At Rope’s End: Single Women Mothers, Wealth and Assets in the U.S.

By Mariko Chang, PhD and C. Nicole Mason, PhD
ABOUT THE CENTER FOR RESEARCH & POLICY IN THE PUBLIC INTEREST

The Center for Research and Policy in the Public Interest (CR2PI) conducts original research and policy analysis focused on low-income women, their families and communities. Research generated at CR2PI is used to build knowledge, influence the public debate, and help create informed public policies at the local, state, and national levels. The ultimate goal of our research and policy analysis is to increase access and relieve disparities for low-income families and communities.

ACKNOWLEDGEMENTS

This report was written by Mariko Chang, PhD, and C. Nicole Mason, PhD, Executive Director of the Center for Research & Policy in the Public Interest.

Philethea Duckett served as the lead research associate on the project. Chanelle Pearson refined the charts and graphs in the report.

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Dr. Chang has a PhD in Sociology from Stanford University and was an Associate Professor of Sociology at Harvard University from 1998 to 2007 where she published work on occupational sex segregation across countries, the use of social networks for gathering financial information and began her work on the gender wealth gap. She is also a member of the Insight Center for Community Economic Development’s Experts of Color Clearinghouse.

To help raise awareness of the wealth gap, she maintains a website that provides data and other information on wealth, assets, and debt for public policy makers, the media, researchers, and organizations that address economic security.

C. NICOLE MASON, PhD

C. Nicole Mason, PhD is Executive Director of the Center for Research & Policy in the Public Interest and has worked in advocacy and public education at the local, state, and national levels with a special focus on women and underserved communities.

For the last 14 years, her work has centered on building women’s economic security, reproductive rights, civic engagement, youth development and education, welfare reform, and health policy reform. She continues to investigate the intersections of race, class, gender, ethnicity, sexuality, and other markers of difference and their impact on rights and public policy outcomes.

Nicole is a blogger for the Huffington Post, the NAACP Legal Defense and Educational Fund, and *Ms. Magazine*. She has also appeared on CNN, the Laura Flanders Show, and NPR’s Talk of the Nation, among other news outlets. Her writing has appeared in the *Progressive*, *The Philadelphia Inquirer*, Women’s E-news, RealClearPolitics, *Essence Magazine*, and AlterNet.
The changes and shifts in the U.S. economy have shaken many working families and single women heads of households to the core. Over the last three years, the economy has shed over 5 million jobs and unemployment rates have hit historic highs with no real signs of retreat.
Over the last few decades, the wealth gap in the United States has become an unbridgeable chasm with the wealthiest Americans possessing 190 times more wealth than the least wealthy in the country. Today, the top five percent of income earners in the U.S. have more wealth than the remaining 95 percent of the population.

When the wealth gap is racialized, Latinos and African-Americans hold only a fraction of the wealth of whites. For every dollar of net worth of white Americans, Latinos have 9 cents and African-Americans have 7 cents. For families, close to sixty percent of African-American and Latino middle-class households have no net financial assets whatsoever and live from paycheck to paycheck.

For some, wealth conjures up images of yachts and luxurious homes, but for everyday Americans, the ability to accumulate wealth and assets is about economic survival and security. In real terms, a lack of wealth translates directly into the inability to retire securely, cover the cost of college education for one’s children or ride out periods of financial hardship.

This report issued by the Center for Research & Policy in the Public Interest examines wealth and asset accumulation among single women mothers in the United States. Across racial groups, single women mothers have significantly less wealth and assets compared to their same-race male counterparts.

It is estimated that over 18 million children live in households headed by single women. Compared to two-parent families, households headed by single women mothers are more likely to live in poverty and have fewer financial assets. Research show that children who are raised in poverty are also more likely to be poor as adults.

There is no single reason for the lack of wealth among single women mothers; the reasons are manifold and interrelated: lower wages and life-time earnings, occupational segmentation, lack of access to wealth escalators such as retirement and pension plans and historic structural and institutional discrimination, among others.

We know that wealth and assets are better indicators of economic stability and well-being than income. A decent salary only guarantees that an individual will be able to pay the bills today; wealth guarantees that she will be able to pay the bills tomorrow and for generations to come.
EXECUTIVE SUMMARY AND KEY FINDINGS

The most recent recession dealt a devastating blow to single women mothers. In 2009, 4 out of 10 African-American and Latino households headed by single women lived in poverty—a figure nearly double the number of households headed by single white women. As a group, single women mothers also earned less than married couple households: $32,597 compared to $71,830.

Unlike married couples, single women mothers bear the full responsibility of childcare costs, housing, health insurance and other related expenses. It is estimated that housing and childcare expenses alone account for over three-quarters of the monthly expenditures of single women mothers, leaving very little, if any money for emergencies or for savings.

Over the last twenty years, social supports for single women mothers have declined significantly. The passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 coupled with continued cuts in funding for federal programs to low income families, such as the Supplemental Nutrition Assistance Program (SNAP), has made it nearly impossible for single women mothers to become economically secure or to build wealth.

In this study, we analyze data from the 2007 Survey of Consumer Finances (SCF). The SCF is the triennial national survey sponsored by the Federal Reserve Board and is considered to be one of the best sources of data on wealth inequality. We also rely on data from the Bureau of Labor Statistics, American Community Survey and the Current Population Survey. Collectively, the data allow us to paint a fuller picture of the economic reality of single women mothers and generate strategies and policy solutions that take into consideration the full range of barriers and obstacles to wealth and asset accumulation for this group of women.

Our findings suggest:

- Single women mothers possess only 4 percent of the wealth of single fathers: $100 compared to $25,300.

- Race and ethnicity are significant factors in building wealth among single women mothers. Black and Latino single mothers have a median wealth of zero, whereas white women report a median wealth of $6,000.

- Education is a strong predictor of wealth and assets among single women mothers. Single mothers with less than a high school education have a net worth of zero, while those with a college degree or higher have a median net worth of $35,000.
• Receiving outside or additional income dramatically increases the wealth of single women mothers. Single mothers who receive child support have more wealth than those who do not receive support: $6,800 compared to zero.

• Younger single mothers experience the greatest disadvantage in terms of wealth and assets. Over half of single mothers under the age of 40 have zero or negative wealth.

• More than three-quarters of single women mothers have debt of some kind. The most common debt for single mothers is credit card debt followed by installment debt.

The ability of single women mothers to accumulate wealth and assets is highly influenced by her educational attainment level, earnings, age and racial background. **While the racial wealth gap continues to widen, there is a critical need to understand how the intersections of race, gender and motherhood status impede an individual’s ability to accumulate wealth and assets in our society.**

The ability to accumulate wealth and assets is essential to building the economic security of single women mothers and families. There is an urgent need to create targeted public policies that emphasize education and training for jobs with potential for higher earnings and financial literacy programs that take into consideration the day-to-day financial reality of single women mothers.

On the road to economic self-sufficiency, there should also be stronger safety nets and work supports for women at both the federal and state levels. In order to move women and families out of poverty and onto a path toward long-term economic stability, graduated and continued support will be necessary.
SINGLE MOTHERS IN AMERICA TODAY: A SNAPSHOT

Over the last thirty years, the profile of the typical single mother in America has changed considerably. Today she is older, more likely to be divorced, and employed full-time. Forty percent of all single mothers in the United States are over the age of 40, forty-one percent are currently divorced or separated and more than 75 percent work outside of the home.²

Single women mothers are a diverse group of women with varying educational attainment levels, racial and ethnic backgrounds and income levels. Single mothers include women who never married as well as those who have been divorced, separated or widowed. In addition to caring for biological children, single mothers may also serve as guardians for adopted or foster children.

KEY DETERMINANTS OF SINGLE MOTHERHOOD

Across race and age, education is a strong predictor of single motherhood in the U.S. The number of mothers who have no education beyond high school is nearly double for single women mothers (68 percent) compared to married women (36 percent).³

More than one-third of single mothers have a high school education or less.⁴ Of the single mothers who do not finish high school, approximately 40 percent are Latino, 20 percent are African-American and 10 percent are white. Failure to complete high school is a factor in whether or not single women mothers will marry later on in life.⁵

PATHWAYS TO SINGLE MOTHERHOOD

The two most common pathways to single motherhood are divorce and non-marital births. In 2008, 45 percent of all custodial mothers were divorced or separated and 34.2 percent had never married. Among white women, divorce is the single leading cause of single motherhood. For Black and Latino women, single motherhood was more likely to be a result of non-marital birth.⁶

SHIFTS IN NON-MARITAL BIRTHS

In 2007, non-marital births accounted for 40 percent of all births in the U.S. For unmarried women, the birth rate was 52.9 births compared to the national average of 14.3 births per 1,000 women.⁷

In recent years, the largest rate increase in non-marital births has been among Asian Pacific Islanders (24 percent) and Latino women (20 percent).

The growth rate of white non-marital births increased by 14 percent, from 28 percent in 2002 to 32 percent today.⁸

African-American women still account for the largest share of non-marital births at 71 percent compared to 50 percent of Latino women and 27 percent of white women.⁹ However, over the last ten years, Black women have experienced the smallest increase of non-marital births among all women at 9 percent.¹⁰

With regard to geographic location, single women mothers are more likely to live in the suburbs, with a high concentration residing throughout Bible Belt states such as Mississippi, Louisiana and South Carolina.
AGE

Teenage motherhood is on the decline. Today, non-marital births to teens account for less than one-quarter of births compared to 50 percent in 1970. Over the last fifteen years, the largest increase in non-marital births has occurred for women in their twenties.11

In 2008, over 40 percent of single mothers were over the age of forty. In 1994, non-marital births in this age group hovered around 25 percent.12

Figure 1. Distribution of Nonmarital Births by Age: United States, 1970 and 2007

<table>
<thead>
<tr>
<th>Year</th>
<th>Births</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>398,700</td>
</tr>
<tr>
<td>2007</td>
<td>1,714,643</td>
</tr>
</tbody>
</table>

RACE AND ETHNICITY

Over the last thirty years, there has been a sharp increase in non-marital births among white and Latino women. Today, over 50 percent of all single mothers are non-Hispanic white women. African-American women comprise close to 30 percent of single mothers and Latino women account for 18 percent.13

White single women mothers rear two times the number of children as African-American and Latino women. In 2008, 9.9 million non-Hispanic white children resided in single mother households, whereas only 5.8 million African-American and 3.8 million Latino children did so.14

Although white children account for the largest number of children living in homes headed by single mothers, Black children in single women households were more likely to be considered low-income or live in poverty: one-third compared to two-thirds.15

Figure 2. Percentage of All Births that were to Unmarried Women by Race and Ethnicity, 1980-2007
GEOGRAPHIC LOCATION

Single women mothers are more likely to live outside central cities. The majority of white single women mothers and almost half of Black and Latino women single mothers live in suburban areas. There is a high concentration of single women mothers residing throughout the Bible Belt in Mississippi, Louisiana and South Carolina.16

Of single mothers residing in urban cities, an overwhelming majority are women of color: 48 percent are African-Americans followed closely by Latino women at 42 percent.17

Figure 3. Percentage of Births to Unmarried Women, 200618
ECONOMIC SECURITY

Single women mothers are less economically secure than married women. Nearly half of all female-headed households live in poverty.

In 2009, 23 percent of white women heads of households with children lived in poverty compared to 40 percent of African-American and Latino female-headed households.¹⁹

In relationship to food security, nearly one in four Latino women and one in five African-American women worry about providing food for their families, compared to just 10 percent of white women.²¹

African-American and Latino women are further burdened by their debt-to-income ratio and their ability to pay.

One-third of women of color are worried about getting out debt: 34 and 32 percent of Latino and African American women, respectively, versus 19 percent of white women.²²

In relationship to wealth and asset building, the costs associated with single parenting—childcare, housing, health care, and other expenses—contribute to the economic insecurity and instability of single women mothers and directly impact their ability to save.
EMPLOYMENT

Although labor force participation is high among single women mothers at 75 percent, single mothers are twice as likely to experience unemployment compared to married women.23 In 2008, the number of unemployed single women mothers was more than two times the rate for married women: 13 percent compared to just 5 percent.24 Half of all single mothers are employed full-time and less than one-third are employed part-time or seasonally.25

In a tough economy, single women mothers are more vulnerable to spells of unemployment. Due to childcare or other care taking demands, they may be unable to obtain full-time employment or pursue education or training opportunities to secure higher wages.

Among single mothers, African-American women have the highest unemployment rate at 11.7 percent followed, by Latino and white women at 8.7 percent and 7.5 percent, respectively.26

Sixty-two percent of all single mothers are employed in retail or service industries. African-American and Latino women are over-represented in service occupations at 27 percent and 30 percent. They also tend to be underrepresented in management-level or professional positions.

On average, service and retail industries pay lower wages, have fewer benefits and are less flexible. And because they are considered low-skill jobs, when employers make cuts, these jobs are usually the first to go.

Figure 5. Occupations among Women by Race and Ethnicity, 2007
THE WAGE GAP AND LIFETIME EARNINGS

The inability of single women mothers to build wealth and assets is hampered by lower lifetime earnings compared to other groups of women and men. Black and Latino women earn just 61 cents and 52 cents, respectively, for every dollar paid to white men. Black and Latino women also report lower weekly earnings than all other groups. This discrepancy in weekly wages (as much as $345) grows exponentially over time and results in vast income inequalities that persist across race and gender.

Figure 6. Wage Disparities in Weekly Earnings by Race and Gender, 2009
In 2009, the median income for all family households was $61,265. Married households reported higher median incomes of $71,830, while female-headed households reported much lower earnings of $32,597. When race and ethnicity are taken into consideration, Black and Latino female-headed households reported the lowest income levels in all three household categories and earned only a fraction of the incomes reported by non-Hispanic white and Asian populations.

Figure 7. Median Income Levels by Household Status and Race, 2009

Over time, lack of equitable pay prevents single mothers from taking full advantage of pension plans, employer matching contributions and other asset-building mechanisms that fluctuate with income levels.

Lack of job security and disparities in wages and income are major impediments to wealth and asset accumulation for single women mothers.
WEALTH AND ASSET ACCUMULATION AMONG SINGLE WOMEN MOTHERS

In a shifting economy, it is becoming increasingly more difficult for single women mothers to build wealth and accumulate assets. The hefty costs associated with single parenthood, which include childcare, housing, food, health insurance, among others, decrease the likelihood that, even with a stable income, these mothers will be able to accrue wealth.

Across race and gender, single women mothers tend to be less economically secure and more likely to become unemployed as a result of caretaking duties or demands. It is estimated that single women mothers are responsible for over 18 million children in the U.S. and, even with assistance from family or others, many of them struggle to make ends meet.

In addition to the above challenges to building wealth, institutional and structural factors, such as lower wages and lifetime earnings, occupational segmentation and lack of access to wealth escalators such as retirement and pension plans, compound single women mothers’ ability to save or accumulate assets.

What follows is an analysis of wealth and asset accumulation among single women mothers in the United States. Our findings suggest that this group of women face unique challenges to wealth and asset accumulation not experienced by their race and gender counterparts.

GENDER, SINGLE PARENTHOOD AND WEALTH

Single parenthood is much more economically devastating for women than men. Single mothers have a median wealth of only $100, which amounts to 4 percent of the median wealth of single fathers ($25,300).

Figure 8. Median Wealth by Household Type: Ages 18-64, 2007

Source: Warner Chang
MARITAL STATUS

Single mothers who have never been married have less wealth than women whose pathway to single motherhood was through divorce or widowhood. Divorced or widowed single mothers have a median wealth of $7,500 whereas single mothers who never married have a median wealth of zero.

Figure 9. Median Wealth of Single Mothers by Marital Status, 2007

Following a divorce, the economic security and stability of women decreases significantly compared to men. However, divorced single women mothers tend to have more wealth and assets compared to their never married counterparts: $7,500 compared to zero.

Marriage is associated with higher wealth for two reasons: first, many women wait until they are financially stable to marry, second, marriage has wealth-building advantages such as economies of scale. Upon divorce, mothers may be able to access any wealth accumulated during marriage. Additionally, divorced single mothers are much more likely to receive child support, which gives them more disposable income to save or invest.
RACE AND ETHNICITY

There is a tremendous racial wealth gap in America, with the typical family of color owning only 16 percent as much wealth as the typical white family.\textsuperscript{30} Single mothers are not immune to the tremendous racial wealth gap. White single mothers have a median wealth of $6,000, whereas Black and Hispanic single mothers each have a median wealth of zero.

\textbf{Figure 10. Median Wealth of Single Mothers by Race, 2007}

Disparities in wealth by race can be attributed to the intergenerational transfer of wealth, lack of access to wealth building mechanisms such as pension and retirement plans, and lower lifetime earnings of racial and ethnic minorities compared to whites, among other factors.\textsuperscript{31} The disadvantages of the racial wealth gap are magnified for single mothers of color who experience the compounding negative wealth effects of being a woman, a person of color, and a mother.\textsuperscript{32}

AGE

Young single mothers are at the greatest wealth disadvantage. More than half of single mothers under age 40 have zero or negative wealth (negative wealth occurs when the value of one’s debts exceeds the value of one’s assets). In comparison, single mothers who are older fare considerably better. Single mothers between the ages of 40-49 have a median wealth of $19,500 and single mothers age 50 or older have a median wealth of $91,500.

\textbf{Figure 11. Median Wealth of Single Mothers by Age, 2007}

The comparatively high wealth of single mothers age 50 and older is most likely a result of the wealth advantages of age, but may also be influenced by the age at which these women became mothers. Delays in motherhood are associated with higher incomes and higher levels of education, both of which are positively correlated with wealth.\textsuperscript{33}
EDUCATION

Education is a strong predictor of wealth and assets among single women mothers. Single mothers without a high school diploma have a median wealth of zero, whereas those with a college degree or higher have a median wealth of $35,000.

Education is associated with both earnings and age of motherhood. Women with lower levels of educational attainment are not only likely to have lower earnings than women with a college degree, but are also likely to have children at earlier ages which negatively affects their earnings and ability to build wealth.

Figure 12. Median Wealth of Single Mothers by Education, 2007
CHILD SUPPORT

Child support can provide much-needed income to single mothers. However, less than half of single mothers who are awarded child support receive the full amount and one-quarter receive nothing.\(^{34}\) Single mothers who receive child support have higher wealth than those who receive no support. Child support provides single mothers with higher financial resources to make ends meet and to save or invest.

**Figure 13. Median Wealth for Single Mothers who Receive and Do Not Receive Child Support or Alimony, 2007**

Single mothers who are divorced are more likely to receive child support than never-married mothers,\(^{35}\) but divorced single mothers are also more likely to have higher wealth overall. In addition, single mothers with a college degree are more likely to receive child support and also more likely to have higher earnings.
TYPES OF ASSETS

For a comprehensive financial portrait of single mothers, it is critical to examine the types of assets they own because assets have different levels of accessibility, risk and average rates of return. It can also provide information as to how to increase single mothers’ access to wealth. This report focuses on four of the most commonly-owned assets: cash accounts, homes, stock, and business assets.

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.

Table 1. Assets Owned by Single Mothers, 2007

<table>
<thead>
<tr>
<th></th>
<th>Cash Accounts</th>
<th>Home</th>
<th>Stock</th>
<th>Business</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percentage who Own</td>
<td>Median Value, if owned</td>
<td>Percentage who Own</td>
<td>Median Equity, if owned</td>
</tr>
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<td>ALL</td>
<td>77</td>
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<tr>
<td>Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High School Diploma / GED or less</td>
<td>63</td>
<td>$300</td>
<td>24</td>
<td>$78,000</td>
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<tr>
<td>Some College</td>
<td>86</td>
<td>$620</td>
<td>28</td>
<td>$99,000</td>
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<td>College Degree</td>
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<td>Race and Ethnicity</td>
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<td></td>
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<tr>
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<td>$830</td>
<td>47</td>
<td>$94,000</td>
</tr>
<tr>
<td>Non-White or Hispanic</td>
<td>63</td>
<td>$700</td>
<td>20</td>
<td>$113,000</td>
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<tr>
<td>Marital Status</td>
<td></td>
<td></td>
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<tr>
<td>Never Married</td>
<td>68</td>
<td>$300</td>
<td>13</td>
<td>$119,000</td>
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<tr>
<td>Divorced or Widowed</td>
<td>84</td>
<td>$1,870</td>
<td>48</td>
<td>$94,000</td>
</tr>
</tbody>
</table>
CASH ACCOUNTS

Seventy-seven percent of single mothers own cash accounts. However, ownership varies widely according to a mother’s level of education, marital status, and race. Variation is greatest across levels of education: whereas 95 percent of single mothers with a college degree have a cash account, only 63 percent of those with a high school diploma or less have a cash account. Racial differences are also striking, with only about half of Latino and two-thirds of African-American single mothers reporting ownership of a cash account. Those without a cash account are left out of mainstream financial institutions, which can make it more difficult to obtain credit and to meet other basic financial obligations. It also leaves them vulnerable to exorbitant fees charged by many alternative financial institutions such as payday lenders with average annual interest rates of about 400 percent.

Members of groups that are least likely to own cash accounts also have the least amount of money in their accounts. Variation across groups can be quite dramatic; for example, the median amount in cash accounts is $300 for single mothers with a high school diploma or less, but $4,000 for single mothers with a college degree.

The primary reasons why single mothers don’t have checking accounts are that they don’t like dealing with banks (25 percent), they don’t write enough checks to make it worthwhile (15 percent), they have no money (15 percent), and service charges are too high (14 percent).

Figure 14. Reasons Why Single Mothers Don’t Have a Checking Account, 2007
HOMEOWNERSHIP

Although 69 percent of families in the U.S. own their own home,^{22} only one-third of single mothers are homeowners. Single mothers with a college degree are more than three times as likely to own homes as single mothers without a high school diploma. White single mothers are more than twice as likely as Black or Hispanic mothers to own their own homes and single mothers who are divorced or widowed are more than three times as likely to own homes as never-married mothers. When never-married single mothers and non-white or Hispanic single mothers do own their own homes, however, they have greater median home equity.

STOCK OWNERSHIP

Like cash and homes, stock ownership varies dramatically for single mothers depending on their educational attainment, race, and marital status. Close to half of single mothers with a college degree own stock whereas only 16 percent of their counterparts with a high school diploma or less own stock. While 38 percent of white single mothers own stock, only 13 percent of Black single mothers and 4 percent of Hispanic single mothers own stock.

BUSINESSES

Six percent of single mothers own business assets. Variation by educational attainment, marital status, and race is not as great as with other assets, but single mothers who are white and those with college degrees are most likely to own business assets. The low rates of business ownership for single mothers may suggest that single mothers represent an untapped resource for entrepreneurship.
DEBT

More than three-fourths of single mothers have debt of some kind.\textsuperscript{42} The most common form of debt for single mothers is credit card debt, followed by installment debt.\textsuperscript{43} These are two common forms of “destructive debt” or debt that is used to fund purchases that do not have the potential to increase wealth. Destructive debt is a serious impediment to building wealth and can spiral out of control quickly.\textsuperscript{43}

Table 2. Debts Owed by Single Mothers, 2007\textsuperscript{44}

<table>
<thead>
<tr>
<th></th>
<th>Home Debt</th>
<th>Education Debt</th>
<th>Credit Card Debt</th>
<th>Installment Debt</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Percentage with</td>
<td>Median Value</td>
<td>Percentage with</td>
<td>Median Equity, if owned</td>
</tr>
<tr>
<td>ALL</td>
<td>31</td>
<td>$100,000</td>
<td>26</td>
<td>$10,000</td>
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<td>Education</td>
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<td>High School Diploma / GED or less</td>
<td>20</td>
<td>$78,000</td>
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<td>27</td>
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<td>Race and Ethnicity</td>
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<td>Marital Status</td>
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<td>45</td>
<td>$99,000</td>
<td>22</td>
<td>$12,000</td>
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</table>

Comparisons by education, marital status, and race reveal that debt is much more common for single mothers with a college degree, who are divorced or widowed, or who are white. These groups (who were most likely to have higher wealth and more likely to own each type of asset) also carry the most debt. Some of the debt is considered “good debt”—such as home debt and education debt. But they are also more likely to have “destructive debt” in the form of credit card debt and installment debt. For example, whereas 72 percent of single mothers with a college degree have credit card debt, only 34 percent of single mothers with a high school diploma or less have credit card debt. The higher debt of single mothers with greater economic resources may be a result of greater access to credit.

Even “good debt” such as home debt, however, can be problematic. For example, the real estate crisis and the subprime mortgage meltdown have disproportionately affected women and especially women with the least economic resources. Consequently, single mothers are likely to be particularly vulnerable to foreclosure. Moreover, education debt can quickly resemble “destructive debt” if payments represent too large a percentage of income.
INSTITUTIONAL FACTORS THAT AFFECT THE WEALTH OF SINGLE MOTHERS

Single mothers’ lack of wealth is not simply a result of individual decisions. Their ability to build wealth is affected by a variety of institutional factors that limit their opportunities for wealth-building.

GOVERNMENT ASSISTANCE/ANTI-POVERTY PROGRAMS

Poverty rates have historically been high for single mothers. In 2007, 27 percent of single mother households fell below the poverty line. In comparison, the overall poverty rate (and the poverty rate for single fathers) was 13 percent.\(^45\) Anti-poverty programs such as Aid to Families with Dependent Children (AFDC) and Temporary Assistance for Needy Families (TANF) have been a critical safety net for economically-vulnerable families, but they can also contribute to future economic vulnerability. Many policies have strict asset tests, which can inhibit families’ ability to land on their feet financially and build wealth over the long run. For example, many states disqualify those seeking assistance if they own a vehicle worth more than $5,000.\(^46\) Selling a vehicle in order to qualify for assistance can make it much more difficult to find and maintain employment. Indeed, research shows that those who own a vehicle have a higher probability of employment, work more hours, and have higher earnings.\(^47\)

Public assistance also limits countable assets and recipients may need to drain any retirement savings in order to qualify for aid. Without any savings, those receiving public assistance are less able to withstand any future economic shocks, rendering them even more economically vulnerable.

EARNINGS

Women working full-time earn only 78 cents for every dollar men earn and mothers working full-time face a wage penalty of 4 percent for the first child and 12 percent for each additional child.\(^48\) But single mothers experience an additional wage penalty their married counterparts do not. Single mothers not only earn less than men, but they earn only 77 percent as much as married women with children and 87 percent as much as single women without children. In contrast, unmarried men with children earned 8 percent more than unmarried men without children.\(^49\)

There are multiple causes of the wage gap for single mothers, including discrimination against mothers,\(^50\) the types of jobs they have, chronic health problems (their own or their children’s),\(^51\) and other demographic characteristics that are associated with wages such as educational attainment. Lower earnings no doubt contribute to the wealth gap for single mothers but they are just the tip of the iceberg.

LACK OF ACCESS TO THE WEALTH ESCALATOR

Single mothers also lack access to the “wealth escalator”\(^52\)—which consists of employment-related fringe benefits, government benefits, and the tax code—that help translate earnings to wealth more quickly.

FRINGE BENEFITS

Fringe benefits are forms of compensation that employees receive in addition to their regular pay. Common fringe benefits include paid sick days, employer-subsidized medical insurance, and pension or retirement benefits. Some fringe benefits help recipients hold on to more of their income by providing benefits that one would otherwise need to pay for such as life insurance or health insurance. Other fringe benefits help recipients build wealth directly, such as 401k plans and stock options.

Single mothers often lack access to the wealth-building advantages of fringe benefits because of the types of jobs they have. Single mothers work disproportionately in low-wage occupations which are least likely to provide fringe benefits.\(^53\)

Single mothers without benefits such as paid sick days or paid vacation days find that they are forced to make a difficult decision when they or their children are sick. Lack of sick days or vacation days can be detrimental to employment stability as well. Chronic health problems (their own or their children’s) are one of the main reasons that single mothers moving off of welfare lose their jobs.\(^54\)

Lack of employer-provided health insurance (or inability to afford employer-provided health insurance) is a need that is left unmet for many single mothers who have low earnings but do not qualify for public health insurance such as Medicaid and the Children’s Health Insurance Program (CHIP).
GOVERNMENT BENEFITS: UNEMPLOYMENT INSURANCE AND SOCIAL SECURITY

Government benefits such as unemployment insurance and social security offer much-needed income to many households. Yet single mothers often do not receive the same benefits because of their labor market characteristics.

Single mothers are less likely to qualify for unemployment insurance. For instance, if an employee hired to work a day shift is required to work night shifts, they are often ineligible to collect unemployment if they leave the job because they cannot find childcare for the night shift.55

Single mothers often receive lower social security benefits as well because of their lower earnings and because mothers are more likely to have disruptions in their labor market participation due to caregiving responsibilities.

THE U.S. TAX CODE

The tax code affects people’s ability to build wealth by providing preferential tax rates and tax deductions for certain forms of income and certain assets. Money that is not paid in taxes increases disposable income that can be used for other purposes such as saving or investing.

Single mothers are much less likely to receive the types of income or own the types of assets that receive preferential tax treatment. For example, single mothers are less likely to have income from capital gains, which are taxed at a lower rate than income from earnings. They are also less likely to benefit from deductions such as the home mortgage interest deduction because they are less likely to own homes. Even tax benefits designed for families with children such as the Child Tax Credit and the Child and Dependent Care Tax Credit are often unavailable to single mothers because their earnings are too low.

While single mothers benefit less from the tax advantages associated with certain forms of income and assets, they are much more likely to qualify for tax benefits that assist low-income working adults—in particular the Earned Income Tax Credit (EITC). The EITC is a refundable federal income tax credit designed to “make work pay” by helping to offset the financial burden of social security taxes and provide employment incentives for low-income adults.

While the EITC has been valuable to single mothers, it does have some shortcomings. For instance, the EITC may be reduced if single mothers take unpaid time off to care for a sick child.56 In some instances, the EITC (and other tax credits such as the Childcare Tax Credit) can also reduce the amount of public assistance a parent receives.57
Chang, Mariko. Lifting as We Climb: Women of Color, Wealth and America’s Future. Insight Center for Community and Economic Development. (2009). The Survey of Consumer Finances (SCF) is a triennial national survey sponsored by the Federal Reserve Board. The 2007 data are the most recent available and most were collected just prior to the economic downturn that began late in 2007. As a result, most households probably have less wealth today than when the data were collected. The paper uses the same definition of wealth employed by the SCF codebook except the value of vehicles is not included here because they do not have the potential to hold or increase their value. In this paper, racial and ethnic differences are provided for non-Hispanic whites, blacks, and Hispanics of any race. Due to very small sample sizes, Asians and Native Americans are combined in the public release of the data thus preventing further disaggregation. For additional information about the 2007 Survey of Consumer Finances see: Bucks, Kennickell, Mach, and Moore. “Changes in U.S. Family Finances from 2004 to 2007: Evidence from the Survey of Consumer Finances.” Federal Reserve Bulletin (February 2009) A1-A56.


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Child Trends Databank, 3.


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Refers to female householders, husband absent


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36 Note: Median values refer to those with each type of debt. Unweighted sample is too small; fewer than 10 people in this category.

37 Cash accounts include savings accounts, checking accounts, and certificates of deposit (CDs).

38 A study of low-income households in Los Angeles found that 51 percent of those who are unbanked had less than a high school diploma; another 33 percent of the unbanked had a high school diploma but no additional schooling. The Pew Health Group. 2010. “Unbanked by Choice” www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Safe_Banking_Opportunities_Project/PEW Unbanked Report_FINAL.pdf?n=9888 (accessed August 26, 2010)


41 Based on calculations of the 2007 Survey of Consumer Finances, data not shown.

42 Installment debt has regularly occurring payments. Car loans are a typical form of installment debt.


45 Additional information about the wealth escalator can be found in: Mariko Chang. 2010. Shortchanged: Why women have less wealth and what can be done about it. NY: Oxford University Press.


50 Add refs: Shelley Correll, others.

CONCLUSIONS AND POLICY RECOMMENDATIONS

Increasing the wealth and assets of single women mothers will require multifaceted strategies and targeted interventions at the local, state and federal levels. Efforts to build the economic security of single women mothers must start with education, continue throughout her working life, and address the structural and institutional barriers that impede access to wealth building mechanisms. Specifically, our recommendations include:

POLICY RECOMMENDATIONS

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 continues to adversely impact the earning potential and subsequent retirement security of women 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 in low-income and economically disadvantaged communities.** 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 single women mothers 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 single mothers 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 business ownership by women of color, low-income individuals and single women mothers.** In recent years, both minority-owned and women-owned businesses have grown, but many women have been left behind. Expanding access to business ownership will help more single mothers 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 low-income communities and in communities of color where many single mothers live. Conventional wisdom in the world of finance fails to recognize the complexities of the lives of single mothers, 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 single mothers educate themselves and adopt financial best practices.

8. **Collect data by race, gender, and parental status and conduct continued research.** Data on wealth, income, assets, debt, and occupational trends must continue to be collected, analyzed, and disaggregated by race, gender, and parental status to track the progress, or lack thereof, towards economic security and quality job attainment among single women mothers.

9. **Increase state and federal child care subsidies.** The high cost of child care makes it difficult for single mothers to make ends meet and impacts family resources over the long run as families cannot afford to put money aside for emergencies, for their children’s education, or for their own retirement.

10. **Make the Child Tax Credit and Child and Dependent Care Tax Credit Refundable.** Tax deductions that help families meet the costs of child care are often not available to single mothers because their earnings are too low. Making these tax credits refundable will provide much-needed economic resources for low-income single mothers.