Economic Inequality between Races and how TANF has helped to reduce Inequality

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ABSTRACT

Economic inequality and increased racial wealth gap have in recent years become a major topic of concern among many nations to ensure a sustainable economic path. This research will provide critical insights and new information about what fueled the racial wealth gap and points to policy approaches that will set countries around the world in a more equitable and prosperous direction. Every family needs wealth to be economically stable and secure to create opportunities for their future generations to come. Being economically stable helps families to live in safer neighborhoods, invest in businesses, save for retirement and support their children's college studies in the future. It equally provides a measure of security when one no longer has employment or is struck by a number of financial crisis. The Great Recession of 2007-2009 devastated the wealth of all families except for those from rich income households. The unprecedented wealth destruction during that period was accompanied by long term high unemployment, underscores the critical importance on how economic stability plays a role in ensuring a long term financial security and opportunity. This report will explain on the key drivers of economic inequality between races like globalization, shifting economic paradigms, years of homeownership, household income, unemployment, college education, inheritance; financial support by family and friends and how financial safety nets like TANF helped to bridge the gap and reduce economic inequality between races.

Keywords: Globalization, shifting economic paradigms, years of homeownership, household income, unemployment, college education, inheritance and financial safety net TANF.

ECONOMIC INEQUALITY BETWEEN RACES AND THE ROLE OF TANF TO HELP REDUCE INEQUALITY

Economic Inequality and TANF

The current racial wealth gap is the consequence of many decades of racial inequality that imposed barriers to wealth accumulation either through limitation due to slavery or unequal treatment after emancipation. Examples of colonization barriers include legally mandated segregation in schools and housing, discrimination in the labor market, and redlining, which reduced access to capital in black neighborhoods.

Extreme wealth inequality not only hurts family well-being, it hampers economic growth in various communities around the world. In the U.S. today, the richest 1 percent of households owns 37 percent of all wealth. This economic inequality has historical underpinnings but is perpetuated by policies and tax preferences that continue to favor the affluent. Most strikingly, it has resulted in an enormous wealth gap between white households and households of color. In 2009, a representative survey of American households revealed that the median wealth of white families was $113,149 compared with $6,325 for Latino families and $5,677 for black families.

And while the existence of a racial wealth gap may not be altogether surprising, it may be surprising how little the racial wealth gap has changed over the past half century, even after the passage of civil rights legislation. In fact, the 2016 wealth gap is roughly the same as it was in 1962, two years before the passage of the Civil Rights Act of 1964, according to data from the Survey of Consumer Finances (SCF). Average white wealth in 1962[2] was 7 times that of average black wealth. The persistence of the racial wealth gap can be seen in figure 1, which plots the distributions of wealth in 2016 dollars for black and white households in the years 1962 and

2016. While there has been growth in wealth over time for both racial groups (as evidenced by the rightward shift between the solid and dashed lines), notice that the dashed line corresponding to black households in 2016 is still to the left of the solid line for white households in 1962. Simply put, over the past 50 years, the distribution of black wealth has not even "caught up" to the distribution of white wealth in 1962.

Temporary Assistance for Needy Families (TANF) provides cash payments to help low-income families in the US gain stability and achieve self-sufficiency. Signed into law under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.TANF replaced the Aid to Families with Dependent Children (AFDC) entitlement program, giving states greater flexibility over how aid dollars could be spent, as long as funds served to advance one of the program's stated goals. The TANF block grant, states are able to develop independent sanctioning policies. In addition, caseworkers are able to exercise some discretion in whom they sanction and when. As a result, sanctions have been distributed inequitably among demographic groups. Across the country, states with larger shares of Black residents have implemented stricter, more punitive TANF policies than states with smaller shares of Black residents.

Research also found that Black women were more likely to be sanctioned than White women, regardless of the racial composition of the county in which they live. When there are more Black residents in a county, however, there is a mitigating effect: Black women who live in counties with a higher proportion of Black residents are less likely to be sanctioned than those who live in counties with a smaller proportion of Black residents. Differences in state policy and employment status do not explain why Black women are more likely to face TANF loss than other demographics, which suggests that racialized factors are at play, perhaps both in local labor markets and in caseworkers' discretionary choices

Literature Review

2.2 Theoretical framework on economic inequality and TANF

This case study will be based on three theories; The Becker Model, Human capital theory and Racial Classification Model by Joe Soss, Richard Fording and Sanford Schram.

2.2.1 The Becker Model

This type of model was undertaken by Gary Becker 1 in the late 1950’s preceding the currently popular description of the black community in the United States as an internal colony (popular in radical circles) by more than a decade. Becker proposed that we look at two economies, "W" and "N" in trade relationship. The critical assumption Becker makes that distinguishes his model from later conventional neoclassical explanations of black poverty is that" members of W are perfect substitutes in production for members of N." Moreover, the two economies share a common production function. Both economies are viewed as being perfectly competitive. Given that capital is more abundant in W and labor more abundant in N, it would be to the mutual benefit of both societies to engage in trade--W sending capital to N and N sending labor to W--until an optimum allocation of resources is arrived at, an allocation that maximizes the overall income of both societies. Because members of W and N are perfect substitutes the equilibrium wage rate of the two societies would be equal in a world where trade could occur freely.

In the Becker world, white employers would prefer to hire white employees; white workers would prefer to work with white workers; and white consumers would prefer to purchase white-made products. But such preferences exist only if the wage rates of black and white workers are the same and if the prices of goods produced by Blacks and whites are the same. There is, Becket asserts, a sufficiently low wage and a sufficiently low price where the white employer will take the black employee and the white consumer will choose to buy the black-made product.

Presumably, the white employee would be willing to work with Blacks at a sufficiently high wage. Becker therefore differentiates between the money costs and the net costs that members of W perceive.

Becker argues that although aggregate net income in both societies decline, all factors are not affected in the same way since the return to W capital and N labor decreases but the return to W labor and N capital actually increases. The cumulative effect in the Becker model is that the preferences of whites to avoid associations with the Blacks lead to an outcome in competitive market that resulted in an average income that is lower for Blacks than it was for white people.

The weakness of this theory is that Becker assumes that N and W economies are competitive. If distinguished between short-run and long-run competitive equilibrium the flaw becomes clear. In the short run perfect competition and the existence of wage differentials among individuals with equivalent marginal productivities are compatible events; in the long run they are not. One of the basic tenets of neoclassical theory is the belief that the presence of competition will eventually lead society to an optimal allocation of resources. Under such circumstances equally productive workers will receive the same wage.

2.2.2 The Human Capital Theory

Human capital theory is categorized into the neoclassical paradigm. It suggests that low income is as a result of low wages. Low wages are a result of workers holding low productivity jobs. Holding low productivity jobs is a result of workers having a lower ability or skill level (or, in economic jargon, a lower level of human capital, which is the theoretical concept treated as distinct from physical capital, such as machinery, tools, factories, land, or savings accounts).

Individual workers can raise their personal level of human capital by investing in increased education or training for themselves that would allow them to fill occupations with higher levels of productivity and higher wages. Human capital theory preserves the neoclassical link between wages and the marginal productivity of labor.

The Black people are viewed as having a lower average level of productivity. Race correlates with productivity. Firms award or select who to hire based on their race. They expect the white worker to be more productive because whites as a group are better educated. Race then becomes a cheap screening device when a white and a Black apply for the same job. Because human capital theorists would argue that the expectation is correct, race becomes an efficient surrogate variable for allocating jobs in a competitive market. It becomes an accurate means of predicting job performance. This theory is explained in the work of Thomas Sowell where he defines human capital as "the vital accumulation of knowledge, skill and organizational experience."

Sowell argues with information from conventional sociological and anthropological theories about the black community, asserting that the cultural experiences of black people block the development of the kinds of behavioral characteristics and attitudes that are conducive to high productivity performances on the job:

> The pattern of cumulative inequalities in human capital investment in formal schooling is repeated in the other forms of human capital.
>
> The whole way of thinking and behaving appropriate to the more lucrative and responsible occupations is something

> which comes freely, and even unconsciously, to people reared in families where such occupations have been common for The generations, whereas human capital comes to the low-income person only slowly, imperfectly and with great deliberate efforts to break his natural patterns. Such basic traits as punctuality, efficiency and long-run planning are of little use to people who have been limited to menial jobs for generations as with most black Americans. Everyone can understand the economic value of such traits as an abstract intellectual proposition but to understand such qualities abstractly and to have such habits in reality are very different things. Those black people who have such traits have typically acquired them through persistent, and sometimes painful, adjustments, which would be difficult to explain to people who grew up with those patterns as a free cultural inheritance (pg.13).

This theory explains the racial economic inequality attributing to racial economic inequality caused by external sources of the competitive market where white political control over publicly owned resources leading to a lower level of investment in the education of Blacks and white racism and history, isolating Blacks from the kinds of cultural and social experiences that would equalize human capital among all races.

2.2.3 The Racial Classification Model

This model helps us to understand the way in which races are influenced by social policy choices. It expounds on the premises that policy makers rely on “social classifications and group reputations” in designing and application of polices ; that is black people and white people experience different privileges depending on the policies set out to be followed on the different races. It assumes that racial groups can inform the theories of change employed in developing and executing of policies and that the importance of race in policy depends on the degree at which races are perceived different (Soss J, Fording RC, Schram SF. The color of devolution: race, federalism and the politics of social control. Am J Pol Sci. 2008; 52 (3):536-53). For instance in 2015, less than 10percent of TANF funds went to activities and programs that help people of color find work, education and training, transportation and individual development accounts. 17 percent went to child care and mot recipients of these child care subsidies do not receive TANF cash assistance (Hahn et al, 2016). The remaining 51 percent was spent on tax credits, kindergarten education, child welfare and the services not limited to low-income families (Schott and Floyd, 2017).

2.3 Economic Inequality between races and how TANF has help reduce the inequality

The rise in economic inequality between races has over the years grown due to the following key drivers globalization, difference in rates of return on investments, years of homeownership, household income and unemployment, college education, inheritance; financial support by family and friends. As from the data of 1962, black households were much poor and at a worse state than the white households.

2.3.1 Globalization

Globalization has contributed to rising inequality within economies, especially in advanced economies by negatively affecting wages and jobs of lower-skilled workers in tradable sectors. These sectors increasingly extend beyond manufacturing as digital globalization expands the range of activities, including services, deliverable across borders.

The new technologies in advanced countries are shifting manufacturing and global value chains toward higher capital and skill intensity. Leading manufacturing firms located in emerging countries are adopting these technologies in order to be able to completely diminishing employment generation and wage growth prospects for less-skilled workers from this higher-productivity segment of industry in economies whose factor endowments would warrant less capital and skill-intensive technologies thus limiting the potential of international trade to reduce inequality within these economies by boosting demand for their more abundant factor endowment for the less skilled workers. Smaller firms that absorb such workers in these economies remain engaged in low-productivity activities where many are in the informal economy and in petty service sectors.

Globalization has brought both positive and negative impact to the world as a whole especially in economic growth. Globalization has being a deteriorating force for reducing economic inequality between races as the White people have more privileges they receive compared to the other races like Blacks, Asians and Hispanic.

2.3.2 Differences in Rates of Return on Investments

White households earn more from their savings than do black households, the different rates of return contribute to the increased economic inequality. The initial differences in wealth would be compounded, assuming not all additional gains are consumed. Gittleman and Wolff (2004) examine three survey years of the Panel Study of Income Dynamics (PSID), 1984, 1989, and 1994 to find evidence that black households earned lower returns on the same assets as white households. They do find that the portfolios held by black households were more concentrated in low-average-return assets.

Table 1 below displays the average share of asset types held across race and years from 1984 to 1994. First, we might compare the percentages of black and white households that hold each type of asset (columns 1 and 2). Notice that white households hold a larger fraction of each asset category than do black households. For example, 64 percent of white households hold home equity, while only 38 percent of black households have wealth in the form of home equity.

2.3.3 Homeownership

The number of years families owned their homes was the largest contributor to the gap in economic inequality as seen in the figure 2 below. Residential segregation by the whites has for many years being a huge factor contributing to the challenges African-American families face in buying homes and increasing equity. There are several reasons why home equity rises so much more for whites than African-Americans:

• Residential segregation lowers demand, placing a forced ceiling on home equity for African-Americans who own homes in non-white neighborhoods.

• Whites are capable of giving inheritances or family assistance for down payments due to historical wealth accumulation, white families buy homes and start acquiring equity an average eight years earlier than black families.

• Whites are able to give family financial assistance, larger up-front payments by white home-owners lower interest rates and lending costs

• Historical discrimination in access to credit automatically lowers incomes causing residential segregation and homeownership rate for white families is 28.4 percent higher than the homeownership rate for black families.

.Homes are the largest investment that most American families make and by far the biggest item in their wealth portfolio. Homeownership is an even greater part of wealth composition for black families, amounting to 53 percent of wealth for blacks and 39 percent for whites

.For many years, redlining, discriminatory mortgage-lending practices, lack of access to credit, and lower incomes have blocked the homeownership path for African-Americans while creating and reinforcing communities segregated by race. African-Americans, therefore, are more recent homeowners and more likely to have high-risk mortgages, hence they are more vulnerable to foreclosure and volatile house pricing.

Homeownership has played a major role in increasing economic inequality between races and limited development of wealth for communities of color causing the return on investments to be higher in white households contributing to expansion of racial wealth gap.

2.3.4 Income and Unemployment

Studies have shown that this income gap could be the principal factor responsible for keeping the wealth gap large (Terrell, 1971, Blau and Graham, 1990, Altonji and Doraszelski, 2005, Barsky et al., 2002). The studies generally concluded that the wealth gap was “too big” to be explained by the income gap (based on statistical methods that predict wealth as a function of observable characteristics). It’s very complexed to observed income gap that could support such a large wealth gap: Whites’ having twice the income of blacks does not seem to imply that whites should have five to ten times the wealth of blacks.

Discrimination against black workers in fields that are least likely to have employer-based retirement plans and other benefits has resulted to wealth in black families to what is needed to cover emergency savings while wealth in white families is beyond the emergency threshold and can be saved or invested more readily. The average white family starts out with abundantly more wealth and significantly higher incomes than the average black family. When whites and blacks start off on an equal playing field with a similar wealth portfolio, their wealth returns from similar income gains narrow considerably.

Black families tend to receive less returns compared to white families. This analysis also captured the devastation of unemployment on wealth accumulation. Unemployment affects all workers but due to the discriminatory factors listed above, black workers are struck harder more often and for longer periods of time. With much lower beginning wealth levels and unequal returns on income, it is a challenge for African-American to grow their family wealth.

2.3.5 Inheritance

The differences in inheritances have been found to be large. Avery and Rendall (2002) use the 1989 SCF to document that far fewer black households reported receiving an inheritance than whites and that, of those who did, the average value was about five times smaller than that of their white counterparts. Studies have found the differences in inheritances like differences in returns, are not the largest driver of the racial wealth gap. Menchik and Jianakoplos (1997) estimate that between 10 percent and 20 percent of the racial wealth gap can be accounted for by inheritances, while Gittleman and Wolff (2004) find that if black households had the same inheritances as white households, the wealth gap would have closed by an additional 5 percentage points. However, differences in inheritances do not appear to drive the racial wealth gap simply because some few households, whether black or white, receive what could be considered “large” inheritances (Hendricks, 2001).

Economic inequality makes it hard for black people to earn enough wealth to take care of themselves and their future generations as white people are dominant in the employment sector and their jobs are of higher pay, allowances and benefits compared to the blacks making inheritance much easier for the whites than for the people of color.

2.3.6 College Education

Racial segregation has being a core factor that has reduced the rate at which the black students get more privilege than the white students in the sector of education. In the 21st Century, acquiring of college education was vital in obtaining economic success and achieving of greater lifetime income and wealth. Education is meant to be an equalizer and a fair ground for all races regardless of whether one is black or white.

The rate at which economic inequality between races is growing is rapid as black people can barely afford to take care of their needs or generate wealth for their generations to come leave alone take their children to school which is not a problem for the white people as they have historical and continuously generated wealth overtime due to racial advantages of being white. The white students get higher education through college easier and much cheaper as they are not at disadvantage like the people of color.

Student debt is a factor contributing to black students not being able to complete their college studies. Many a times black students are able to get into college maybe through scholarship or they are able to afford but not whole and later on face challenges completing to pay their fees or even paying their fees as a whole. This makes majority of the back students not to graduate from college and are restrained from getting employment as it requires documents and papers that the colleges keep until they complete payment of fees.

2.4 How is TANF helping to solve the factors that contribute to increased economic inequality between Races.

Temporary Assistance for Needy Families (TANF) is a critical social welfare program in the United States of America that was launched during the passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) which replaced the Aid to families with Dependent Children (AFDC) program.

The TANF implemented federal lifetime limits on welfare receipts, strict work requirements and more severe sanctions for recipients including benefit reduction and case closure for non-compliance (Danziger 2010; Gais and Weaver 2002). Under TANF, the welfare caseload dropped significantly (Shaefer, Edin &Talbert, 2015). TANF was created to support the individuals of color in the community with low incomes and wages, the people who lacked unemployment, their households, their education and those who lacked inheritance to survive from generational wealth.

Each TANF grant was established based on its historical spending on welfare-related activities under AFDC, so states that spent more under AFDC continue to receive larger TANF grants. To receive federal TANF funds, states must continue spending a minimum amount of state funds based on their historical spending—known as the maintenance-of effort requirement. States may use federal block grant and state maintenance-of-effort funds for any of the program's four broad purposes:

1. Provide assistance to needy families so that children can be cared for in their own homes or in the homes of relatives.

2. End the dependency of needy parents on government benefits by promoting job preparation, work, and marriage.

3. Prevent and reduce the incidence of out-of-wedlock pregnancies.

4. Encourage the formation and maintenance of two-parent families.

Despite TANF being a social safety net for the people of color, the benefits shifted away from the poor families; those who never earned a living to working poor families with higher income (Moffit,2015;Joo, 2011). Families who had income below 50% of the official poverty rate received less assistance from public programs while families with incomes between 50-150% of the poverty rate receive more help. (Ben-Shalom, Moffit, Scholz & Jefferson, 2012; Hoynes and Patel, 2018). The rate at which financial assistance was scarce from welfare inputs caused a considerable burden on majority of the people of color in the community.

Methods & Analysis

This study will explain the various methods used to gather information and data on economic inequality between races and how TANF despite being a safety net to help the people of color has deteriorated over time. The study was altering the independent variables; homeownership, income and unemployment, differences in rates of return on investments, college education and factors that contributed to TANF being a safety net that did not fully support the people of color. The study uses both primary and secondary sources of data. Questionnaire was used on the people of color to get information on how economic inequality affected them in their various communities. Qualitative Interviews with TANF customers informed the survey among TANF caseworkers and the TANF administrative data request and analysis were used to gather data from Illinois people and secondary data was gathered from document reviews, books, articles, journals written by scholars on economic inequality among the people of color.

Questionnaire Return Rate

This section represents the questionnaire return rate for the different categories of respondents that were targeted during the study. Quantitative data was sourced through administration of random people of color; Blacks, Hispanic and White people. Out of 200 varied people of color, only 170 responses were obtained. The other (15%) did not respond due to their various commitments. Nachmias and Nachmias (2005) posited that a response rate of 75% is acceptable for academic surveys. The response rate as it was considered to depict a true picture of the study variables interacting with the population on minimal error.

Differences in Rates of Return on Investments

Initial differences in wealth would be compounded, assuming not all additional gains are consumed. Gittleman and Wolff (2004) examine three survey years of the Panel Study of Income Dynamics (PSID), 1984, 1989, and 1994, and find little evidence that black households earned lower returns on the same assets as white households. However, they do find that the portfolios held by black households were more concentrated in low-average-return assets.

Table 1 displays the average share of asset types held across race and years from 1984 to 1994. First, we might compare the percentages of black and white households that hold each type of asset (columns 1 and 2). Notice that white households hold a larger fraction of each asset category than do black households. For example, 64 percent of white households hold home equity, while only 38 percent of black households have wealth in the form of home equity.

	Percent holding asset		Average percent of assets	
	White	Black	White	Black
Home equity	64	38	31	49
Other real estate	21	7	17	9
Farm or business	13	2	17	9
Stock	32	8	13	5
Checking and savings	85	45	14	12
Vehicles	87	58	6	14
Other savings	26	14	5	9

Debt	49	44	3	6

TABLE 1. BLACK AND WHITE WEALTH AVERAGES, 1984–1994

Source: Maury Gittleman and Edward N. Wolff. 2004. "Racial Differences in Patterns of Wealth Accumulation." The Journal of Human Resources, 39(1): 193–227.

Note: Gittleman and Wolff average data from the Panel Study of Income Dynamics across the years 1984, 1989, and 1994.

Table 2 displays the same information for 2015 that despite the improvement in asset ownership by black households, the same portfolio of imbalance rate of investment exists in the recent data. One explains the higher concentration of low-average-return on assets in black households and high rates of return are associated with higher risk and less household wealth, the less the risk of investment.

	Percent holding asset		Average percent of assets	
	White	Black	White	Black
Home equity	65	42	27	23
Other real estate	17	6	6	2
Farm or business	9	3	4	1
Stock	20	2	6	1
Checking and savings	86	56	15	10
Vehicles	87	76	20	32
Other savings	17	10	3	4

Debt	49	54	19	27

TABLE 2. BLACK AND WHITE WEALTH AVERAGES, 2015

Source: Panel Study of Income Dynamics, 2015.

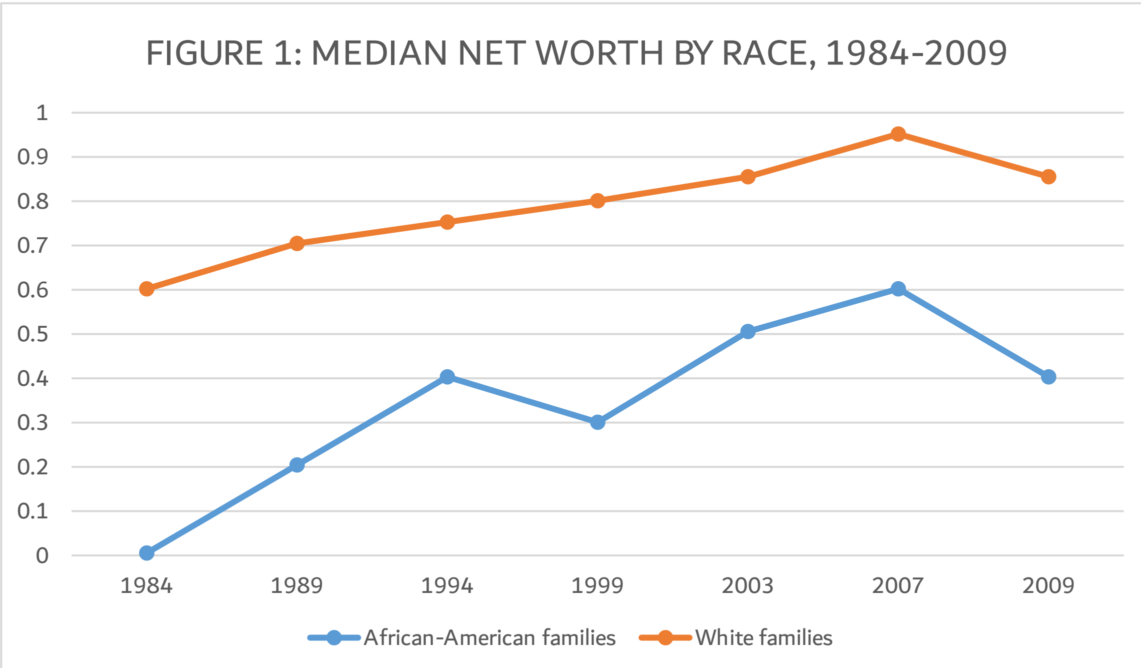
The difference in the two tables is helpful as it suggests that portfolio differences are not the most significant factor contributing to the racial wealth gap. Gittleman and Wolff estimated that over 1984-1994 the wealth gap would have closed by only an additional 4 percent point if all black households had held the same portfolio as white households.

Homeownership

Homeownership is the greatest wealth composition for black families, amounting to 53 percent of wealth for blacks and 39 percent for whites. For many years, redlining, discriminatory mortgage-lending practices, lack of access to credit, and lower incomes have blocked the homeownership path for African-Americans while creating and reinforcing communities segregated by race. African-Americans, therefore, are more recent homeowners and more likely to have high-risk mortgages making them more vulnerable to foreclosure and volatile housing prices.

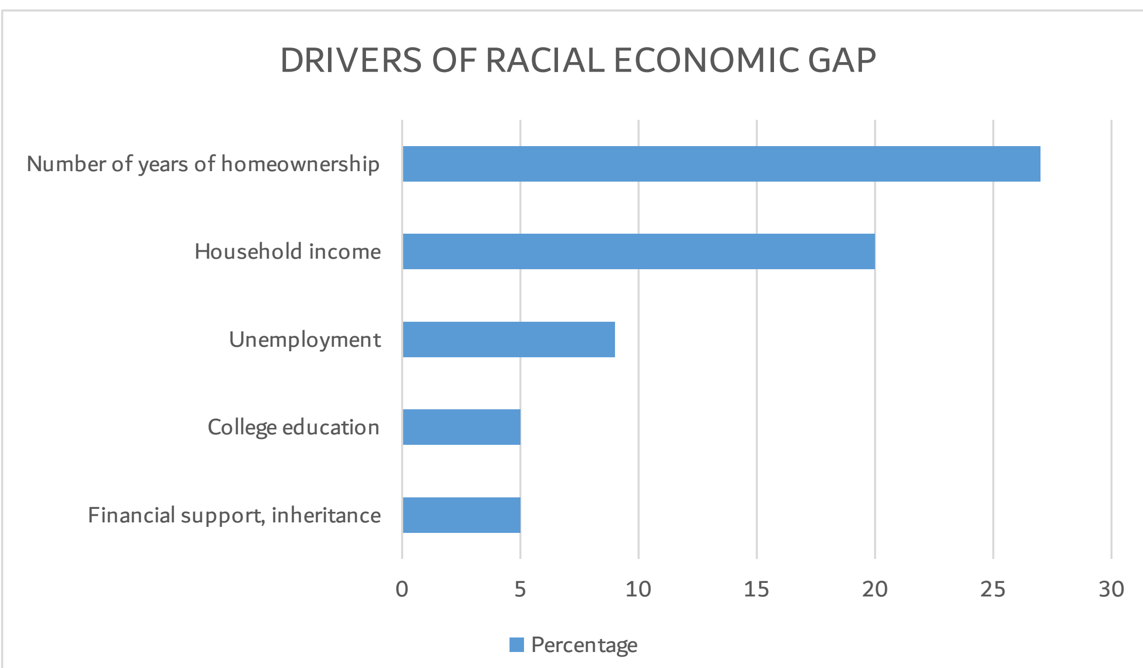
Figure 1 shows households losing wealth between 2007 and 2009 (12 percent for white families, 21 percent for African-American families), which reflects the destruction of housing wealth resulting from the foreclosure crisis and imploded housing market. Overall, half the collective wealth of African-American families was stripped away during the Great Recession due to the dominant role of home equity in their wealth portfolios and the prevalence of predatory high-risk loans in communities of color. The Latino community lost an astounding 67 percent of its total wealth during the housing collapse.

FIGURE 1: MEDIAN NET WORTH BY RACE, 1984-2009



The number of years families owned their homes was a predictor of the economic gap and wealth by different races (Figure 2). Homeownership was divided by residential segregation in order to prevent the people of color in the community from purchasing homes and generating equity.

FIGURE 2: WHAT'S DRIVING THE INCREASING RACIAL WEALTH GAP

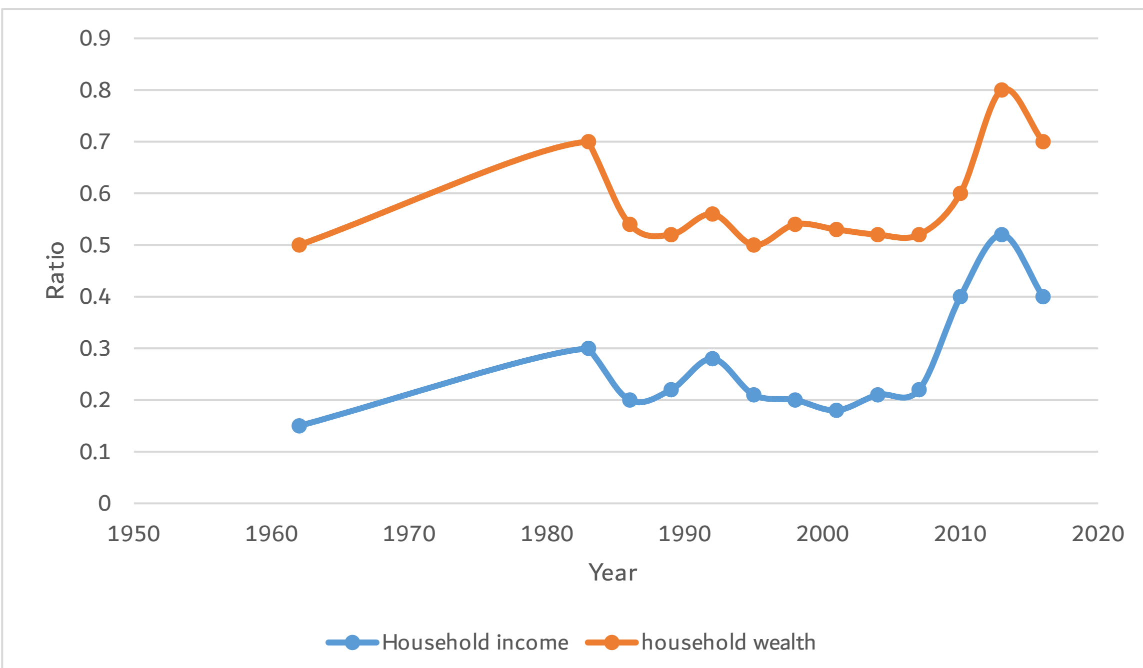


Household incomes

The ratio of household income between the black and the white people is at an estimate of 52 percent in 1962 and it reaches 58 percent in 2007 before falling steeply after the great recession.

This will be demonstrates in the figure below.

FIGURE 3: Wealth and Income ratios of black and white people in the survey of Consumer Finances.



Source: Survey of Consumer Finances.

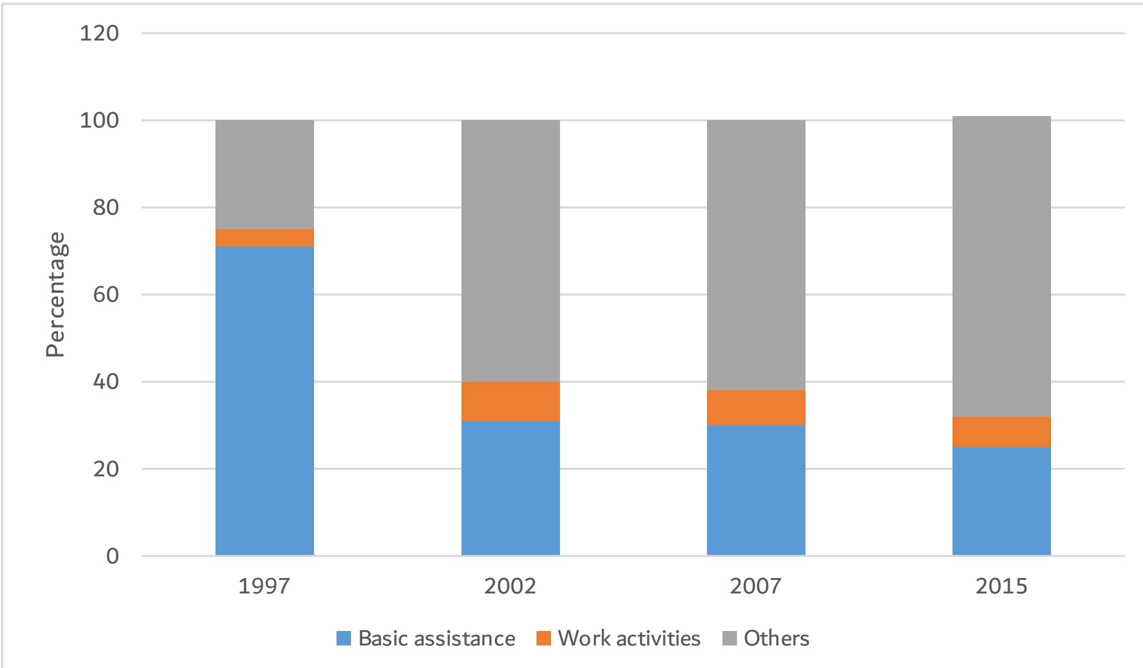
Note: The data we are showing was collected in surveys in the year of 1962 and then every three years beginning in 1983.

The current outcome of TANF in reducing economic inequality between races

TANF being a social safety net to provide financial assistance for people of color. In 2015, only 25 percent of TANF funds nationwide went forward with basic payments compared to the 71 percent of TANF funds in 1997. Over the years, states slightly increased their TANF spending to help in providing child care despite the investments still remaining low.

Less than 15 percent went to activities and programs that helped people find work including work subsidies, education and training. 17 percent went to child care but majority of the recipients did not receive TANF assistance (Hahn et al. 2016). The remaining 51 percent was spent on tax, preschool education, child care and other services that were not limited to low-income families (Schott and Floyd, 2017)

FIGURE 4: Changes in TANF spending, 1997-2015



Source: Authors' (H. Hahn, L. Aron, C. Lou, E. Pratt, A. Okoli, June 2017) analysis of data from the US Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance.

ANALYSIS OF DATA ON TANF FROM THE PEOPLE OF ILLINOIS

Administrative data and qualitative data were used to gather information to understand how TANF has positively or negatively impacted the people of color. The Illinois department of Human Services provided individual TANF recipient data from 2017-2020 including variables on demographics; race, ethnicity, sex and geography and sanction type.

All the qualitative analysis were performed by use of RStudio and R packages. There were 27 sanction codes where bureaucracy (n=9) was when the applicant was able to meet or fulfill a required step during the redetermination phase, child support noncompliance (n=7) was when there was failure of applicant to comply with child support; employment (n=6) was when the applicant did not continue with employment mandate; responsibility and services plan (n=5) was when the applicant was unable to fulfill the requirements of their responsibility and service plan.

Interviews were also conducted where the people would engage for an hour and be compensated $30 after they gave consent for the interviews to be conducted. Audio files were transcribed and edited in Temi for meaning and clarity. The transcripts were then imported into Dedoose software.

The results showed that in 2019, 5947 families which was 30 percent of the people in Illinois were sanctioned by TANF at least once. 73 percent of black families received at least one sanction compared with 20 percent of white families. 5 percent of non-Hispanic families received at least one sanction compared to 90 percent of Hispanic families.

Exhibit 1 Rates of sanctions and cancellations among Temporary Assistance for Needy Families (TANF) recip

race, ethnicity, and geography, 2018–19

	2018				2019		
	Enrolled		Canceled		Enrolled		Cance
Characteristics	Total (*N* = 21,647)	Sanctioned (*n* = 5,129)	Total (*n* = 13,435)	Sanctioned (*n* = 2,989)	Total (*N* = 19,892)	Sanctioned (*n* = 5,947)	Total 10,84
Race							
White	24%	20%	23%	21%	24%	20%	24%
Black	66	73	67	73	66	73	64
American Indian/Alaska Native	0	0	0	0	0	0	0
Asian	1	0	1	0	1	0	1
Multiracial	4	5	4	4	5	5	5
Unknown	5	2	5	1	4	2	6
Ethnicity							
Non-Hispanic/Latino/a/x	86	90	86	91	86	90	84
Hispanic/Latino/a/x	6	5	6	5	6	4	6
Multiethnic	3	3	2	3	3	3	3
Unknown	5	2	5	2	5	2	7
Geography							
Cook County	47	37	44	36	45	39	43

Exhibit 1 Rates of sanctions and cancellations among Temporary Assistance for Needy Families (TANF) recip race, ethnicity, and geography, 2018–19

Non–Cook County	48	63	49	56	48	61	47
Movers	5	0	6	6	5	0	6
Unknown	1	0	1	1	1	0	4

SOURCE Illinois Department of Human Services TANF administrative data, 2018–19.

In 2018-2019, black families were 11 percent more likely than white families to receive at least one sanction and families living in Cook County were 40 percent less likely than families living outside of Cook County to be sanctioned.

Exhibit 2 Odds of receiving at least 1 Temporary Assistance for Needy Families (TANF) sanction among Illinois TANF recipients, by race and geography, 2018–19

Variables	Odds ratio	95% CI
Race		
White	Ref	
Black	2.11***	1.99, 2.23

Exhibit 2 Odds of receiving at least 1 Temporary Assistance for Needy Families (TANF) sanction among Illinois TANF recipients, by race and geography, 2018–19

American Indian/Alaska Native	1.20	0.69, 2.07
Asian	0.49***	0.35, 0.69
Multiracial	1.57***	1.41, 1.75
Unknown	0.43	0.37, 0.50
Geography		
Cook County	0.60***	0.58, 0.63
Outside Cook County	Ref	

SOURCE Illinois Department of Human Services TANF administrative data, 2018–19. NOTE Reference value is 1.00.

***<0.01

The qualitative data provided important context as to why TANF customers might not comply with child support enforcement. The key barriers discovered where that there was a challenge with child support compliance among mothers with young children who were initial survivors of domestic violence, child support compliance policy was not designed for non-married parents.

Overall, TANF that was provided for child support varied between the various interviewees and for women who did not want to pursue child support was either prevented from receiving cash assistance or reduced the total amount they and their children received.

SUMMARY, CONCLUSION AND RECOMMENDATION

The aim of this study was to establish the major key drivers of economic inequality between races and how TANF has helped to reduce the economic inequality between races. From the study, the majority of the people suffering from economic inequality are the black people whereas the white people are receiving benefits even from TANF funds which they majorly do not require.

Black households in the United States have less wealth than white households. In 2016, the average wealth of households with a head identifying as black was $140,000, while the corresponding level for white-headed households was $901,000, nearly 6.5 times greater. The fact that blacks, on average, have considerably less wealth than whites is devastating not just because it is an inequality of outcomes but also because it strongly suggests inequality of opportunity. The economic opportunities provided by wealth range from insuring consumption against disruptions to a household's disposable income such as surprise medical expenditures or unemployment to enabling access to housing, good public schools, and postsecondary education.

The current economic inequality between races is a consequence of historical discrimination by the Whites to the other people of color which has imposed a number of barriers like wealth accumulation, challenges in acquiring homeownership, unequal access to college education, limited household income due to a high rate of unemployment among the people of color.

There is a link to economic inequality and TANF which is a social safety net that was created to offer financial assistance to the people of color. TANF despite it being a cash assistance to the people of color, over the years its assistance has varied and decreased over time contributing to the key drivers of economic inequality between races. TANF has had its benefits but also its challenges as for example the people in Illinois to be specific on child care are not receiving the cash assistance needed due to either the parents are not legally married, the child and mother have not asked for support or the geographical area does not have many people of color making it very disadvantageous on the people of color in that particular area.

To conclude, economic inequality between races can only be tackled by uprooting historical discrimination which has being dominant since the time of colonization which has negatively impacted economies till to date. The ending of historical discrimination by the White to the people of color will bring about equity and equality among all people which will solve majority of the factors like unemployment which has contributed to a widened gap of economic inequality among races.

TANF should offer its financial assistance to the low income earning households and the people of color in equality and not based on whether they are majority of them in a particular geographical area or they have asked for the financial aid, but because it is their due mandate to offer equal financial assistance to all people of color and even the Whites that may need the financial assistance.

Recommendations

In order to ensure that every person of color who is in need of TANF receives the assistance;

a) There should be an established federal minimum benefit so that families fall below a certain income level. A minimum federal benefit would establish a necessary floor to mitigate the inequalities experienced and better protect black, Asian and white families.

It will improve the lives of parents and children and also help local communities where families are experiencing severe poverty.

b) There should be change of TANF funding structure to retarget TANF resources to basic assistance addressing and preventing erosion of time. Federal policymakers should require states to spend a greater share of TANF resources on basic assistance and establish an equitable formula to allocate TANF funds especially to this lower benefiting and black population to serve more families.

c) Establish mechanisms to prevent benefits from eroding in the future. Adjusting of TANF benefits yearly in step with inflation will help reduce cost of living standards and maintain families' purchasing power and help them meet basic needs.

In order to solve challenges on homeownership, there is need to ensure that mortgage and lending policies and fair housing policies are enforced so that the legacy of residential segregation no longer benefits greater wealth opportunities to white homeowners than it does to black homeowners. As the world moves towards a majority people of color population, increasingly diverse neighborhoods must deliver equitable opportunities for growing home equity.

For household income inequality, there is need to address the gap caused by income inequality as proven tools should be fully implemented at the national, state, and local levels, including raising the minimum wage, enforcing equal pay provisions, and strengthening employer-based retirement plans and other benefits.

To curb education inequality between races, we need to invest in affordable high-quality childcare and early childhood development so that every child is healthy and prepared for school. We need to support policies that help more students from low-and moderate-income families and families of color attend college and graduate. And we need to value education as a public good and invest in policies that do not leave students strapped with huge debt or a reason to drop out.

For inheritance which is mostly beneficial for the white people compared to the people of color, we need to abolish advantages passed to a small number of families. Preferential tax treatment for large estates costs taxpayers and provides huge benefits to less than 1 percent of the population while diverting vital resources from schools, housing, infrastructure, and jobs. Preferential tax treatment for dividends and interests are weighted toward wealthy investors as is the home mortgage deduction and tax benefits from retirement savings.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

Part A: Demographic Information

Kindly select the appropriate choice

1) Gender

   Male ☐

   Female ☐

2) Age

   18 – 25 ☐

   26 – 35 ☐

   36 – 45 ☐

   Above 45 ☐

3) Race

   Black ☐

   White ☐

   Hispanic ☐

Part B: Questions

Did you experience colonization or were there during the time of colonization?

Yes.................... No......................

Have you ever experienced racial discrimination in college or in school in general?

Yes..................... No..........................

Do you think that the rise of economic inequality between races is because of the White people being dominant over the other races?

Yes........................ No............................

Does economic inequality only affect the people of color or all people in general?

Yes........................ No.............................

Are you currently employed or unemployed

Yes........................... No.........................

Do majority of high paying jobs only apply to white people or all people?

Yes......................... No...........................

Is your monthly income enough to sustain your needs, pay for the bills and still take care of your families?

Yes…………………… No………………………

Have you received inheritance from your parents or will you leave your children inheritance that will be able to sustain them for the long run?

Yes…………………… No………………………

Do think homeownership in much easier for the Whites compared to the people of color?

Yes…………………… No……………………

Are people of color more likely to live in poverty compared to the white people?

Yes…………………… No……………………

Is the economy being affected due to racial segregation contribution to increased poverty on the people of color?

Yes…………………… No……………………

Have you experienced residential segregation before?

Yes…………………… No……………………

Do you think economic inequality between races will end any time soon?

Yes…………………… No……………………

APPENDIX II: RESEARCH TIME SCHEDULE