



CONFRONTING AND CLOSING THE WEALTH GAP

AN ASSET-BUILDING POLICY INITIATIVE

Fact Sheet

INTRODUCTION

Income and wealth disparities by race and ethnicity are pervasive in American society.

Existing asset-building policies and programs, however, typically support strategies that target income levels without regard to racial or ethnic identification, despite the need to address issues and obstacles to wealth accumulation that primarily affect people of color.

In light of this, the Joint Center is collaborating with a diverse group of stakeholders to encourage federal, state and local policymakers to focus on policies that will specifically target the lack of asset-building and wealth creation among African Americans and other people of color.

The Joint Center is part of the Ford Foundation's national initiative, Building Economic Security Over A Lifetime, which has the goal of promoting social protection programs that help low-income families achieve economic stability.

Specifically, the Joint Center has launched an asset-building policy initiative that is designed to enhance the capacity of state legislators and other key stakeholders to explore and undertake in-depth examinations of policy reforms by connecting with scholars and experts on an array of asset-building policies.

THE CHALLENGE AND THE NEED

Wealth is defined as a family's net worth or the total of financial assets remaining after debts are subtracted and may be in the form of home equity, business ownership, savings and retirement accounts, investments or other financial assets. Inequalities in household wealth and other financial assets in the United States fall heavily along racial and ethnic lines and are known as the "wealth gap."

Triggered by the subprime home-mortgage market collapse of 2007 and subsequent financial crisis of 2008, unemployment and housing foreclosure rates in the United States have reached levels not seen since the Great Depression. Unlike many countries that belong to the Organization for Economic Co-Operation and Development (OECD), the United States lacks a number of critical safety net programs capable of delivering adequate health care, housing and income supports for people who are out of work. The lack of a comprehensive safety net hits hardest at the unemployed or underemployed, most of whom do not have adequate financial wealth—either savings or other economic assets—to fall on in hard times.

Several critical issues have a direct impact on efforts to strengthen and advance policy reforms aimed at closing the racial "wealth gap."

- Since April 2011 the unemployment rate remained at 9.0 and 9.2 percent. However, the unemployment rate for blacks remains high at 16.0 percent, while among Hispanics it is 11.3 percent.¹

- A significant impact of the recession is that the poverty rate by race and ethnicity increased by 2.6 percentage points between 2007 and 2010—from 12.5 percent to 15.1 percent. The poverty rate in 2010 (15.1 percent) was the highest poverty rate since 1993 but was 7.3 percentage points lower than the poverty rate in 1959, the first year for which poverty estimates are available.ⁱⁱ
- Between 2009 and 2010, the poverty rate increased for non-Hispanic whites (from 9.4 percent to 9.9 percent), for blacks (from 25.8 percent to 27.4 percent), and for Hispanics (from 25.3 percent to 26.6 percent). For Asians, the 2009 poverty rate (12.5 percent) was not statistically different from their 2009 poverty rates. During this same period the poverty rate for children under age 18 increased from 20.7 percent to 22.0 percent.ⁱⁱⁱ
- 2009-2010 data collected by Corporation for Enterprise Development reveal whites had an average net worth of \$122,505 while for people of color net worth averaged \$20,132. Asset poverty amongst whites was 16.4 percent and for people of color 37.2 percent.^{iv} Increasing not just income but assets in communities of color is a necessary step toward closing the racial “wealth gap.”^v
- At a time of high unemployment and foreclosure rates, efforts to reduce the “wealth gap” through vital social assistance programs—such as the Earned Income Tax Credit, Social Security, Temporary Assistance for Needy Families, Medicare and Unemployment Insurance—are undermined by limited resources and the demand for federal and state budget cuts.

GOAL AND ANTICIPATED OUTCOMES

The Joint Center will work with state and regional coalitions that have been formed with support from the Ford Foundation to plan and hold policy education activities that further the capacity of the coalitions to engage federal, state and local policymakers on core issues related to asset-building.

SHORT-TERM OUTCOMES

- Increased capacity of state and regional coalitions in understanding core issues related to asset-building and enhanced capacity to engage federal, state and local policymakers.
- Increased capacity of state legislators to explore and undertake in-depth examination of policy reforms aimed at closing the “wealth gap,” especially for legislators with communities of color as core constituents.
- Expanded policy and communications infrastructure to support state policymakers by increasing their knowledge of ongoing policy developments at the federal, state and local levels.

LONG-TERM OUTCOMES

- Enhanced collaboration among stakeholders on policy strategies and concerns, innovative approaches to policy implementation and issues related to closing the “wealth gap.”
- Increased ability for a more interactive system of communications.

RELEVANT JOINT CENTER RESEARCH REPORTS

Explaining the Racial/Ethnic Wealth Gap (2010)

This report explores the determinants of wealth and of racial/ethnic disparities in asset and wealth accumulation. It provides an overview of past research and highlights the most relevant findings. The report sheds light on the causes of the racial/ethnic wealth gap and provides an answer to the question: “What’s race got to do with it?”

Asset Building in Low-Income Communities of Color, Part I: Predisposing Factors and Promising Practices in States Effective at Building Assets for Low-Income Residents (2009)

This report is an analysis of ten states that rank highly for provision of asset-building policies and programs that target low-income residents. Using data provided by the Corporation for Enterprise Development (CFED) 2002, 2005, and 2007-2008 scorecards, the following ten states were analyzed: Delaware, Hawai’i, Iowa, Maine, Michigan, Minnesota, New Hampshire, Vermont, Washington and Wisconsin. The findings reveal that a variety of best practices contribute to states’ ability to effectively support asset-building efforts among low-income populations.

Asset Building in Low-Income Communities of Color, Part 2: State Comparisons (2009)

This report provides analysis of ten states that were ranked as less effective in providing asset-building policies and programs for their low-income residents. Using data provided by the Corporation for Enterprise Development (CFED) 2002, 2005, and 2007-2008 scorecards, the following ten states were analyzed: Alabama, Alaska, Arizona, Florida, Georgia, Mississippi, Nevada, New Mexico, South Dakota and Texas. Among the several factors identified, the research revealed that these states had considerably larger communities of color, which are disproportionately low-income. More specifically, asset-building efforts traditionally target income rather than race/ethnicity, therefore, asset-building among states in phase two of our research proved to be less effective at targeting the significant portion of state populations that are both low-income and communities of color.

STRATEGIC PARTNERS

- Association for Enterprise Opportunity
- Black Women’s Agenda, Inc.
- Center for American Progress
- Howard University Center on Race and Wealth
- INSIGHT Center for Community Economic Development
- National Association of Latino Elected and Appointed Officials Educational Fund
- National Black Caucus of State Legislators
- New York University Robert F. Wagner Graduate School of Public Service, Women of Color Policy Network
- PolicyLink

ABOUT THE JOINT CENTER

The Joint Center for Political and Economic Studies is the nation’s leading public policy and research institution focusing on issues of concern to African Americans and other communities of color. Founded in 1970 in wake of the Voting Rights Act’s passage, the Joint Center plays a key role in encouraging civic and political participation in the African American community and strengthening the leadership skills of black elected officials. Through its scholarly research, distinctive analyses of issues and convening of forums and networking opportunities, the Joint Center helps guide the policy process toward practical solutions on America’s most challenging issues—and toward a better future for all Americans.

With funding provided by the Ford Foundation, the Joint Center is undertaking an asset-building policy initiative, “Confronting and Closing the Wealth Gap,” a much needed initiative to address wealth and asset-building challenges facing low-income families and communities of color. This initiative expands upon a prior two-part analysis conducted by the Joint Center that examined twenty target states and compared a wide range of policy options implemented to promote asset-building in low-income communities.

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i U.S. Bureau of Labor Statistics, October 7, 2011. <http://www.bls.gov/news.release/empsit.nr0.htm>

ii Income, Poverty and Health Insurance Coverage in the United States: 2010. U.S. Census Bureau, September 2011. <http://www.census.gov/hhes/www/poverty/data/incpovhlth/2010/highlights.html>

iii Ibid

iv The asset poverty rate is defined by the percentage of households without sufficient net worth to subsist at the poverty level for three months in the absence of income. Corporation for Enterprise Development, 2009-2010 Assets and Opportunity Scorecard. 2010 http://scorecard.cfed.org/financial.php?page=asset_poverty_rate

v Corporation for Enterprise Development (CFED), Executive Summary: 2009-2010 Assets and Opportunity Scorecard. 2010. <http://scorecard.cfed.org/downloads/pdfs/ExecutiveSummary.pdf>



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