

RACIAL AND ETHNIC DISPARITIES AMONG LOW-INCOME FAMILIES

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Over the past decade, social policies have undergone significant change. The main policy focus for nonelderly families has been toward encouraging greater work effort, with the expectation that full-time employment, along with some social supports, would enable families to earn enough to provide for their families. Although self-sufficiency can be an illusive concept, there is some consensus that families would need to have incomes above 200 percent of the federal poverty level in order to cover basic household expenses consistently (about \$42,000 for a family of four).¹

U. S. Census reports on median income and poverty rates for households and families commonly note racial and ethnic differences in economic well-being. It is less common to discuss racial and ethnic differences among families with incomes below 200 percent of the poverty level, what we classify as low-income families. Possible income differences across racial and ethnic groups assume some importance within the policy context. With less emphasis on income supports and more on increasing work effort, recent policy changes may have affected racial disparities. In addition, if new policies aim to move people up to the next rung on the economic ladder or improve families' well-being even if their incomes do not increase substantially, then policymakers and advocates need to understand racial differences that may affect the impact of these policies and programs on different types of families.

Profile of Low-Income Families (Figure 1)

The Urban Institute used the 2008 Current Population Survey (which provides income data for 2007) to assess the characteristics of low-income families by race and ethnicity. Over 13.4 million families with children in the United States fall into the low-income category. Most of these families are racial or ethnic minorities. Four million low-income families (or 30 percent of the total) are Hispanic, 2.9 million (22 percent) are black or African American, and about 800,000 (6 percent) are other nonwhites.

Work Effort (Table 1)

Approximately 72 percent of all low-income families with children have at least one employed adult, though not all are working full time. Another 8 percent of them have a self-employed adult in the household. However, work effort varies considerably by race or ethnicity.² Hispanic families are most likely to have an adult who is working full time (55%), while black and white families are equally likely to have a family member working full time (44% and 43%,

¹ See *A New Safety Net for Low-Income Families* by Sheila Zedlewski, Ajay Chaudry, and Margaret Simms (<http://www.urban.org/url.cfm?ID=411738>) for discussion of self-sufficiency and income.

² Work effort is measured as follows: High work effort includes families with at least one parent working full time, full year; medium work effort includes families working full time, part year and part time, full year; and low work effort includes families working part time, part year. A full-time worker works 35 hours or more a week. A part-time worker works between 1 and 35 hours a week. A full-year worker works 50 weeks or more in a year. A part-time worker works between 1 and 50 weeks in a year.

respectively). Black families are most likely to have no employed members (27%) and least likely to have a self-employed member (4%).

Family Structure (Figures 2 and 3)

Some differences in employment may result from differences in family structure. Low-income Hispanic and other-race families are most likely to be in married-family households with or without other related adults (53%). Forty-two percent of white families and only 18 percent of black families are in married-family households. Thus, African American families are the most likely to be single-headed (83%), which might make it more difficult to balance work and family responsibilities. Hispanic and other-race families are also most likely to have additional related adults in their households (single-parent and married-couple combined, 7% and 8%, respectively), and white families are the least likely (3%). The presence of related adults is more common among single-parent households across race and ethnicity.³ Sometimes having additional related adults in the household can alleviate problems especially for single parents because these adults can provide child care or make monetary contributions to the household. Although black families are about twice as likely as white families to live in single-parent households with related adults (5% versus 2%), the overall percentage of black households (single-parent and married-couple combined) who do is about 6 percent. Therefore, additional adults are unlikely to improve the well-being of this group as a whole relative to other groups.

All low-income families are more likely to be single headed than middle- and high-income families (59% versus 22%). But the difference between families of different income groups varies by race. White low-income families are three times as likely as their middle- and high-income counterparts to be headed by single parents. Black and Hispanic low-income families are only twice as likely to be single headed as higher-income families of the same race.

Nativity (Table 2 and Figure 4)

Low-income families are more likely to be headed by an immigrant or foreign-born adult than are middle- or high-income families (27% versus 15%). The patterns differ by race and ethnicity. For whites, the portion of families headed by immigrant parents differs little between low-income and higher-income families (4–5% each). Among Hispanics, low-income families are much more likely to be headed by foreign-born adults. Nearly two-thirds of low-income Hispanic families are headed by an immigrant, compared with half of middle- and high-income Hispanic families. For black and other-race families, the opposite is true: middle- and high-income families are more likely than low-income families to be headed by an immigrant.

Another way to view the status of immigrant families with children is to look at the proportion of all immigrant families that is low income. Only one-quarter of all white and other-race immigrant families fell into the low-income category in 2007. By comparison, nearly half (46%) of black and almost two-thirds (63%) of Hispanic immigrant families were low income. This contrasts with the proportion of native-born families with low-income status among black (53%), Hispanic (46%), and other-race families (36%). The proportion of white households that is low income is similar among the foreign- and native-born.

³ The Census Bureau classifies an adult as a related adult if he or she is related to the household head.

Earnings (Table 3, Figures 5 A–C)

The earnings of low-income married-couple families are generally similar across racial and ethnic groups, ranging between \$25,000 and \$27,000. They are also similar, but much lower (\$10,000), across racial and ethnic groups for single-parent families. However, because of the differences in family structure across groups, black families have the lowest median income (\$12,500) while Hispanic families have the highest (\$18,700).

For all groups, earnings increase with educational attainment. While Hispanic married-couple families whose household heads have high school educations or more tend to have less income than other groups with similar educational attainment, Hispanic household heads with less than high school educations earn more than their counterparts in other ethnic groups. Hispanic families generally appear to compensate for their lack of education through greater work effort (see table 1), making the gap between Hispanic families as a whole and families from other racial and ethnic groups fairly small. Among single-parent households, the effect of educational attainment is strong. Households headed by someone without a high school education have lower earnings than those headed by someone with a higher educational level.

When comparing families with the same level of educational attainment, differences appear by race and ethnicity. Generally, Hispanic families headed by adults with less than high school educations have much higher earnings than white, black, and other families with similarly educated heads. Although married-couple Hispanic families headed by adults with high school diplomas earn slightly less than married-couple families in other racial and ethnic groups, Hispanics are still ahead of other families headed by high school graduates because of their larger proportion of married-couple relative to single-parent households compared with the other groups. There is a larger gap among married-couple families where household heads have more than high school educations, but Hispanics make up ground, again because their families are more likely to be headed by married couples than families in other racial or ethnic groups.

Education (Figures 6 and 7)

Over half of low-income Hispanic family heads lack high school educations, compared with one-fifth of black and other-race (mostly Asian) family heads and slightly less than one-sixth of white family heads. Although few Hispanic family heads have more than high school diplomas, over 40 percent of white and other-race family heads and 36 percent of black family heads have some postsecondary education.

While not all families headed by someone with a high school education or more achieves middle-income status, education does increase a family's chances of having an income above twice the federal poverty level. The proportion of families headed by someone with less than a high school education is much higher among low-income families than among middle and high-income families. Conversely, the proportion of family heads with more than high school educations is much higher among middle- and high-income families than it is among those in the low-income category.

Income Gap (Figure 8)

Low-income black families are more likely to be poor (family income below the federal poverty level) than other families. More than half of low-income black families (53%) are poor,

compared with 39 percent of non-Hispanic whites, 44 percent of Hispanics, and 42 percent of other-race families. This means that there is a much larger income gap between black families' current income and the self-sufficiency level. Further, more than a quarter of low-income black families have incomes below 50 percent of the poverty level and live in deep poverty, compared with 16–17 percent of white and Hispanic low-income families.

Policy Implications

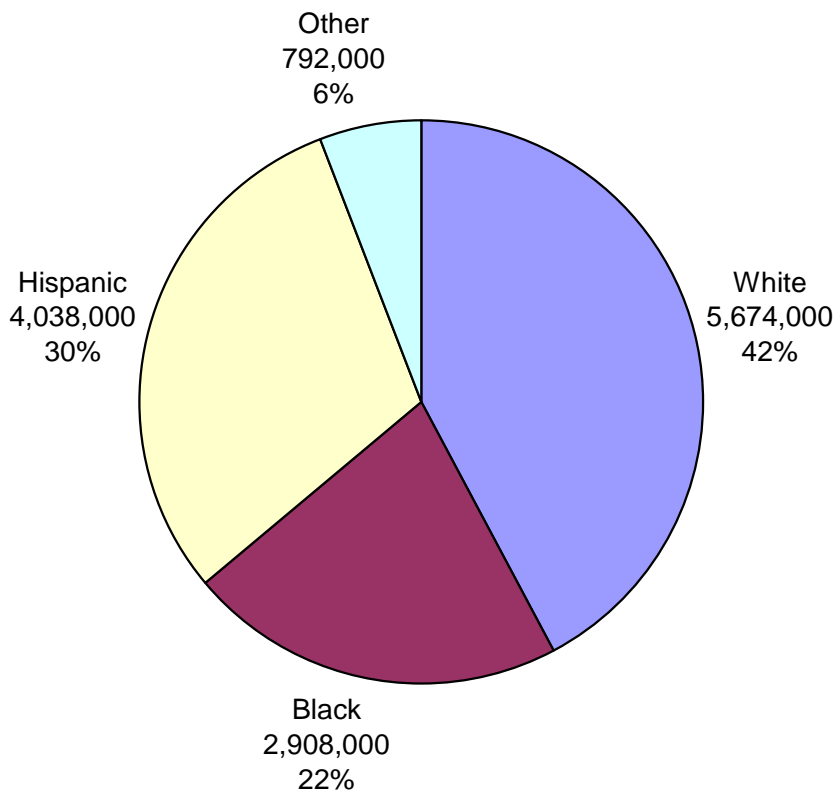
Given the relatively high labor force commitment of Hispanics and their low educational attainment, policies to increase their economic well-being might focus on education, training, and, perhaps, language integration.

Given the large proportion of the black low-income population that is not working at all, identifying the factors that prevent work—child care problems, disability, other health problems—and developing policies that reduce these barriers to work would be important.

The Low-Income Working Families project investigates the risks faced by millions of families and their children whose household earnings are insufficient to meet their basic needs. The project applies rigorous research methods and crosscutting expertise, from housing to health care, to identify private and public strategies that can improve these families' well-being.

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Figure 1. Low-Income Families by Race and Ethnicity, 2008



Source: Urban Institute tabulations of the 2008 U.S. Current Population Survey, Annual Social and Economic Supplements.

Notes: The race/ethnicity of the family is based on the race/ethnicity of the household head. Low-income families have total family income below 200 percent of the federal poverty level.

Table 1. Work Effort of Low-Income Families by Race and Ethnicity, 2007 (percent)

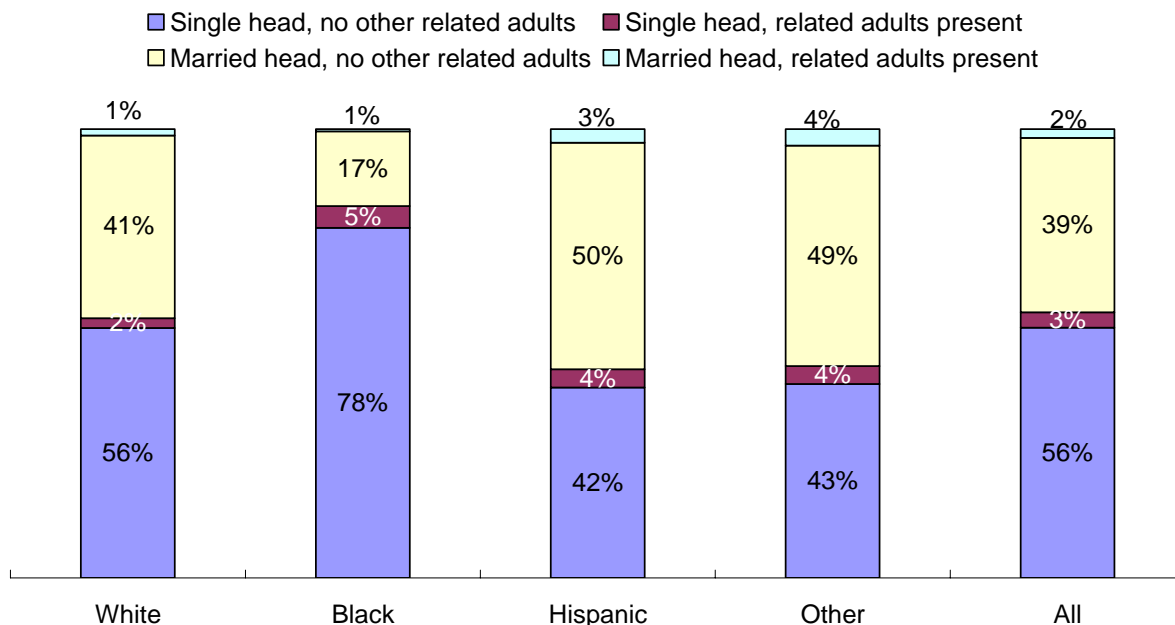
Work effort	White families	Black families	Hispanic families	Other families	All families
High work effort	43	44	55	49	47
Medium work effort	20	19	18	17	19
Low work effort	7	6	4	4	6
Not working	19	27	16	19	20
Self-employed	11	4	7	11	8

Source: Urban Institute tabulations of the 2008 U.S. Current Population Survey, Annual Social and Economic Supplements.

Notes: The race/ethnicity of the family is based on the race/ethnicity of the household head. Low-income families have total family income below 200 percent of the federal poverty level.

High work effort includes families with at least one parent working full time, full year; medium work effort includes families working full time, part year and part time, full year; and low work effort includes families working part time, part year. A full-time worker works 35 hours or more a week. A part-time worker works between 1 and 35 hours a week. A full-year worker works 50 weeks or more in a year. A part-time worker works between 1 and 50 weeks in a year.

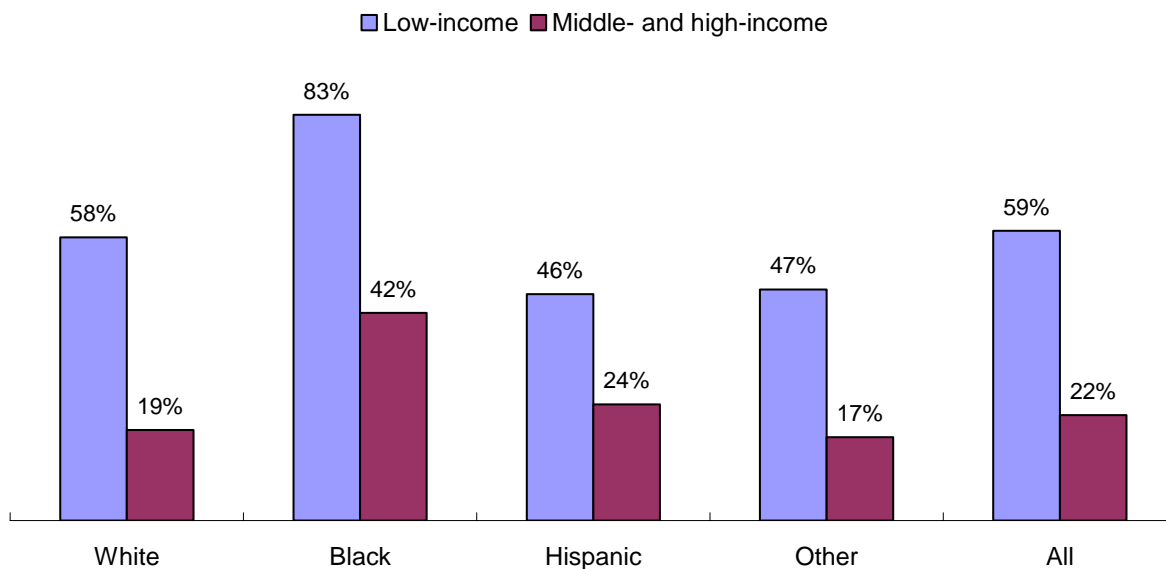
Figure 2. Distribution of Low-Income Families by Family Structure and Race/Ethnicity, 2008



Source: Urban Institute tabulations of the 2008 U.S. Current Population Survey, Annual Social and Economic Supplements.

Notes: The race/ethnicity of the family is based on the race/ethnicity of the household head. Low-income families have total family income below 200 percent of the federal poverty level.

Figure 3. Percent of Families Headed by a Single Parent, by Income and Race/Ethnicity, 2008



Source: Urban Institute tabulations of the 2008 U.S. Current Population Survey, Annual Social and Economic Supplements.

Notes: The race/ethnicity of the family is based on the race/ethnicity of the household head. Low-income families have total family income below 200 percent of the federal poverty level. Middle- and high-income families have total family income above 200 percent of the federal poverty level.

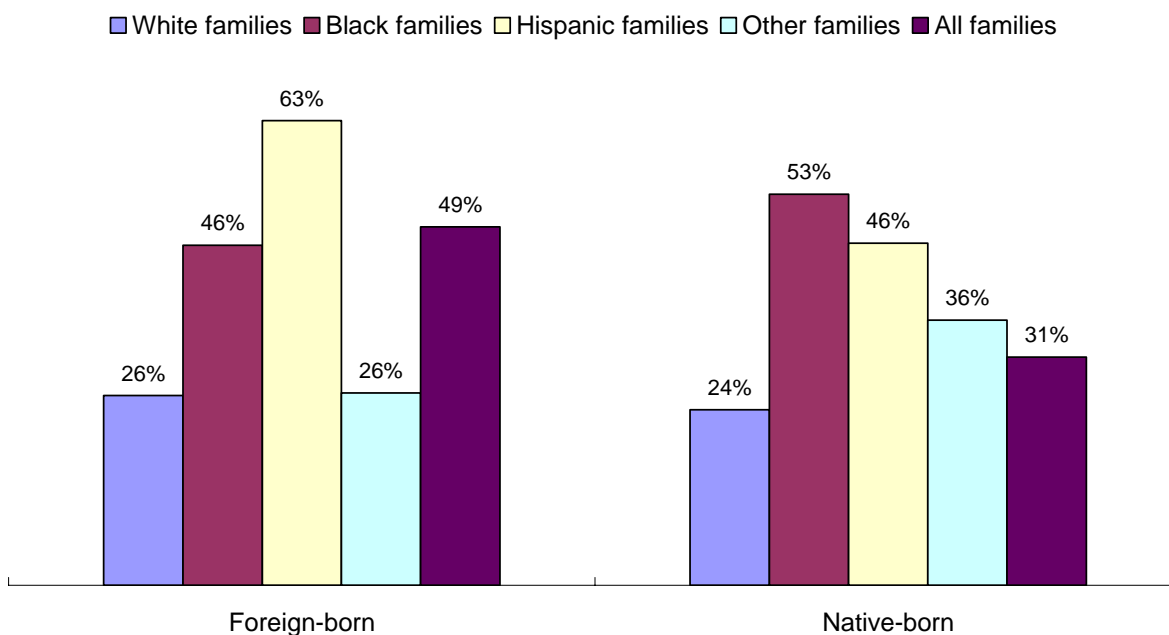
Table 2. Percent of Families Headed by a Foreign-Born Adult, by Income and Race/Ethnicity, 2008

Income	White families	Black families	Hispanic families	Other families	All families
Low-income	5	9	65	50	27
Middle- and high-income	4	12	49	61	15

Source: Urban Institute tabulations of the 2008 U.S. Current Population Survey, Annual Social and Economic Supplements.

Notes: The race/ethnicity of the family is based on the race/ethnicity of the household head. Low-income families have total family income below 200 percent of the federal poverty level. Middle- and high-income families have total family income above 200 percent of the federal poverty level. An immigrant or foreign-born person is born outside the United States or its territories. People born in the United States, Puerto Rico and other territories, or born abroad to U.S. citizen parents, are native born.

Figure 4. Percent of Families That Are Low Income, by Nativity of Household Head, 2008



Source: Urban Institute tabulations of the 2008 U.S. Current Population Survey, Annual Social and Economic Supplements.

Notes: The race/ethnicity of the family is based on the race/ethnicity of the household head. Low-income families have total family income below 200 percent of the federal poverty level.

An immigrant or foreign-born person is born outside the United States or its territories. People born in the United States, Puerto Rico and other territories, or born abroad to U.S. citizen parents, are native born.

Table 3. Median Family Earnings of Low-Income Families by Education, Marital Status, and Race/Ethnicity, 2007

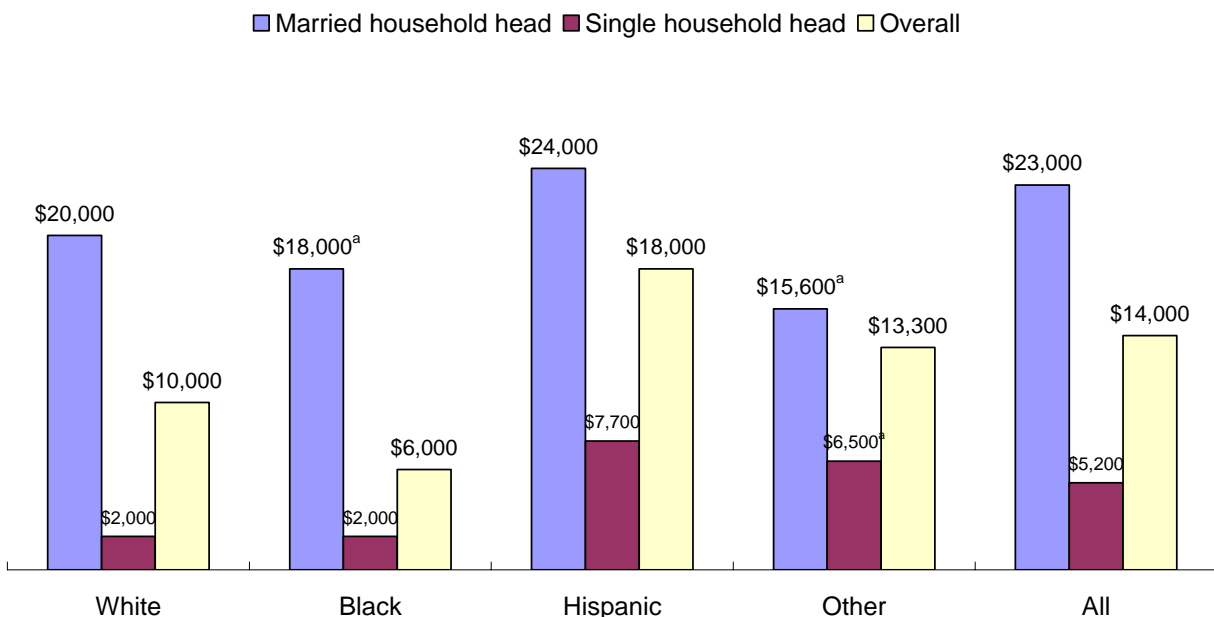
Education of household head	Marital status of household head	White families	Black families	Hispanic families	Other families	All families
<i>Less than high school</i>						
	Married	\$20,000	\$18,000 ^a	\$24,000	\$15,600 ^a	\$23,000
	Single	\$2,000	\$2,000	\$7,700	\$6,500 ^a	\$5,200
	Overall	\$10,000	\$6,000	\$18,000	\$13,300	\$14,000
<i>High school diploma or equivalent</i>						
	Married	\$27,000	\$28,000	\$25,000	\$26,000	\$26,000
	Single	\$10,000	\$9,500	\$11,500	\$8,200	\$10,000
	Overall	\$17,000	\$11,000	\$19,000	\$17,000	\$16,000
<i>More than high school</i>						
	Married	\$30,000	\$33,000	\$28,000	\$27,000	\$30,000
	Single	\$12,000	\$15,000	\$14,000	\$15,000	\$13,000
	Overall	\$18,900	\$17,000	\$20,000	\$20,800	\$18,500
All families						
	Married	\$27,000	\$27,000	\$25,000	\$25,000	\$25,400
	Single	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
	Overall	\$17,000	\$12,500	\$18,700	\$18,000	\$16,000

Source: Urban Institute tabulations of the 2008 U.S. Current Population Survey, Annual Social and Economic Supplements.

Notes: The race/ethnicity of the family is based on the race/ethnicity of the household head. Low-income families have total family income below 200 percent of the federal poverty level.

^a Estimate is based on fewer than 100 observations.

Figure 5A. Median Family Earnings of Low-Income Families with Less than High School Educations by Race/Ethnicity, 2007

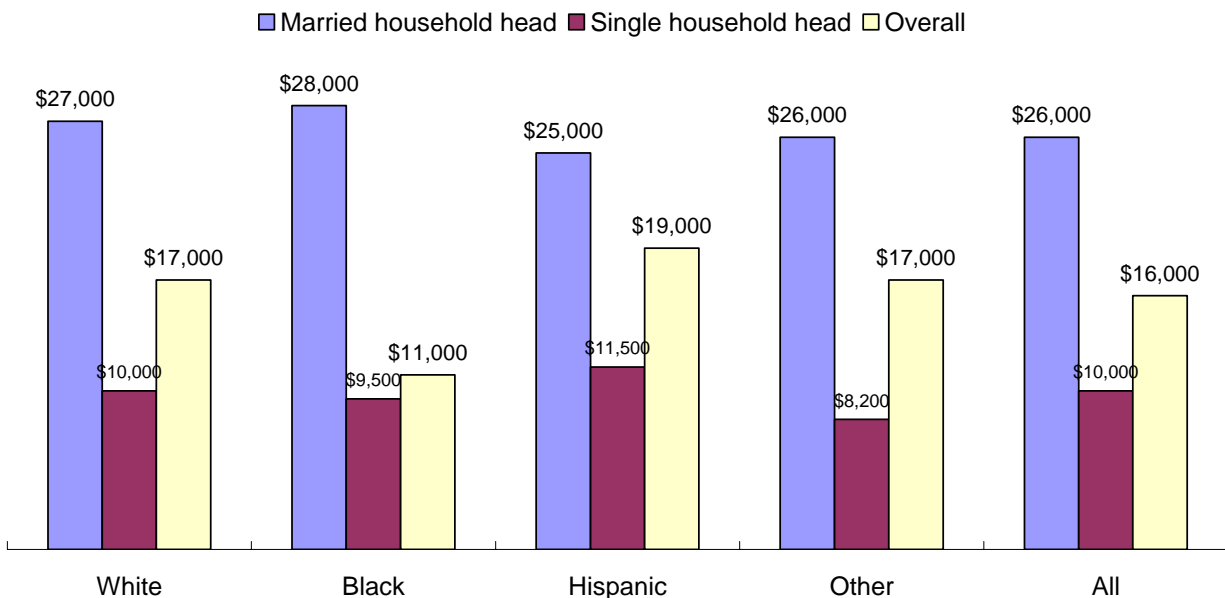


Source: Urban Institute tabulations of the 2008 U.S. Current Population Survey, Annual Social and Economic Supplements.

Notes: The race/ethnicity of the family is based on the race/ethnicity of the household head. Low-income families have total family income below 200 percent of the federal poverty level.

^a estimate is based on fewer than 100 observations.

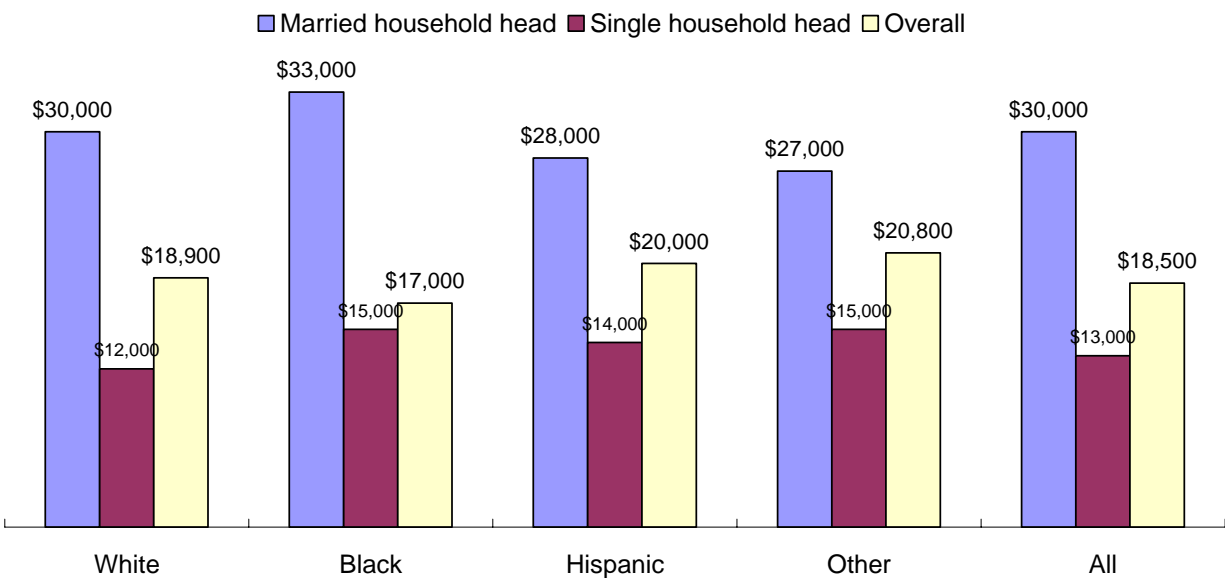
Figure 5B. Median Family Earnings of Low-Income Families with High School Diplomas or Equivalent Education, by Race/Ethnicity, 2007



Source: Urban Institute tabulations of the 2008 U.S. Current Population Survey, Annual Social and Economic Supplements.

Notes: The race/ethnicity of the family is based on the race/ethnicity of the household head. Low-income families have total family income below 200 percent of the federal poverty level.

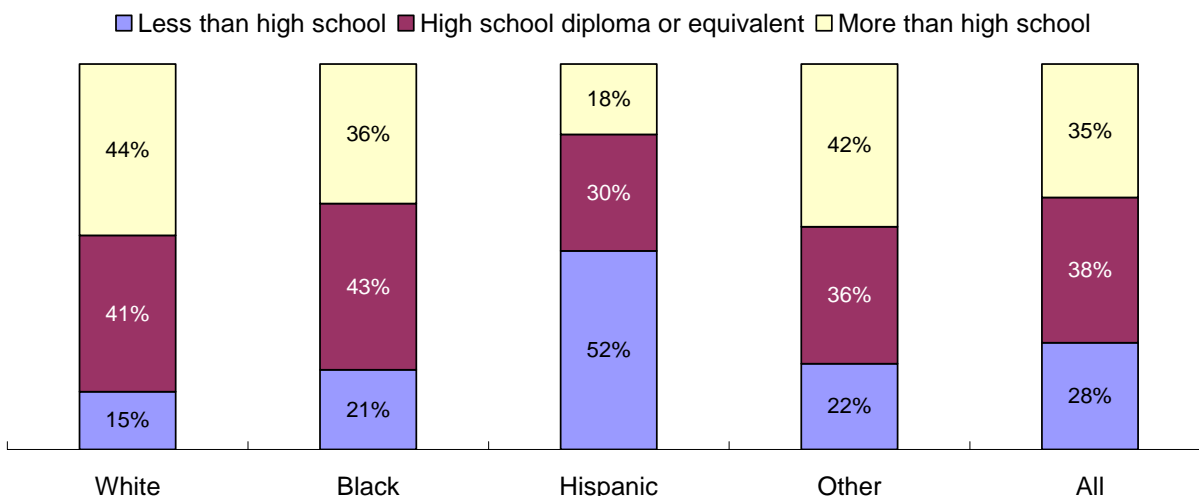
Figure 5C. Median Family Earnings of Low-Income Families with More than High School Educations, by Race/Ethnicity, 2007



Source: Urban Institute tabulations of the 2008 U.S. Current Population Survey, Annual Social and Economic Supplements.

Notes: The race/ethnicity of the family is based on the race/ethnicity of the household head. Low-income families have total family income below 200 percent of the federal poverty level.

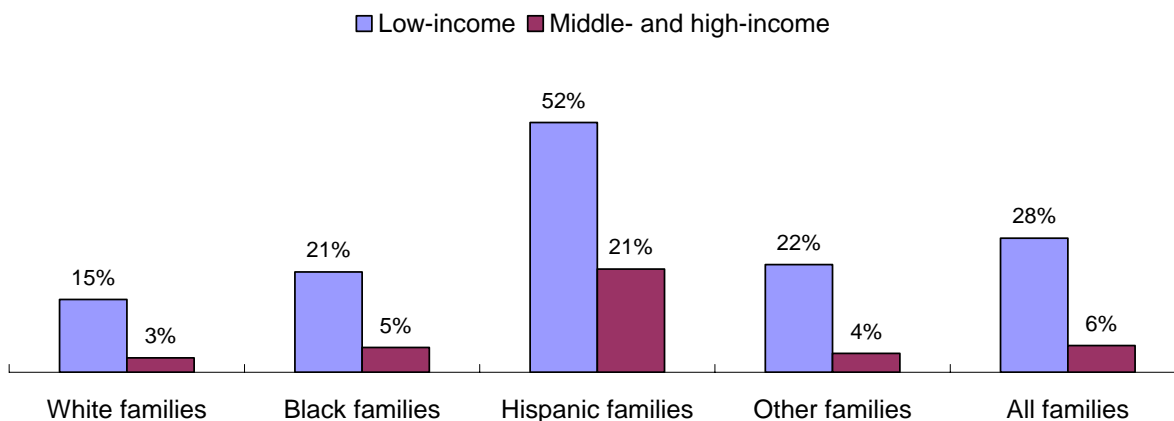
Figure 6. Distribution of Low-Income Families by Education of Household Head and Race/Ethnicity, 2008



Source: Urban Institute tabulations of the 2008 U.S. Current Population Survey, Annual Social and Economic Supplements.

Notes: The race/ethnicity of the family is based on the race/ethnicity of the household head. Low-income families have total family income below 200 percent of the federal poverty level.

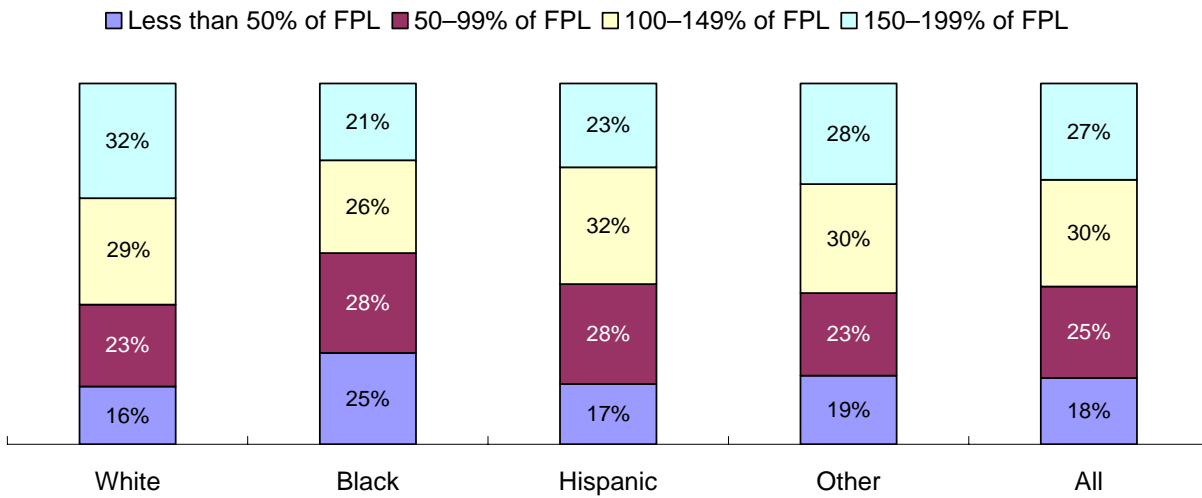
Figure 7. Percent of Household Heads with Less than High School Educations by Income and Race/Ethnicity, 2008



Source: Urban Institute tabulations of the 2008 U.S. Current Population Survey, Annual Social and Economic Supplements.

Notes: The race/ethnicity of the family is based on the race/ethnicity of the household head. Low-income families have total family income below 200 percent of the federal poverty level. Middle- and high-income families have total family income above 200 percent of the federal poverty level.

Figure 8. Distribution of Low-Income Families by Family Income as a Share of Federal Poverty Level and Race/Ethnicity, 2007



Source: Urban Institute tabulations of the 2008 U.S. Current Population Survey, Annual Social and Economic Supplements.

Notes: The race/ethnicity of the family is based on the race/ethnicity of the household head. Low-income families have total family income below 200 percent of the federal poverty level.