

TESTIMONY BEFORE THE U.S. DEPARTMENT OF LABOR  
ERISA ADVISORY COUNCIL

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**DISPARITIES FOR WOMEN OF COLOR IN RETIREMENT:**  
An Analysis of Retirement Readiness among Racial and Ethnic Minority Women



Submitted on August 24, 2010

Prepared by the Women of Color Policy Network at New York University's Robert F. Wagner Graduate School of Public Service

## INTRODUCTION

Thank you for this opportunity to provide testimony to the ERISA Advisory Council on the topic of retirement and racial and ethnic minority women. While an important issue, many individuals only begin to think seriously or plan for retirement toward the end of their work life, when it is too late. On average, Black and Latina women have virtually no wealth by the time they reach 50. While the median wealth for single white women is \$41,500, the median wealth for Black and Latina women hovers around \$100.<sup>i</sup> At retirement, a lack of financial assets and wealth directly translates to an over-reliance on Social Security as a form of income, which is not enough to ensure economic security in retirement.

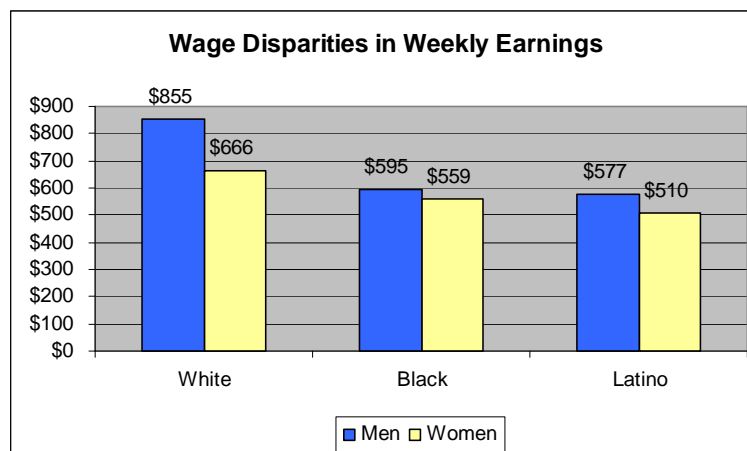
**For racial and ethnic minority women, lack of retirement preparation can be attributed to lower wages earned over a lifetime compared to other groups, occupational segmentation, and unequal access to wealth builders such as pensions and employer-sponsored retirement plans.**

This testimony provided by the Women of Color Policy Network at New York University's Robert F. Wagner Graduate School of Public Service aims to shed light on the barriers to secure retirement for racial and ethnic minority women and suggest strategies to help women overcome these barriers. Founded in 2000, the Women of Color Policy Network is the country's only research and policy institute focused on women of color, their families and communities at a nationally ranked top ten public policy school. The Network conducts original research and collects critical data used to inform public policy outcomes at the local, state and national levels.

## THE WAGE GAP AND LIFETIME EARNINGS

The ability of women of color to retire securely, build wealth and accrue financial assets is impeded by lower lifetime earnings compared to other groups. Black and Latina women earn just 61 cents and 52 cents, respectively, for every dollar paid to white men.<sup>ii</sup> Black and Latina women also report lower weekly earnings than all other groups.<sup>iii</sup> This discrepancy in weekly wages (as much as a \$345 difference between Latina women and white men) grows exponentially over time and results in vast income inequalities that persist across race and gender.

**FIGURE 1**



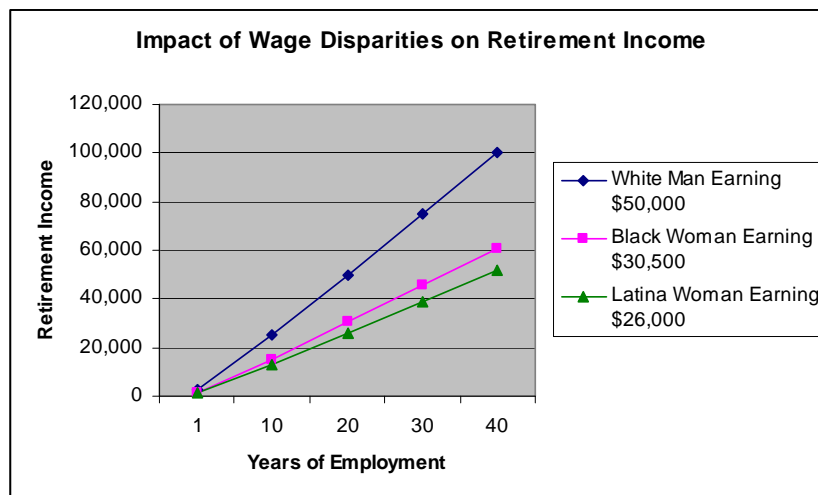
Addressing wage disparities is essential to closing the gap in retirement preparedness for women of color. Without equitable pay and higher wages over time, women of color will be unable to take full advantage of pension plans, employer matching contributions and other asset-building mechanisms that fluctuate largely with income levels.

**In instances where an employer matches an individual’s contribution to a retirement plan dollar for dollar, with lower pay, there will still be an enormous gap in funds accrued by racial and ethnic minority women compared to other groups at the end of their work life.**

For example, a Latina women earning \$26,000 annually will only receive \$1,300 each year through a 5 percent employer contribution retirement plan compared to a similarly positioned white man earning \$50,000 who will receive nearly twice as much (\$2,500 each year) through the same plan. After ten years, the woman will have accumulated \$13,000 in retirement income whereas the man will have acquired \$25,000. After thirty years, the gap will grow so wide as to become insurmountable.

The table below estimates the disparities in retirement income accrued through a 5 percent employer contribution program over a period of 40 years in the labor force based on income estimations that reflect pay disparities between white men and women of color.<sup>1</sup>

**FIGURE 2**



**TABLE 1**

Years of Employment	Retirement Income Accrued for an Annual Salary of \$50,000	Retirement Income Accrued for an Annual Salary of \$30,500	Retirement Income Accrued for an Annual Salary of \$26,000
1	\$2,500	\$1,525	\$1,300
10	\$25,000	\$15,250	\$13,000
20	\$50,000	\$30,500	\$26,000
30	\$75,000	\$45,750	\$39,000
40	\$100,000	\$61,000	\$52,000

<sup>1</sup> These calculations do not account for compounded interest, dividends, inflation, or any increase in salary over time. They also do not include supplemental employee contributions or employer-matched dollars that might typically be added to the employer’s non-matching contribution of five percent of the employee’s base salary.

Connectedly, lower weekly and monthly wages also increase the likelihood that a greater portion of an individual's income will go toward housing, food and other living expenses, leaving little money to save or contribute to a retirement fund. For example, the median household income for Black and Hispanic single mothers in 2008 was \$25,011 and \$23,866, respectively.<sup>iv</sup> However, the average annual cost of full-time child care for an infant ranged from \$4,560 in Mississippi to \$15,895 in the state of Massachusetts.<sup>v</sup> In Massachusetts, child care costs thus accounted for over half of income spending for Black (63.6 percent) and Hispanic (66.6 percent) single mothers. Similarly, the median cost of rent payments in Massachusetts equated to \$11,844 annually in 2009 (\$987/month), representing nearly half of the median household income for Black and Latina single mothers.<sup>vi</sup>

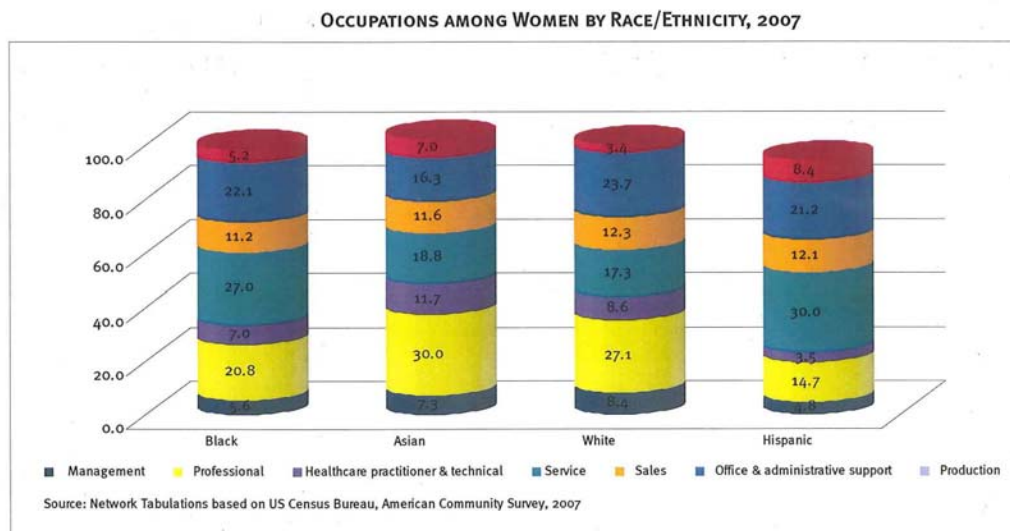
Taken together, the costs of housing and childcare exceed the median household income for Black and Hispanic women and illustrate why many low-income women of color are unable to save or invest even a portion of their income toward a secure retirement.

### THE IMPACT OF LABOR SEGMENTATION ON RETIREMENT SECURITY FOR WOMEN OF COLOR

Historically, racial and ethnic minorities have been on the margins of the U.S. economy and labor markets. Black and Latino workers overall are more likely to hold jobs that are temporary in nature, offer fewer benefits, pay lower wages, and provide fewer opportunities for advancement. Opportunities for women of color to attain higher earnings and accumulate wealth that can be accessed in retirement have been mired by historic patterns of discrimination and labor segmentation that relegate many women of color to low-wage occupations.

Black and Latina women are nearly twice as likely as white women to be employed in the service industry.<sup>vii</sup> Women of color are also underrepresented in management-level or professional positions and face significant barriers in transitioning from low-wage jobs to professional occupations due to low educational levels, lack of training, and unclear pathways to career advancement.

**FIGURE 3**



As a result of occupational and labor segmentation, many women of color hold low-wage, expendable positions. As the labor market shifts towards high-skilled labor, women of color are among the first to lose their jobs.

### THE IMPACT OF UNEMPLOYMENT ON SECURE RETIREMENT AMONG WOMEN OF COLOR

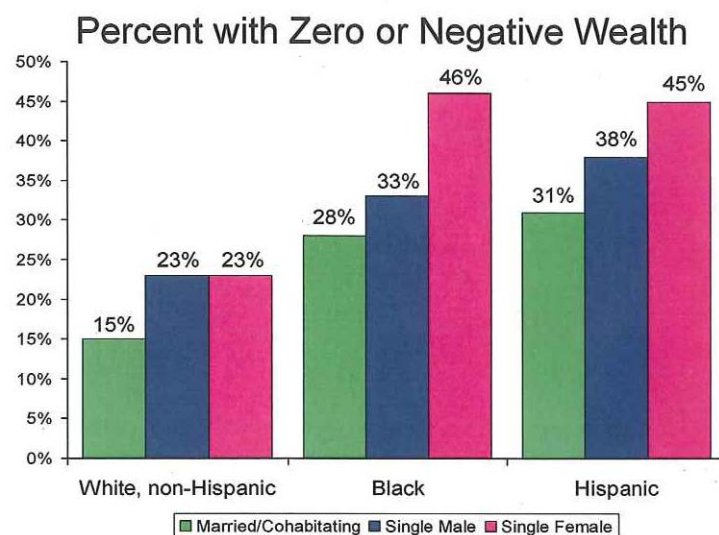
Women of color have higher unemployment rates than both white men and women. In 2009, 11.2 percent of Latino women and 10.2 percent of Black women were unemployed compared to just 6.8 percent of white women.<sup>viii</sup> Additionally, women of color are more likely to endure longer periods between jobs, which further limits their prospects of attaining high-wage occupations with comprehensive retirement benefits. Black women, for example, were unemployed for an average of 28.4 weeks in 2009, whereas white women were unemployed for a shorter average of 23 weeks.<sup>ix</sup> With higher unemployment rates and longer periods of unemployment, many women of color miss critical opportunities to generate income, savings and assets that enhance their ability to retire securely.

Labor segmentation, combined with the greater likelihood of women to hold part-time jobs or move in and out of the workforce *and* the cumulative effects of discrimination and disadvantage related to hiring practices and labor market participation, hinders the economic security of women of color in retirement.

### ASSETS AND WEALTH BUILDERS

The ability to build assets and wealth over time is essential to a secure retirement. Current statistics show that nearly half of all single Black and Latina women have zero or negative wealth. During their prime working years (ages 36-49), white women have a median wealth of \$42,600 compared to just \$5 for women of color.<sup>x</sup> Overall, families of color own only 16 cents of wealth for every dollar of wealth accrued by white families.<sup>xi</sup>

**FIGURE 4**



Wealth is an integral indicator of retirement readiness because it reflects the difference between assets and liabilities that women of color will access in their retirement years. Only a quarter of Black (25 percent) and Hispanic (23 percent) women receive retirement income from assets, compared to over half of white women (60 percent). Black and Hispanic single women are also less likely than white single women to own assets in the form of businesses, stock, homes, and cash accounts. In general, the median value of the assets owned by women of color is lower than all other groups.

**TABLE 2**

Asset Ownership by Household Type and Race, Ages 18-64, 2007

Race	Cash Accounts		Home		Stock		Business	
	% who own	Median value, if owned	% who own	Median value, if owned	% who own	Median value, if owned	% who own	Median value, if owned
<b>White</b>								
Married/Cohabiting	97	\$7,100	82	\$104,000	67	\$45,000	23	\$99,000
Single Male	91	\$3,400	50	\$70,000	51	\$25,400	12	\$90,000
Single Female	92	\$1,900	57	\$74,000	45	\$18,625	8	\$50,000
<b>Black</b>								
Married/Cohabiting	86	\$2,000	59	\$54,000	48	\$18,200	11	\$25,000
Single Male	72	\$2,200	39	\$63,000	26	\$12,750	4	†
Single Female	77	\$1,180	33	\$47,000	23	\$15,300	4	†
<b>Hispanic (of any race)</b>								
Married/Cohabiting	85	\$2,600	57	\$92,000	28	\$14,100	9	\$120,000
Single Male	62	\$2,500	29	\$93,000	23	†	12	†
Single Female	67	\$650	28	\$35,000	14	†	1	†

†Unweighted sample size is too small; fewer than 10 men and/or women in this category. Cash accounts include money held in savings accounts, checking accounts (including money market accounts), and certificates of deposit (CDs). Home ownership includes single-family and multiple-family residences, condominiums, town houses, and mobile homes. Equity represents the current market value minus the mortgage and any loans against the property such as home equity lines of credit. Stock ownership includes direct ownership of stock shares and indirect ownership through mutual funds and retirement accounts (such as 401k and IRA accounts). Business ownership includes any privately-held businesses.

In the absence of personal assets and wealth, Social Security is the primary source of retirement income for more than 25% of Black women.<sup>xii</sup> However, it is an insufficient safety net for women of color as lower lifetime earnings and extended time out of the workforce lead to reduced Social Security payments in retirement.

### **STRUCTURAL AND INSTITUTIONAL BARRIERS TO ASSET ACCUMULATION AMONG RACIAL AND ETHNIC MINORITY WOMEN**

Systemic and institutional obstacles also prevent women of color from fully utilizing mechanisms that encourage, protect, and accelerate the accrual of wealth and assets. These “wealth escalators” include employee benefits, tax code provisions, and the rules and regulations of government benefits. Fringe benefits, for example, enable employees to build wealth directly through stock options, 401k investments, and matching employer contributions and indirectly through health insurance coverage and paid leave policies. Pensions and retirement plans built into compensation packages are powerful sources of retirement security and future income. However, labor segmentation reduces the likelihood that women of color will gain access to jobs that provide these wealth building mechanisms.

The current U.S. tax code offers lower rates of taxation on certain forms of income (e.g., capital gains), tax deferrals for employer sponsored retirement contributions, and tax deductions for mortgage interest. However, these tax advantages only benefit those who are well-positioned to take advantage of them: those who invest, contribute to employer sponsored retirement accounts, or are homeowners. As previously indicated, women of color are less likely than all other groups to meet these criteria and are thus excluded from the benefits of wealth-building tax code provisions. Additionally, the structure of many government

benefits perpetuate the unequal distribution of wealth between women of color and other groups by enforcing spend-down policies that deplete asset wealth before providing crucial assistance necessitated by economic emergencies. In the absence of wealth, women of color are vulnerable to changes in the economic climate that might deplete their assets well before retirement.

Policies and practices that historically prevented racial minorities from owning and building wealth continue to have lasting effects on the retirement preparedness of women of color. In the absence of assets in the form of intergenerational wealth being passed on as inheritance, the economic security of communities of color is almost exclusively determined by the resources and savings accumulated over a single lifetime. The cumulative disadvantages of diminished earning power and the rising cost of living limit an individual's capacity to save for a secure retirement, rendering many women of color unable to employ the most basic financial strategy: leveraging the power of compound interest over time to accumulate wealth.

## **RECOMMENDATIONS**

Addressing disparities in retirement readiness for women of color will require multifaceted strategies and targeted interventions at the local, state and federal levels. Efforts to ensure the economic security of women of color in retirement have to start at the beginning of her work life and must address the structural and institutional barriers that impede access to wealth building mechanisms. Specifically, our recommendations include:

- 1. CREATE AND ENFORCE POLICIES AND LEGISLATION TO COUNTER RACIAL AND GENDER DISCRIMINATION IN THE LABOR MARKET.** In addition to existing antidiscrimination laws, there should be increased support and incentives at the federal and state levels to promote diversity and the advancement of racial and ethnic minority women in the workforce.
- 2. SUPPORT LEGISLATION THAT AIMS TO DECREASE THE WAGE GAP, SUCH AS THE PAYCHECK FAIRNESS ACT.** Gender- and race-based pay discrimination continue to adversely impact the earning potential and subsequent retirement security of women of color in the United States. Legislation that promotes equitable wages is essential to reducing income disparities between women of color and other groups.
- 3. SUPPORT EARLY LINKS TO THE LABOR MARKET AND EDUCATIONAL OPPORTUNITIES FOR WOMEN OF COLOR.** Programs targeting youth and young adults should focus on long-term outcomes and career opportunities. Training and education programs should work to improve literacy and math skills; prepare participants for higher education; or provide training for vocations with potential for higher pay and advancement.
- 4. INCREASE SUPPORT AND FUNDING FOR WORKFORCE DEVELOPMENT PROGRAMS THAT CONNECT WOMEN OF COLOR TO OCCUPATIONS WITH OPPORTUNITIES FOR CAREER ADVANCEMENT, GREATER WAGES, AND COMPREHENSIVE BENEFITS.** Rather than merely focusing on short-term job placement, workforce development programs should focus on job quality and employment stability.
- 5. OFFER INCENTIVES TO RECRUIT AND RETAIN WOMEN OF COLOR AS EMPLOYEES.** In addition to enforcing antidiscrimination laws that counter racial and gender discrimination, federal and state level policies should be leveraged to influence employer hiring decisions and increase the accessibility of quality jobs.

6. **SUPPORT SMALL BUSINESSES OWNERSHIP BY WOMEN OF COLOR.** In recent years, both minority-owned and women-owned businesses have grown, but women of color have been left behind. Expanding access to business ownership will help more women of color generate income, build assets and sufficiently prepare for retirement.
7. **PROVIDE CULTURALLY-COMPETENT FINANCIAL LITERACY PROGRAMS.** Comprehensive education about wealth, financial planning, and retirement are often unavailable in communities of color. Conventional wisdom in the world of finance fails to recognize the complexities of the lives of women of color, including their sources of income and financial responsibilities to extended family members and their communities at large. To address this disconnect, accessible and culturally-sensitive financial literacy programs are needed to help women of color educate themselves and implement financial best practices.
8. **COLLECT DATA BY RACE AND GENDER AND CONDUCT CONTINUED RESEARCH.** Data on wealth, income, assets, debt, and occupational trends must continue to be collected, analyzed, and disaggregated by race and gender to track the progress, or lack thereof, towards retirement readiness and quality job attainment among women of color.

## CONCLUSION

Women of color face unique challenges and barriers to a secure retirement. These barriers include lower wages earned over a lifetime, occupational segmentation and unequal access to wealth builders such as pensions and employer sponsored retirement plans. Both long-term and short-term policy oriented and programmatic strategies will be needed to address the systemic and structural barriers to retirement readiness among women of color.

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<sup>i</sup> Chang, Mariko. *Lifting as We Climb: Women of Color, Wealth and America's Future*. Asset Program and Policy Analysis, March 2010, <<http://www.insightcced.org/uploads/CRWG/LiftingAsWeClimb-WomenWealth-Report-InsightCenter-Spring2010.pdf>>, accessed on August 19, 2010.

<sup>ii</sup> "Table PINC-05. Work Experience in 2008—People 15 Years Old and Over by Total Money Earnings in 2008, Age, Race, Hispanic Origin, and Sex." U.S. Census Bureau. *Current Population Survey: 2009 Annual Social and Economic Supplement*. <[http://www.census.gov/hhes/www/cpstables/032009/perinc/new05\\_000.htm](http://www.census.gov/hhes/www/cpstables/032009/perinc/new05_000.htm)>, accessed January 14, 2010.

<sup>iii</sup> Bureau of Labor Statistics. *2009 Current Population Survey*, as cited in Wessler, Seth. *Race and Recession: How Inequity Rigged the Economy and How to Change the Rules*. *Economy and Green Jobs*. May 2009. <[http://arc.org/downloads/2009\\_race\\_recession\\_0909.pdf](http://arc.org/downloads/2009_race_recession_0909.pdf)>, accessed on August 23, 2010.

<sup>iv</sup> "Table FINC-02. Age of Reference Person, by Total Money Income in 2008, Type of Family, Race and Hispanic Origin of Reference Person." U.S. Census Bureau. *Current Population Survey: 2008 Annual Social and Economic Supplement*. <[http://www.census.gov/hhes/www/cpstables/032009/faminc/new02\\_000.htm](http://www.census.gov/hhes/www/cpstables/032009/faminc/new02_000.htm)>, accessed on August 23, 2010.

<sup>v</sup> National Association of Child Care Resource and Referral Agencies. *Parents and the High Price of Child Care: 2009 Update*. May 2009, <[http://www.naccrra.org/publications/naccrra-publications/publications/665\\_0410\\_PriceReport\\_FINAL\\_051409.kv.pdf](http://www.naccrra.org/publications/naccrra-publications/publications/665_0410_PriceReport_FINAL_051409.kv.pdf)>, accessed on August 23, 2010.

<sup>vi</sup> National Association of Child Care Resource and Referral Agencies. *Parents and the High Price of Child Care: 2010 Update*. August 2010, <[http://www.naccrra.org/docs/Cost\\_Report\\_073010-final.pdf](http://www.naccrra.org/docs/Cost_Report_073010-final.pdf)>, accessed on August 23, 2010.

<sup>vii</sup> U.S. Census Bureau. *2007 American Community Survey* as cited in Mason, Nicole C. *Race, Gender, and the Recession: The American Recovery and Reinvestment Act of 2009 and its impact on Women of Color, their families and communities*. *Job Creation and Employment*, May 2009. <[http://wagner.nyu.edu/wocpn/reports/Race\\_Gender\\_and\\_the\\_Recession\\_Job\\_Creation](http://wagner.nyu.edu/wocpn/reports/Race_Gender_and_the_Recession_Job_Creation)>, accessed on August 23, 2010.

<sup>viii</sup> Bureau of Labor Statistics. *The Employment Situation: seasonally unadjusted rates: April 2009*, as cited in Mason, Nicole C. *Race, Gender, and the Recession: The American Recovery and Reinvestment Act of 2009 and its impact on Women of Color, their families*

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<sup>ix</sup> “Table 31. Unemployed Persons by age, sex, race, Hispanic or Latino ethnicity, marital status, and duration of unemployment.” Bureau of Labor Statistics. 2009 Current Population Survey. <http://www.bls.gov/cps/cpsaat31.pdf>, accessed August 23, 2010.

<sup>x</sup> Chang, Mariko.

<sup>xi</sup> Ibid.

<sup>xii</sup> Ibid.