors that could influence policy formulation.<sup>7</sup>
- **Racial discrimination in welfare systems.** State-level studies find that White welfare recipients are more likely to be referred to educational programs, given transportation assistance, and treated more favorably by caseworkers and employers. A multi-city study reported that 53% of Native American women and 47% of African American women but only 26% of White women were sent to Dress for Success classes in lieu of education and training opportunities.<sup>8</sup>

5. R. Capps et al., “Assessing Implementation of the 2002 Farm Bill’s Legal Immigrant Food Stamp Restorations,” Urban Institute, November 4, 2004, [www.urban.org](http://www.urban.org).

6. J. Quadagno, *The Color of Welfare*, 1996.

7. J. Soss et al., “Setting the Terms of Relief: Explaining State Policy Choices in the Devolution Revolution,” *American Journal of Political Science*, April, 2001.

8. B. Dill et al., “Racial, Ethnic and Gender Disparities in Access to Jobs, Education, and Training under Welfare Reform,” University of Maryland, 2004.

## The Consequences of Unequal Opportunity

- **Workforce participation.** Labor market attachment is 74% for Latinos, 70% for Asian and White men, and 60% for African American men.<sup>9</sup> African Americans and Latinos are over-represented as workers for temporary help agencies<sup>10</sup> and among workers holding part-time jobs because they are unable to find full-time work.<sup>11</sup>
- **Income and returns for work.** In 2003 the median household income was about \$56,000 for Asian Americans, \$48,000 for Whites, \$33,000 for Latinos, and \$30,000 for African Americans.<sup>12</sup> Twenty percent of Whites, 30% of African Americans, and 40% of Latinos earned poverty level wages from their jobs.<sup>13</sup>
- **Accumulated credit card debt.** Data since 1989 show that very low-income families are the most likely group to have credit card debt, with families using credit cards as a way to fill the gap between household earnings and the cost of essential goods and services. Their collective debt grew 184% in that time. Even though Black and Hispanic families are less likely than White families to have credit cards, they are far more likely to have credit card debts (84% of Black families, 75% of Hispanic families, 51% of White families).<sup>14</sup>
- **Welfare participation.** Over the past decade the racial composition of the national welfare caseload has changed, with Whites declining from 39% to 30% by 2001, Hispanics increasing from 18% to 26%, Blacks increasing slightly from 37% to 39%, and Asians declining slightly from 3% to 2%. Native Americans' proportion of the national caseload mostly held steady at slightly over 1%.<sup>15</sup>
- **Transition from welfare.** Whites have left welfare rolls more rapidly than other groups and are more likely to do so because of having found work. Blacks and Native Americans are more likely to be forced off due to sanctions. Data from the National Survey of America's Families show that 32% of Black welfare-leavers, 24% of Latinos, and 13% of non-Hispanic Whites return to welfare receipt within a year.<sup>16</sup>

## Strategies to Promote Equal Opportunity

- **Enforcement of non-discrimination laws in employment.** Title VII of the Civil Rights Act of 1964 protects individuals against employment discrimination on the basis of race and color, making it unlawful to discriminate against any employee or applicant for employment in regard to hiring, termination, promotion, compensation, job training, or any other term, condition, or privilege of employment. Title VII also prohibits employment decisions based on stereotypes and assumptions about abilities, traits, or the performance of individuals of certain racial groups. Title VII prohibits both intentional discrimination and neutral job policies that disproportionately exclude minorities and that are not job related.<sup>17</sup> Active application of this law could both reduce actual discrimination and put a damper on further practices. However, most cases brought before the EEOC involve charges relating to discharges or promotions, rather than hiring activity.<sup>18</sup> Further, this law does not address the problem of "spatial mismatch" regarding job location, another key factor that distances minorities from job opportunities and that is related to residential segregation by race.
- **Making work pay.** Because a disproportionate share of workers receiving poverty level wages are workers of color, efforts to preserve the availability of EITC, promote more state EITCs, and increase the minimum wage will have disproportionate importance in their collective lives. At the same time, improvements in these areas would bolster income insecurity for all working families. The EITC now lifts more children out of poverty than any other government program.<sup>19</sup> The child tax credit could be extended to more low-wage workers, as well.<sup>20</sup>

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9. Bureau of Labor Statistics, *Employment and Earnings*, January 2004, Table 3-4.

10. L. Mishel et al., *The State of Working America 2004-2005*, Table 3-13.

11. BLS, above, Table 8.

12. DeNevas-Walt et al., U.S. Census Bureau, CPR P60-226, Table A1.

13. L. Mishel et al., Tables 2.9-2.12.

14. T. Draut & J. Silva, "Borrowing to Make Ends Meet," *Demos*, September, 2003, [www.demos-usa.org](http://www.demos-usa.org).

15. DHHS, 2002 Annual Report to Congress.

16. B. Dill et al., above.

17. [www.eeoc.gov/facts/fs-race.html](http://www.eeoc.gov/facts/fs-race.html).

18. H. Holzer, above.

19. "A Hand Up," Center on Budget & Policy Priorities, 2004.

20. Burman & Wheaton, above.

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## Strategies to Promote Equal Opportunity (cont'd)

- **Strong and deep safety net programs.** Blacks depend on the Social Security System (OASDI) more than Whites. 37% of Black seniors, some of whom are raising their grandchildren, depend exclusively on Social Security for their income, compared to 18% of White seniors. Black workers are also nearly twice as likely to collect disability insurance payments (4.2%) as Whites (2.8%), and proportionately more Black children receive survivor benefits (21.6%) than are in the general population (15.2%).<sup>21</sup> Families of color also depend disproportionately on TANF, as noted above. Maintenance of these various income supports improves the economic security of all families, and for these families disproportionately. Further, the extension of some form of unemployment insurance to part-time workers<sup>22</sup> and the child tax credit to lower-wage workers<sup>23</sup> would provide a safety net for more working families than currently have it.
- **Data disaggregation and analysis at critical decision points of policy implementation to eliminate discrimination.** Income security policy implementation requires multiple key decisions that accumulate into an overall policy impact. At each decision point data should be disaggregated by race to determine if those decisions produce disparate impact – and, if they do, to make adjustments accordingly so that all individuals and families have equal opportunity for income security. For example, are similarly situated applicants receiving comparable information about benefits? Are similarly situated recipients receiving comparable support services to move from welfare to work? A Racial Equity Impact Analysis<sup>24</sup> can be used to make such determinations.
- **Re-inclusion of immigrant families in the welfare safety net.** The 1996 welfare legislation (PRWORA) explicitly excluded most legal immigrants from eligibility for supports: SSI, food stamps, TANF (formerly AFDC), and Medicaid. In 1997 Congress partially restored SSI along with SSI-linked Medicaid to all elderly and disabled legal immigrants who had been receiving SSI and later extended food stamp benefits to legal immigrant children and elderly and disabled legal immigrants who arrived before 1996.<sup>25</sup> The restoration of TANF benefits would once again round out the safety net for these families.
- **Culturally competent service provision.** Publications such as “Addressing Linguistic and Cultural Barriers to Access for Welfare Services”<sup>26</sup> can be helpful resources for guidance and good practice in ensuring that access to income supports is equitable. Such equity would enable all families to enlist resources for which they are eligible in their effort to achieve income security.



21. [www.jointcenter.org](http://www.jointcenter.org), 4/11/05.

22. H. Holzer, “Do We Need a Stronger Welfare Policy for a Weaker Economy?” Urban Institute, 2002, [www.urban.org/UploadedPDF/ShortTakes\\_1.pdf](http://www.urban.org/UploadedPDF/ShortTakes_1.pdf).

23. Burman & Wheaton, above.

24. Available in “Race Matters Toolkit,” Annie E. Casey Foundation, 2005.

25. R. Capps et al., above.

26. C. Lind, “The Finance Project,” October 2004, [www.financeproject.org/TFPPubs.asp#Welfare](http://www.financeproject.org/TFPPubs.asp#Welfare).

