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MEANINGFUL WORK & WEALTH

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SPRINGBOARD BRIEF FOR RECOVERY & RESILIENCE DOMAIN LEAD: WEALTH & WORK

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SPRINGBOARD BRIEF FOR RECOVERY & RESILIENCE DOMAIN LEAD: WEALTH & WORK

Since 1979, Prosperity Now has believed that everyone deserves a chance to prosper. Our mission is to ensure that everyone in our country has a clear path to financial stability, wealth, and prosperity, particularly People of Color and low-wealth families. To advance our mission, we create and support programs and policies that foster an economy that offers opportunity to those who have not had it before. With a unique focus on assets, rather than purely income, and by applying a racial equity lens across our work, we help ensure families and communities not only get by but get ahead. Finally, through research, solutions, and policies, we fight for economic mobility for everyone in the United States.

The 24,000-member Prosperity Now Community consists of community-based organizations, coalition members, researchers, policymakers and advocates who support financial stability and wealth-building efforts across the country.

According to our [Prosperity Now Scorecard], 37 percent of U.S. households and 58 percent of households of color lack a basic level of savings needed to survive at the poverty level for three months. In response to the significant financial insecurity facing families and Communities of Color, Prosperity Now launched the [Racial Wealth Divide Initiative] (RWDI) in 2015. We leverage our connection to national organizations, a growing network of state and local partners, and our core competencies–technical assistance, policy development, and advocacy, and applied research–to aggressively address racial economic inequality across the country.

THE STATE OF WEALTH AND WORK PRIOR TO COVID-19

The state of wealth and work prior to COVID-19 was shaped by many overlapping policies, institutions, and systems. Like health outcomes, which are determined in significant part by non-health social factors,[1] wealth and work status are shaped by conditions outside an individual's control: redistributive policies like the tax code, forces like the decline of unions that influence job quality, racism and discrimination embedded within policies and institutions, and a multitude of other factors. The resulting state is one of stark disparities in wealth and work, where far too many Americans are low wealth, lacking in economic opportunity, and subject to poor job quality.

In 2016, 37 percent of U.S. households (roughly 45 million households total) were [liquid asset poor].[2] This includes 60 percent of households with a member with a disability, and nearly 60 percent of Black and Hispanic or Latino households. Among immigrants, non-citizens are considerably more likely to be liquid asset poor (58 percent) than are their citizen counterparts (35.7 percent). Non-citizens without permanent residency status have even higher liquid asset poverty rates (63.8 percent), as do non-citizens who are limited English speakers (82.7 percent). Unemployment among Black Americans and Native Americans is consistently double that of working-age White people.[3] In 2018, 27.6 million people nationwide were employed in low-wage occupations, comprising roughly 17 percent of the civilian labor force.[4]

In this section, we will explore this state in greater depth through the sub-domains of employment, entrepreneurship, financial stability and security, and

1 https://www.cdc.gov/socialdeterminants/index.htm

2 Prosperity Now analysis of Survey of Income and Program Participation, 2014 Panel, Wave 4 data. U.S. Census Bureau, 2019. Liquid Asset Poverty is defined here as the rate of households without enough cash on hand, in savings and checking accounts, or retirement savings to subsist for three months at the federal poverty line in the absence of income. Today, that threshold is $3,168 for an individual, and $6,550 for a family of four.

3 Bureau of Labor Statistics (May 2019). "Foreign-born workers: Labor force characteristics—2018". Available at https://www.bls.gov/news.release/pdf/forbrn.pdf.

4 Prosperity Now analysis of Occupational Employment Statistics, May 2018, Bureau of Labor Statistics. Low-wage occupations are here defined as occupations, within any industry, that offer a median annual wage at or below the federal poverty threshold for a family of four, which in 2018 was $25,100.

health, all of which shape work and wealth and have contributed to the disproportionate impact of COVID-19 on Communities of Color. We detail below how these subdomains have intersected to affect disparities in wealth and meaningful work in the past and present, with a historical look at the public and institutional policies that shaped these realities. These policies and sectors, among other factors, promote racial economic inequality and a growing racial wealth divide, which in turn further exacerbate disparities in employment and financial security for households of color.

RACIALIZED POLICIES

Before discussing these sub-domains, it is critical to focus on how systemic racism and discrimination have been embedded within public and institutional policies to boost the ability of White Americans and men to build long-term wealth and consolidate political power while blocking people and Communities of Color from doing the same.[5] These choices across multiple systems and institutions have deeply shaped outcomes in work and wealth, determined in no small part how economic benefits are distributed, and resulted in racial economic inequality and racial wealth disparities.

In particular, gaps between White Americans and People of Color, and men and women, in income, wealth, health outcomes, employment outcomes, homeownership, access to routes to citizenship, educational access and attainment, access to banking and lending channels, and access to public benefits—and any number of other examples—are the result of discriminatory and exclusionary policies. These policies include, but are not limited to:[6]

- Naturalization and Exclusion Acts, and immigration quotas, enacted over centuries.
- Indian land theft, forced resettlement, Tribal "removal" and termination acts.
- Chattel slavery, Black Codes and Jim Crow laws, FHA redlining and other forms of codified residential segregation. Japanese internment (and, at the tail end of the Reagan Administration, reparations).
- The New Deal and G.I. Bills, both of which excluded—tacitly or explicitly—African Americans from accessing many of the benefits, including free education, unemployment insurance, Social Security, and low-cost mortgage loans.

In conjunction with these public policies, institutions and sectors have embedded racism within their policies, including financial services discriminating based on race in banking and lending, employers discriminating in hiring and workplace policies, and many others. These policies—past and current—are foundational to how wealth and work is distributed within this country, and in many ways, have dictated who benefits from the employment and financial systems.

EMPLOYMENT

The employment landscape has shifted significantly over the last several decades. The share of employees in unions, who have higher wages and levels of benefits on average than non-union employees, fell from 20 percent to 10 percent from 1983 to 2019.[7] In this period, jobs in food and beverage services have largely replaced lost manufacturing jobs, with the average food service worker earning 60 percent less than an average manufacturing worker. At the same time, employers have transferred the burden of many benefits to employees, such as through the transition from defined benefit to defined contribution retirement plans.[8] Moreover, these sorts of employer-supported financial wellness resources such as retirement/pension and health insurance are only available to a limited number of Americans, who typically have higher educational attainment and are disproportionately White.

Further, worker productivity from 1979-2018 grew by nearly 70 percent, with hourly pay only growing by almost 15 percent; these productivity gains have not trickled down to workers in the form of increased earnings.[9] Overall, these changes in the employment landscape have had an impact on overall job quality in America, where many employees face stagnating wages, decreased

5 Dedrick Asante-Muhammad, Chuck Collins, Josh Hoxie and Emanuel Nieves, The Road to Zero Wealth: How the Racial Wealth Divide is Hollowing Out America's Middle Class (Washington, DC: Prosperity Now, 2017). Accessed at https://prosperitynow.org/resources/road-zero-wealth.
6 United for a Fair Economy, "The Boosts and Blocks of Building Wealth: Infographic". Accessed at http://www.faireconomy.org/boosts_and_blocks_of_building_wealth_infographic.
7 https://www.bls.gov/news.release/union2.nr0.htm.
8 https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/transitioningplans.aspx
9 https://www.epi.org/productivity-pay-gap/

purchasing power, and fewer employer-provided benefits.

Wage amount and consistency is an enormous issue for workers. As noted above, roughly 17 percent of the civilian labor force work in low-wage occupations. Low-wage work is associated with—and often the cause of—high rates of income volatility, an issue which is discussed in more detail in following sections. Workers in these positions also commonly suffer from inconsistent wages as a result of the rise of irregular and on-demand scheduling, which exacerbates income volatility and makes it hard for workers to meet expenses.[10] Twenty percent of households across the country experienced income volatility in 2019. Though work schedules and incomes might ebb and flow, bills don't—and that can lead to catastrophe for households who are unable to make up the difference from month to month.

Undergirding these challenges is a policy landscape that has not sufficiently addressed these issues, or in some cases, exacerbated them. The federal minimum wage has not kept up with inflation, and those working minimum wage jobs have lost 9.6 percent of their purchasing power against inflation since it was last raised in 2009.[11] Twenty-three states have passed or implemented laws preempting cities from passing legislation that would increase the minimum wage higher than the state's; as a result, local governments are not able to be responsive to the higher costs of living in some communities.[12] Moreover, several laws have been passed at the state level that limited the ability of unions to form and bargain workplaces, reducing the power of workers.

ENTREPRENEURSHIP

Entrepreneurship is a promising solution for individuals to build wealth, and also is critical to the state of work: new businesses (less than 5 years old) account for nearly all net new job creation.[13] However, entrepreneurs of color, who generally come from low-wealth communities, are not readily afforded the resources needed to start, scale and grow businesses. Families and friends aren't able to provide the initial capital needed to start businesses, and too often, traditional sources of capital are unavailable. Women, Black, and Latino entrepreneurs struggle to access financing for their businesses, with 63 percent of women reporting difficulty vs. 45 percent of men.[14]

Increases in business ownership can help People of Color achieve greater social mobility. Numerous studies have shown that entrepreneurship (business ownership or self-employment) creates higher levels of asset creation. For example, it was found that at the end of a five-year period, families who owned a business were more likely to have moved into a higher income group than other families, and in fact, families who did not acquire or start a business in this period were more likely to stay in their income category or fall into a lower one.[15,16]

Focusing policies and resources to help entrepreneurs of color succeed will have the added benefit of significantly impacting the racial employment gap. Data collected from organizations that work with entrepreneurs of color have documented that minority businesses hire People of Color at a substantially higher rate than white-owned businesses. For example, the Minority Business Development Agency data shows that these businesses have hired People of Color for 40-50 percent of their workforce. In addition, supporting the success of new businesses is a proven way to increase the tax base, which helps all communities grow and thrive.

Even though they are challenged and disadvantaged by existing systems, structures and biases, People of Color who independently own businesses are already making a big difference.

In a groundbreaking study, William Bradford successfully makes the case that African American entrepreneurs reduce the racial wealth gap. Bradford's analysis, based on his study of income data on family wealth between 1999 through 2009, shows that African American entrepreneurship significantly reduces wealth disparities between African American and White families in the United States. He also found that the upward wealth mobility of African American entrepreneurs is equivalent to that of White entrepreneurs. In fact, according to Bradford, self-employed entrepreneurs of any race have

10 https://www.epi.org/publication/irregular-work-scheduling-and-its-consequences/
11 https://www.pewresearch.org/fact-tank/2017/01/04/5-facts-about-the-minimum-wage/
12 https://prosperitynow.org/sites/default/files/resources/2018-Prosperity-Now-Scorecard-Main-Findings-Report_0.pdf
13 John Haltiwanger, Ron S. Jarmin, and Javier Miranda, "Who Creates Jobs? Small Versus Large Versus Young," The Review of Economics and Statistics 95, no. 2 (May 2013): 347-361
14 "America's Voice on Small Business" 2017. https://americassbdc.org/wp-content/uploads/2017/05/White-Paper-GenStudy-6-1-2017.pdf
15 http://www.hamiltonproject.org/assets/legacy/files/downloads_and_links/minority_women_entrepreneurs_building_skills_barr_final.pdf
16 Quadrini, Vincenzo. 2000. "Entrepreneurship, Saving, and Social Mobility." Review of Economic Dynamics 3 (1): 3.

higher wealth levels and more upward mobility than do those who are employed in the labor force.[17] Bradford's findings demonstrate that entrepreneurship is an effective way to address the racial economic opportunity gap.

FINANCIAL STABILITY AND SECURITY

Financial stability—the ability to meet day-to-day expenses and manage financial shocks—and financial security—the ability to build and protect assets and secure future financial goals—are both deeply influenced by the aforementioned employment system and policies designed for the betterment of White people and men. Job quality, particularly wages and benefits, have a deep impact on one's ability to meet day-to-day expenses, build a financial safety net, and grow wealth. Similarly, systemic racism built into policies and institutions, including employment, housing, and financial services, have created an ever-growing racial wealth divide.[18] These forces, along with others such as housing and costs of living, created a precarious situation for financial stability and security even in economic boom times, such as the pre-COVID-19 period.

Prior to COVID-19, millions of Americans each year suffered income shortfalls that had an adverse impact on their household finances and stability. For many, a financial emergency, such as a health care payment, very often and very easily cascaded into two or more additional crises, leading to adverse financial consequences like troublesome debt and material deprivation. Three of the key lenses to understand financial stability and security are as follows:

Savings

Savings is vital to achieving financial stability and building financial security, as it ensures that individuals can weather unexpected shocks, work toward their long-term goals and build assets. Even a modest amount of savings can help families move toward financial resilience. Savings is also linked to broad psychological, social, and physical health, by reducing stress and increasing access to needed medical care. However, Americans face a crisis of insufficient savings that extends to both short-term savings and long-term savings, such as retirement. Data shows that insufficient savings affects a broad swath of U.S. households:

- One-third of Americans report having no savings at all[19]
- If faced with an unexpected expense of $400, nearly four in ten adults would either not be able to cover it or would cover it by selling something or borrowing money.[20]
- One-fourth of Americans have no retirement savings or pension.[21]

Asset ownership

Asset ownership is critical to building and maintaining financial security. Asset ownership supports resilience; if there is a disruption in income, assets can help to cover the gap until paychecks resume. And, assets can be passed down to future generations to build their financial security from an even earlier age. However, as noted above, there are critical disparities across race and class in regard to asset ownership. Measures of net worth—which consist of a household's assets minus its liabilities—showcase this. Median net worth in the country is $92,110. However, broken down by race, White households own $141,825; Black households own $12,470; Latino households own $20,479; and Asian households own $212,511;[22] Moreover, in 2018, 25.4 percent of households of color had zero or negative net worth, compared with 13.1 percent of White households.

For most households, homeownership is the largest driver for building and maintaining wealth. The average net worth of a homeowner was $231,400, compared with just $5,200 for a renter, according to the Federal Reserve's 2016 [Survey of Consumer Finances](). In addition, 63.1 percent of occupied housing units are owner-occupied; however, homeownership rates fall dramatically for households of color, nationally averaging 45.0 percent

17 Bradford, William: The "Myth" That Black Entrepreneurship Can Reduce the Gap in Wealth Between Black and White Families. Accessed at: https://journals.sagepub.com/doi/abs/10.1177/0891242414535468
18 Dedrick Asante-Muhammad, Chuck Collins, Josh Hoxie and Emanuel Nieves, The Ever-Growing Gap: Without Change, African-American and Latino Families Won't Match White Wealth For Centuries (Washington, DC: Prosperity Now, 2016). Accessed at https://prosperitynow.org/resources/road-zero-wealth.
19 https://www.pewtrusts.org/en/research-and-analysis/articles/2019/07/29/many-americans-still-face-financial-instability-despite-economic-growth
20 https://www.federalreserve.gov/publications/2019-economic-well-being-of-us-households-in-2018-dealing-with-unexpected-expenses.htm
21 https://www.federalreserve.gov/publications/files/2018-report-economic-well-being-us-households-201905.pdf
22 Prosperity Now Scorecard: http://scorecard.prosperitynow.org/data-by-issue#finance/outcome/net-worth

vs. the 71.2 percent owner-occupied rate of White households. The role of homeownership in wealth building is especially central for lower-income households and People of Color, who have more wealth concentrated in home equity than other populations. On average over the last 25 years, equity in homes represented half of the wealth in Black and Latino households, a third for Asians, and just a quarter for Whites.[23]

Beyond the legacy of discriminatory lending and real estate practices, households of color still struggle to purchase homes at the same rate as White families. As we state in our report "A Down Payment on the Divide," White families receive much more help from family to pay for the upfront costs that come with homeownership. Along with other savings and income advantages, White households have more years of equity in their homes than Black households. Black and Latino households are denied mortgages more often than Whites, and if they are extended a mortgage, it is usually on less favorable terms. While the denial rate for Blacks is more than 25 percent and for Hispanics is close to 20 percent, the rate for White households is just over 10 percent, meaning Blacks and Hispanics have a denial rate that is twice as high or higher than Whites.

Non-mortgage debt

Non-mortgage debt such as student loans, credit card debt, car loans, and lines of credit, can be an impediment to building financial security, particularly when individuals are carrying a high debt burden.[24] Non-mortgage debt, which is associated with financial vulnerability when it exceeds 40 percent of income,[25] increased from $3.84 trillion to $4.02 trillion from 2018 to 2019; however, in 2019, respondents were more optimistic about their ability to manage debt than in 2018.[26]

Once non-mortgage debt is incurred, it can have wide-ranging repercussions over time. Working to pay off costly debt, such as payday loans and other small-dollar credit products, can significantly reduce a household's ability to make ends meet, impacting both current and future financial outcomes.[27] Non-loan debt, such as out-of-pocket medical costs, state and local government fines and fees, and unpaid bills can have cascading negative effects on household financial stability and security.[28] Moreover, consumer debt is associated with both physical and mental health challenges.[29]

Overall debt, including mortgage, has tripled over the last three decades; as with other financial security factors, this is due to structural changes related to higher expenses, wage stagnation, underregulated predatory lending, increased income volatility and other issues. We have seen a tripling of debt, including mortgage, student and consumer, over the last three decades.

In summary, for households lacking savings and liquid assets in the short term, building assets and wealth over a lifetime is increasingly difficult. Families may struggle to maintain housing, save for retirement, or invest in ways that ensure long-term financial security. A lack of savings also leaves households vulnerable to economic shocks and may force them to take on troublesome debt to get by. Debt, in turn, becomes a barrier to further savings and wealth-building as climbing out of debt can be very challenging and working to pay off debt can result in cascading economic consequences.

THE INTERSECTIONS OF HEALTH AND WEALTH

Prior to COVID-19 and continuing today, wealth influenced our physical and mental health, and vice versa. Poverty and financial insecurity lead to toxic stress, chronic disease, and other poor mental and physical health outcomes.[30] Conversely, health care treatment can lead to devastating medical expenses and financial ruin,[31] especially (but not exclusively) for those of low-wealth. Moreover, discrimination throughout health care policies and institutions have led to the gaping disparities in

23 https://www.stlouisfed.org/publications/housing-market-perspectives/2017/homeownership-racial-wealth-divide
24 http://www.aspenepic.org/wp-content/uploads/2018/03/Consumer-Debt-Primer.pdf
25 https://s3.amazonaws.com/cfsi-innovation-files/wp-content/uploads/2017/01/24183123/Understanding-and-Improving-Consumer-Financial-Health-in-America.pdf
26 https://s3.amazonaws.com/cfsi-innovation-files-2018/wp-content/uploads/2019/11/13204428/US-Financial-Health-Pulse-2019.pdf
27 Rob Levy and Joshua Sledge, A Complex Portrait
28 https://www.fdic.gov/news/conferences/consumersymposium/2012/a complex portrait.pdf
29 *Ibid.*
30 https://www.frbsf.org/community-development/files/choi.pdf
31 https://www.kff.org/health-costs/report/the-burden-of-medical-debt-results-from-the-kaiser-family-foundationnew-york-times-medical-bills-survey/

health by race and ethnicity, just as they have for wealth.[32] Wealth impacts, and is impacted by, many of the social determinants of health, including housing, racism and discrimination, employment, education, food security and several others.[33]

EFFECTS OF COVID-19 ON WEALTH AND WORK

The health and financial crises caused by the COVID-19 pandemic are compounding to devastating effect in Communities of Color and other vulnerable populations. Incomes and job security have fallen for millions; available benefits (enhanced unemployment insurance, economic impact payments, local forms of aid, etc.) have increased to fill gaps in income during the crisis, but exclude many, including immigrant families, and are insufficient to stabilize families long-term. Some of the critical impacts are as follows:

- Economic insecurity, by nearly every conceivable metric, has risen—for individuals, households, businesses, and governments. Unemployment has ballooned (see below); food insecurity is more prevalent; housing stability, particularly among renters, is now more precarious.
- Unemployment rates ballooned in the month after the pandemic shutdown began, ranging from 7.9 percent in Connecticut to 28.2 percent in Nevada. Data collection issues likely resulted in an undercount, with the BLS estimating the national rate to be over 19 percent. Connecticut officials estimate that CT's state rate is closer to 17.5 percent. Through the end of May, an estimated 26 percent of the labor force had applied for unemployment insurance as a result of the pandemic response.[34]
- The disbursement of Paycheck Protection Program (PPP) funds prioritized larger and more capitalized firms, at the expense of Main Street businesses and microbusinesses. The Small Business Administration's internal analysis concluded that a lack of guidance during the program's rollout resulted in a loan distribution that skewed heavily toward larger businesses, and businesses owned by men or White people.[35]
- The number of active Black business owners has fallen by over 40 percent since the onset of the pandemic. Hispanic or Latino business owner counts dropped by 32 percent, and Asian business owner counts by 25 percent.[36]
- A high percentage of workers deemed "essential" are People of Color, exposing them to increased health and related financial risks.
- Many immigrants and their families were written out of receiving the benefits of the COVID-19 relief bills. This is despite immigrants being less likely to use public benefit programs, and constituting a disproportionate amount of the "essential" economic sectors.[37]

As implied above, the relationship between health and wealth is manifesting with stark impacts on this crisis as well:

- The existing dynamic racial economic inequality influencing poor health outcomes is playing out tragically as Communities of Color are bearing an increased disease and death burden.[38] People of Color are more likely to work in unsafe conditions, have less access to essential health supports like sick leave and health insurance, and face discrimination in care, all leading to adverse health outcomes.
- As noted above, the health crisis has led to

32 https://www.kff.org/disparities-policy/report/key-facts-on-health-and-health-care-by-race-and-ethnicity/
33 https://prosperitynow.org/blog/shared-determinants-health-and-wealth#:~:text=Social%20determinants%20of%20health%20include,transportation%2C%20employment%20and%20economic%20stability.&text=Housing%20affordability%20and%20stability%3A%20Housing,financial%20well%2Dbeing%20and%20wealth
34 Source: BLS; U.S. Department of Labor; Connecticut Department of Labor)
35 U.S. Small Business Administration Office of the Inspector General (May 8, 2020). "Flash Report: Small Business Administration's Implementation of the Paycheck Protection Program's Requirements" Accessed May 12, 2020 at: https://www.oversight.gov/sites/default/files/oig-reports/SBA_OIG_Report_20-14_508.pdf.
36 Robert Fairlie, UC Santa Cruz
37 Jeffrey S. Passel and D'Vera Cohn (November 2016). "Size of U.S. Unauthorized Immigrant Workforce Stable After the Great Recession", Pew Research Center. Available at https://www.pewresearch.org/hispanic/2016/11/03/size-of-u-s-unauthorized-immigrant-workforce-stable-after-the-great-recession/; and Alex Nowrasteh and Robert Orr (May 10, 2018). "Immigration and the Welfare State: Immigrant and Native Use Rates and Benefit Levels for Means-Tested Welfare and Entitlement Programs", Cato Institute. Available at https://www.cato.org/publications/immigration-research-policy-brief/immigration-welfare-state-immigrant-native-use-rates.
38 https://prosperitynow.org/blog/how-COVID-19-deepening-inequalities-across-us-cities

> financial vulnerability for a large portion of the population; this is having a cascading effect as this critical social determinant of health (income through employment and financial stability) is removed for many, leading to effects on many other determinants, such as housing and food security.

These tragic dynamics are especially impacting Black Americans' health, as they are dying at over twice the rate of other races from COVID-19 (54.6 deaths per 100,000, compared to 24.9 for Latino Americans, 24.3 for Asian Americans, and 22.7 for White Americans).[39]

LIKELY LONG-TERM IMPACTS

In addition to the immediate impacts of the crisis, we anticipate many long-term impacts on employment and wealth. Unemployment will remain elevated for the foreseeable future. It took over 9 years (November 2016) for unemployment rates to fall to their October 2007 level (4.7 percent)—one month prior to the unemployment rise from the Great Recession.[40]

The nature of employment will change—and not necessarily for the better. Following the most recent recession, the gig economy exploded and state unemployment insurance requirements tightened, shifting the burden of risk, both economic and physical, onto workers and away from employers.[41] As a result, many employed workers who otherwise would have access to benefits like unemployment or health insurance do not.[42] In 2009 and 2010—the tail-end and immediate aftermath of the recession—the number of people earning at or below the federal minimum wage (4.36 million) nearly doubled from 2008's total (2.23 million). Totals didn't fall back down to their 2008 levels until 2016 (2.15 million)—six years after their peak.[43]

Small business closures and impact of the structural changes to human interaction on "normal" business operations will result in a protracted recession and recovery. Roughly 95 percent of Black-owned non-employer firms and 91 percent of Latino-owned nonemployer firms will not be able to receive a Paycheck Protection Program (PPP) loan through a mainstream bank or credit union.[44] The inability to access vital funding during a period with halted economic activity will result in a disproportionate number of small and microbusinesses closing permanently.

Consumer debt incurred during the crisis will have long-term repercussions. As families take on non-mortgage debt to make ends meet in this crisis, this debt will impact household financial security for years to come.

CHANGING COURSE FROM CURRENT TO FUTURE STATE

As policymakers seek to address this crisis, they must determine whether their solutions are merely patches over deep wounds or the hard medicine we need to begin treating the systemic economic syndrome that allowed these problems to fester long before the emergence of COVID-19. Whether due to a rise in gig work, a decline in union membership or some other fundamental shift in the American labor force, what lies at the heart of these issues is that the quality of work available to many in this country in terms of pay and benefits, as well as the economic mobility afforded by work, is a serious existing vulnerability that is now laid bare by attempts to correct it through temporary fixes and occasionally bolder calls for solutions to entrenched problems.

In some cases, the choices policymakers are making to address the income and financial needs of workers in an immediate, COVID-19 driven environment further highlight these serious flaws. The need to enact temporary paid leave measures so individuals can tend to their health in the midst of a pandemic without fear of losing their income, for example, suggests that too many individuals were already in a position of having to choose between their job and their health should they or a loved one become sick, and it underscores the need for

39 https://www.apmresearchlab.org/covid/deaths-by-race
40 Source: BLS; U.S. Department of Labor; Connecticut Department of Labor
41 Donovan, S. A., Bradley, D. H., & Shimabukuro. (2016). What does the gig economy mean for workers? (CRS Report R44365). Washington, DC: Congressional Research Service.
42 Rebecca Smith (March 24, 2020). "Independent Contractors and COVID-19: Working Without Protections." Washington, DC: National Employment Law Project. Available at https://www.nelp.org/publication/independent-contractors-COVID-19-working-without-protections/
43 Bureau of Labor Statistics (March 2019). "Characteristics of minimum wage workers, 2018". Available at https://www.bls.gov/opub/reports/minimum-wage/2018/pdf/home.pdf
44 Center for Responsible Lending. (April 6, 2020). "Small Business Support Must Extend to Businesses of Color." Accessed on April 30, 2020 at: https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-cares-act2-smallbusiness-apr2020.pdf?mod=article_inline

permanent paid leave. In other cases, the growing number of jobless individuals who are soon to find themselves counted among the uninsured makes clear that all too often access to health insurance, and thus the ability to seek care, is dependent on finding (and maintaining) a high-quality job rather than a guaranteed right regardless of work or income status.

Similarly, the ability to make basic ends meet during a financial storm due to this crisis or the next can no longer be tethered to finding the right job at the right time. Certain guarantees must be in place to ensure all families have an opportunity to save for an uncertain future. The ability to earn a living wage that can afford financial security through savings—be it short-term savings to get through the next challenge around the corner or long-term savings to provide for a more stable retirement and the possibility to leave something behind for the next generation—cannot be based on the luck of the economic or racial draw. Policymakers should not focus only on policies that give a momentary boost in workers' wallets today. They must rebuild a broken minimum wage and social safety net system that long since fell behind the ability to guarantee an adequate or decent standard of living in this country—let alone create any chance for saving or being prepared for the next rainy day.

This crisis and the revelation that much of the pain felt now has existed for generations demands tough actions by policymakers to make real institutional shifts. This will require bold action to rethink how policies can ensure work, wages and the broader economy provide the opportunities for all individuals and families to thrive.

We should not only focus on efforts to replace lost income and stabilize families financially—we must aim to emerge stronger. Returning to the pre-COVID-19 status quo would further entrench racial disparities in health and well-being. Alongside policy solutions, we must consider programmatic and community-driven solutions to support meaningful work and wealth building. Policymakers, practitioners and philanthropists must address the root causes of economic hardship and disparities as we rebuild our economy. By taking a cradle-to-grave financial security lifecycle approach—at the household, community, and societal levels—and conducting a racial equity analysis on all proposed solutions, we can help ensure that wealth can be built to support multiple generations and a prosperous future for all.

PIVOTAL MOVES FOR ACTION IN THE NEXT 24 MONTHS

In the next 24 months, our efforts should focus on ensuring that everyone has the financial resources they need to make ends meet. Millions of people have lost jobs and these jobs are unlikely to return in the next year. There simply aren't enough existing opportunities for meaningful work with living wages. Our solutions aim to provide a living wage to everyone who can work, reduce debt, and support savings and investments in families.

HOUSEHOLD-LEVEL CONDITIONS AND SOLUTIONS

To ensure that everyone can make ends meet without suffering the chronic toxic stress and associated health problems that come with financial insecurity, our best options are to expand on what works at the federal and statewide level to boost income, reduce debt and help individuals launch new businesses, thereby creating new opportunities for themselves and economic development for their communities.

Earned income tax credit

To give all children a healthy start and provide opportunities for meaningful work and wealth to adults, we propose expansions of the Earned Income Tax Credit, increases in the minimum wage, child development accounts, debt relief and homeownership support.

The Earned Income Tax Credit (EITC) is our country's single most effective anti-poverty tool, lifting millions out of poverty every year. In 2018, it lifted 5.8 million people out of poverty, over half of whom were children.[45] Decades of research also shows that it is an effective public health tool, improving health and educational outcomes for mothers and children. The main lesson from the EITC and guaranteed income pilots in Stockton, CA, Jackson, MS, and elsewhere, is that unrestricted cash assistance is critical for financial stability and does not discourage people from working. Instead, it allows parents to dream of a better future for their children and invest in those dreams. In the next 24 months, we should seek to bolster the EITC, ensuring that everyone who is eligible for it can access it. We should expand eligibility, ensuring that more single filers can access it, and we should push all states to adopt or expand state earned income credits to at least 15 percent of the federal credit and make them fully refundable so that all low-income families, even those without a tax liability, can benefit from the credit. Currently, 14 states offer a refundable state EITC at 15

45 https://www.cbpp.org/research/state-budget-and-tax/states-can-adopt-or-expand-earned-income-tax-credits-to-build-a

percent or more of the federal credit.[46]

Minimum wage

While the once-a-year EITC provides significant support to families, increasing wages will be an important strategy to help families make ends meet day-to-day. The minimum wage has been insufficient to support households at the federal poverty level for decades. Each state and metropolitan statistical area should establish a minimum wage requirement that is tied to the local cost of living, with automatic annual increases built in. Such policies should be extended to caregivers, such as home health aides and childcare workers, as well as tip-based workers. At a minimum, we should implement these recommendations to increase income through the EITC and living wages over the next two years while we explore whether a universal basic income approach could replace the EITC and supplement increased minimum wages in the future.

Income that consistently exceeds expenses is necessary for financial stability and to enable people to save. Wealth, however—in the form of appreciating assets such as homes, businesses, and investment accounts, is a game changer for households in improving financial well-being and health outcomes long-term. As noted above, wealth inequality far exceeds income inequality in this country and has been increasing since the Great Recession. Entrepreneurship, which we address below, has been one of the only avenues to building income and wealth available to households of color.

Child development accounts

Child development accounts (CDAs), or universal investment accounts available to all children from as early as birth, can provide a nest egg to all children from which they can build greater wealth. CDAs can also free mental bandwidth for financially distressed parents so that they can focus on immediate and shorter-term needs without sacrificing long-term financial security for their children. Many local and statewide programs exist across the country that aim to provide an investment in children's education (children's savings accounts), such as Oakland's Brilliant Baby Program and St. Louis's College Kids Children's Savings Account Program, funded through parking tickets. Many such programs provide seed money, matching funds and financial coaching or education to parents to support the educational goals they have for their children. We can build on these programs to offer a wider set of opportunities to children through baby bonds,[47] which aims to provide an investment to all children that becomes available to them when they turn 18 and can be used to purchase a home, capitalize a business or attain postsecondary education. Local communities can explore different approaches to family investments, but all programs should include an initial universal deposit and direct larger investments on a sliding scale to families with lower income and net assets.

Both the EITC and CDAs have broad bipartisan approval and are supported by a majority of Americans.

First time homebuyer credits and matched savings initiatives

As noted above, homeownership accounts for the majority of family wealth, yet large disparities exist in homeownership rates; among other outcomes, White households start climbing the homeownership ladder 8 years earlier than Black households, almost a full decade of additional equity-building time. First time homebuyer credits and matched savings initiatives enacted at the local and federal levels and targeted to low-income families could provide much needed wealth-building support, as well as long-term financial security, to households of color and low-income communities. Such support should help ensure that people aren't cost-burdened through housing, keeping housing costs at or below 30 percent of monthly income. Additionally, alternative credit scoring models that take into account regular and on-time rent, cell phone and utility payments could expand access to favorable loan terms to more low-income people.

Debt bailout

Families without savings are more likely to incur debt, and high levels of unsecured debt impacts households' well-being and parenting practices.[48] Households often turn to unsecured high-cost debt when they are unable to pay for an emergency, such as a car repair; in the current crisis, we are facing previously unseen levels of consumer debt. Student loan debt levels have risen so high that homeownership is out of the range of possibility

46 Prosperity Now Scorecard. https://scorecard.prosperitynow.org/

47 This term was coined by Darrick Hamilton and William Darrity, Jr. in Hamilton, Darrick, and William Darity, Jr. 2010. "Can 'Baby Bonds' Eliminate the Racial Wealth Gap in Putative Post-Racial America?" Review of Black Political Economy, 37(3,4):207-216.

48 https://assetfunders.org/wp-content/uploads/FINAL_AFN_2020_HEALTHWEALTH_CHILDREN_PROOF-8_SINGLE-5.26.20.pdf

for years to come. Many people carry high student debt loads without a college degree. Additionally, medical debt stands in the way of households' ability to save. By discharging debt and providing asset-building support, we can greatly increase family financial security and health. The American people need a debt bail-out that matches that given to the banks in 2008. Debt relief funds could be established at the local or national levels to help relieve people of overly burdensome debts that prevent households from saving.

Consumer protections

To create equitable financial and labor systems, we need to ensure that public rules, consumer protections, and regulations on private, public and philanthropic sectors are appropriately enforced. For example, the CFPB's consumer complaint database offers a model for addressing consumer complaints. These consumer protection enforcement measures need to be transparent and public to ensure that entities are held accountable to communities for equitable treatment.

COMMUNITY-LEVEL CONDITIONS AND SOLUTIONS

Community reinvestment act

To more comprehensively address community-level needs, we need to strengthen the Community Reinvestment Act (CRA) and involve communities in assessing depository institutions' performance. A revamped CRA system that ensures funds flow from for-profit financial institutions to underserved communities to address the root causes of wealth and work disparities is one of the most impactful levers for change in the near-term. By requiring that these investments flow to Communities of Color and community-based organizations led by People of Color, we can reallocate resources to effectively address racial economic and wealth inequality and other drivers of disparities in local communities.

Funds from the CRA should be, in greater part, allocated to build small and minority-owned businesses. Many regions of the country won't have enough jobs to meet worker demand in the next 24 months. For some people, the only opportunities might come in the form of self-employment. We should be ready to provide the support and access to capital that entrepreneurs need. Investments in entrepreneurship would go a long way toward bridging the racial wealth divide in communities across the country. The median net worth of Black business owners is 12 times higher than Black non business owners, and small business owners reinvest 68 percent of all revenues to build and sustain communities. Black-owned businesses hire people from the community at higher rates than other business owners and entrepreneurs of color throughout the country can help spur local economic development.

Community development financial institutions

Community development financial institutions (CDFIs) are a critical source of capital in economically distressed communities, often serving as lenders of last resort when entrepreneurs are turned away from banks in their communities. CDFIs need a large capital infusion from the federal government, as well as philanthropic and CRA investments from banks. Throughout our country, CDFIs work to build the capacity of entrepreneurs of color. These organizations are uniquely positioned to provide education, training, technical assistance and access to capital to help bridge the economic opportunity gap for entrepreneurs of color. CDFIs use market-based approaches to deliver measurable results. However, many CDFIs lack the support and infrastructure to bring these efforts to scale and alternative underwriting practices are needed to ensure that CDFIs' lending standards are not exclusionary toward entrepreneurs of color.

By strengthening CDFIs and creating public-private partnerships that grow and sustain the base of successful entrepreneurs of color, we would substantially increase investments in the capital resources, training and technical support that these entrepreneurs need to grow their businesses. These large-scale, strategic steps will move us from talk about the racial wealth divide to real action. Investments in CDFIs alone will not be sufficient to meet capital demands in this country, however. A strengthened Community Reinvestment Act is needed to encourage lending in underserved markets by banks at the scale we need, as well as invest in organizations that provide wraparound support to entrepreneurs of color.

Additionally, a strengthened CRA could provide the funds needed for community leaders to invest in community-driven solutions with a specific emphasis on racial equity and solutions led by and accountable to Black, Indigenous and People of Color (BIPOC) communities. These efforts should include creating public, private, philanthropic and community-based organization collaboratives and partnerships led by and accountable to low- and moderate-income BIPOC communities, centered in an understanding of the institutional, systemic and structural causes and consequences driving disparate health, economic, social and political outcomes and committed to upstream interventions and solutions to remedy root causes of inequity. Such collaboratives could create cooperative and community wealth-building opportunities, like community development credit unions and food co-ops, community land trusts, and support employee ownership of companies. Community stakeholders could also work with the health care industry to offer supportive services, like financial coaching and Volunteer Income Tax Assistance (VITA), and reimbursement for those services as a health intervention.

Matches to savings and removal of asset limits

Further, we need to support asset development for low-income families through matches to savings accounts and the removal of asset limits, or savings penalties, on safety net programs like SNAP. Without support for savings and boosts in income, families are only able to consider the short-term. Through these changes, coupled with community-driven solutions, we will support families across their life cycles in building meaningful work opportunities and building wealth at the household and community levels by addressing the root causes of wealth and work disparities.

BIG IDEAS FOR TRANSFORMATION FOR THE NEXT 10 YEARS

A NEW "NEW DEAL"

Our current moment calls for big transformations in the way we approach work and wealth. We need a new "New Deal" that not only closes the racial wealth divide in a generation, but also promotes broad-based financial security for all Americans. There simply aren't enough existing opportunities for meaningful work with living wages. Quality jobs with living wages through a federal jobs guarantee must be on the table to fill in gaps in the employment landscape.

Federal jobs guarantee

A federal jobs guarantee with a living wage has the potential to make an exponential difference to the financial security and health outcomes of millions of people, while enabling individuals to maintain and grow their skills during periods of economic downturns. Jobs made available through such a program could target growing sectors in need of workers, such as public health and infrastructure.

Paid sick and caregiver leave

A living wage is necessary but not sufficient to ensure financial security. To create a level playing field and increase financial security for all, paid sick and caregiver leave, health insurance, retirement benefits, and childcare assistance—supports traditionally available to a decreasing percentage of workers through employers—should be decoupled from employment and available to all workers. Only 14 percent of workers currently have access to paid leave. The COVID-19 pandemic makes clear that paid sick leave is critical to ensure that workers don't have to choose between caring for themselves or loved ones and paying rent, especially when public health is at risk. Paid caregiver leave is also necessary for the health and well-being of babies and mothers after childbirth, as well as people caring for dependent family members. Caregiving work has been significantly undervalued and traditionally falls to women, leading to ongoing disparities in lifetime pay and Social Security benefits. By decoupling benefits from specific employers, workers will have the freedom to change jobs without fear of losing critical supports.

Universal pre-K and childcare

Beyond paid sick and caregiver leave, universal pre-K and childcare can provide critical educational and socioemotional learning support to children while enabling parents and guardians to work. Longitudinal studies of children in HeadStart programs provide evidence for increased lifetime financial security, health and economic impacts far beyond the per-student cost of the program. Quality universal pre-K and childcare should be included in any new federal jobs program to ensure that parents and guardians can work with the confidence that their children are being cared for by licensed professionals. Critically, universal pre-K and childcare supports families when they are most economically vulnerable, as parents of young children have lower incomes than parents of older children. Providing these services universally therefore increases short-term financial stability and security for families.

Postal banking

A new New Deal could also focus on providing universal access to banking through postal banking. Consumers of color are more likely to be unbanked and underbanked, relying more on predatory alternative financial services, which each year strips tens of billions of dollars from low-income people through exorbitant fees and high interest rates. Lack of accessibility of affordable financial services and low trust in financial institutions are two of the factors that cause this reliance on alternative financial services. We must expand access to safe and affordable financial products, and postal banking is a promising way to do so. Given the reach of postal services—both in urban and rural America—and the United States Postal Service's mission to serve the public, the foundation for achieving scale and impact is already in place. Senator Kirsten Gillibrand's (D-NY) bill would enable this expansion of service and create a lifeline for the USPS.

INVEST IN THE ENTREPRENEURIAL SPIRIT OF EVERYDAY AMERICANS

According to the paper "Start Us Up: America's New Business Plan," 40 percent of Americans would quit their job and start a business if they had the tools and resources to do so. Many feel locked into their positions due to workplace benefits, like health insurance and retirement support,[49] but even if these benefits are disconnected from work, as we recommend above, access to capital remains a significant challenge, particularly for women and People of Color. In addition to our previous recommendations, changes are needed in valuations of creditworthiness. Our current credit rating system is unnecessarily excluding far too many people from accessing loans with favorable terms. CDFIs that are embedded in underserved communities are more knowledgeable about the creditworthiness of community members and can offer loans with lower barriers to entry. We need a large-scale overhaul of the credit rating system that centers the experiences of women and People of Color in creditworthiness determinations.

Starting a business does not automatically confer wealth, however. We can help People of Color and women build wealth more quickly by giving them a seat at the table of mergers and acquisitions. Twelve million Baby Boomers are expected to sell their businesses and retire in the coming years, creating an opening for employees to become owners of an established business or for acquisition by another business. Again, capital is critical to help ensure that women and People of Color can acquire businesses at the same rate as White men. Additionally, business centers should provide assistance to women and People of Color to find such opportunities and help broker the best terms.

Even large capital infusions into CDFIs will not meet the demand for business financing and wealth building opportunities through entrepreneurship, however. Increased access to equity products, venture capital, and state and local entrepreneurial catalyst grants targeted to women and People of Color can fill gaps in capital in regions across the country.[50]

CREATE A RIGHT-SIDE UP TAX POLICY

To pay for the new New Deal, and invest in the creative capacity of entrepreneurs, we need to turn our tax policy right-side up. Our federal tax policy has consistently favored those with wealth and has aided the wealthy to increase their wealth through the mortgage interest tax deduction, low tax rates on capital gains, and other credits, deductions and loopholes designed to reduce the tax liabilities of higher-income, higher-wealth households.

We spend more than $700 billion a year in federal tax expenditures to help the wealthy maintain and grow their wealth. Policy experts of all political persuasions agree that tax programs are just government spending by another name. These tax expenditures—averaging $2200 annually for every man, woman and child in the country—currently reward the rich, miss the middle and penalize the poor. Americans making over $1 million a year—the wealthiest .1 percent—get an average annual benefit of $160,000 while working families get an average annual benefit of $226. We can restore the Estate Tax on wealth conferred by society and invest it into an endowment (baby bond) for every kid born in the country as Senator Cory Booker has proposed in the American Opportunity Accounts Act. Studies show that such an endowment could close the racial wealth divide in a generation.

Federal and state governments should turn these existing upside-down subsidies into an investment in the productive capacity of all people by providing first-time homebuyer support, matching funds for entrepreneurs, and child development accounts to help all Americans achieve financial security.

KEY CONSIDERATIONS

The COVID-19 pandemic has been particularly devastating to low-income Communities of Color. The disproportionate impact it has had in these communities is attributable to racial inequities in our health,

49 Start Us Up: America's New Business Plan
50 *Ibid.*

employment, housing and financial systems—and many more—as well as centuries of oppression. The conditions that distressed and marginalized communities are facing extend beyond COVID-19 to police brutality and now boarded up, looted stores. The deaths of George Floyd, Breonna Taylor, Philando Castile, Tamir Rice, and countless others, have demonstrated that the lives of Black people are not valued at the same level as Whites. We cannot improve health and well-being outcomes for Black, Indigenous and People of Color unless we address the racism and discrimination built into our systems and policies.

Better data is needed on wealth and race. Most assessments of financial security and economic mobility use income as a proxy for wealth because we don't have a standard way to measure and track wealth. As noted in Ten Solutions to Bridge the Racial Wealth Divide, "It would be a significant benefit to have local data that includes information on household asset and debt disaggregated by respondent race, ethnicity, tribal affiliation and ancestral origin to provide better insight into the nation's racial and economic differences."[51] Having this data will allow us to better target interventions and design responsive policies to build wealth within all communities across the country.

Any new program or policy should be assessed for its potential impact on different racial and ethnic groups. Race Forward has developed a Racial Equity Impact Assessment tool to assist stakeholders in developing initiatives centered in equity. Additionally, the Government Alliance on Race and Equity has developed a toolkit, Race and Equity: Getting to Results, to assist local and regional governments to design services for racial equity.

The policies and programs recommended in this paper can close the racial wealth divide in 10-25 years, while lifting median wealth for people of all racial and ethnic backgrounds. All the policies suggested are investments that will yield returns greater than their costs in future years, and most can be funded by turning existing tax subsidies right-side up, as we state in From Upside Down to Right-Side Up. Trillions of dollars in new wealth will be created by millions of new entrepreneurs, jobs, homeowners, college students, skilled workers, hope, innovation.

As our founder, Bob Friedman, points out in his book A Few Thousand Dollars, we have proven that, given as little as a few thousand dollars—common people, even very poor people, will start businesses, create jobs, buy homes, go to college, work and build wealth. The greatest economic policies of our history—universal public education, the Homestead Acts, the 30-year Fixed Rate Mortgage, the GI Bill—created widespread, long term, significant increases in economic well-being mostly for White males. The GI Bill alone, which provided income support but more importantly low- or no-interest college, home and business loans, tripled the middle class in a decade and spurred decades of growth. We need a GI Bill for the 21st century—one that is designed to boost economic prosperity for everyone.

Through the solutions identified in this paper, we have an opportunity to help low-income households accumulate wealth at large-scale, which can be transferred to future generations and bring the possibility of prosperity within reach.

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