2018

W.K. KELLOGG FOUNDATION®

GROWTH
PRODUCTIVITY
REVENUES
OUTPUT

THE BUSINESS CASE FOR RACIAL EQUITY

A STRATEGY FOR GROWTH

TALENT
POTENTIAL
SOCIAL JUSTICE
OPPORTUNITY

BY **ANI TURNER**

ALTARUM

Foreword

At the W.K. Kellogg Foundation, we recognize that advancing racial equity exerts a powerful positive influence on the lives and futures of children.

Children who grow up in a society where their health, education, and well-being are considered valuable and important have higher achievement in school and more opportunities for employment and financial stability as adults. And just as advancing racial equity has a profound effect on children and their families, it also has tremendous influence on the potential for profound positive economic growth. Inequities hold our society back, and a growing number of leaders in both the public and private sectors recognize that fact. Investors, employers, entrepreneurs, policymakers, and others have a stake in creating more equitable communities.

The updated "Business Case for Racial Equity" was created with these essential partners in mind — to connect the dots between current policies and practices, human capital constraints, untapped markets, and lost revenues.

When the first "Business Case for Racial Equity" issue brief was released in 2013, it provided civic leaders with a powerful tool for building coalitions in their communities. At the time, emerging social science research pointed to the profound effect of racial disparities on health and well-being, but data on workforce and spending power impacts were not readily available. The initial report filled a gap, giving individual leaders a resource for broadening the conversation about racial equity and bringing it to the forefront in boardroom discussions and corporate meetings.

The stories, data, and analyses in this document — and the complementary materials available at the Kellogg Foundation's digital hub (www.racialequityresourceguide.org) — can broaden this important dialogue, attract new energy and resources to this important work, and provide concrete steps each of us can take to achieve racial equity. But more importantly, it can move people to action and promote lasting change in society as a whole.

Each of us has an active role to play in the process. As you read this issue brief, or access its online tools, consider how and where you can commit to promoting racial equity on behalf of the children in your community.

La June Montgomery Tabron
President and CEO, W.K. Kellogg Foundation

WE ALL HAVE THE POWER TO ADVANCE RACIAL EQUITY WITHIN OUR CIRCLES, WORKPLACES, AND COMMUNITIES.

A SIGNIFICANT ECONOMIC AND SOCIAL GAIN

By 2050, our country stands to realize an $8 trillion gain in GDP by closing the U.S. racial equity gap. "Closing the gap" means lessening, and ultimately eliminating, disparities and opportunity differentials that limit the human potential and the economic contributions of people of color.

This report seeks to expand the narrative associated with racial equity by adding a compelling economic argument to the social justice goal. Beyond an increase in economic output, advancing racial equity can translate into meaningful increases in consumer spending, as well as federal and state/local tax revenues, and decreases in social services spending and health-related costs. For example, in consumer spending alone, closing the racial equity gap in the U.S. would generate an additional $191 billion spent on food, $500 billion on housing, $52 billion on apparel, $259 billion on transportation, and $77 billion on entertainment each year. Federal tax revenues would increase by $450 billion and state and local tax revenues would increase by $100 billion annually.

The potential economic and social gains are significant. In fact, they are of great importance to a country that increasingly faces challenges to its global competitiveness from countries with larger populations and faster economic growth. By 2050, more than half of U.S. workers and consumers will be people of color. As America confronts human capital constraints on our workforce, we must look to the potential of all and take deliberate, realistic, and proven measures to enable the full participation of all.

The purpose of this report is to highlight the business case for racial equity — stressing the importance of racial equity as both an imperative for social justice and a strategy for economic growth. As advancing racial equity requires the work of many stakeholders, we hope that the information in this report will be meaningful, useful, and actionable for leaders, change agents, and influencers in businesses, communities, and institutions around the country.

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ADVANCING RACIAL EQUITY IS A MATTER OF SOCIAL JUSTICE AND A STRATEGY FOR ECONOMIC GROWTH.

MEETING AMERICA'S CHALLENGES

The United States is the largest economy and the largest consumer market in the world. But our economic growth is slowing, and is well below the pace of populous emerging nations like China and India. Many industries in the U.S. are already challenged by shortages of workers with the necessary training and experience, and this "skills gap" is projected to increase. Our economy overall is constrained by declining labor force participation, slowing productivity gains, and the aging of the baby boomers, whose retirement represents both the loss of a generation of experienced workers and a growing strain on our state and federal government budgets.[1]

There is a strategy that can help to offset each one of these constraints to business success and economic growth. By enabling the full creative and economic potential of all people, we can increase the size and skills of the workforce, increase productivity, improve our fiscal situation, and boost our long-term economic growth.

MANY INDUSTRIES IN THE U.S. ARE ALREADY CHALLENGED BY SHORTAGES OF WORKERS WITH THE NECESSARY TRAINING AND EXPERIENCE, AND THIS "SKILLS GAP" IS PROJECTED TO INCREASE.

Reducing occupational barriers for women and Blacks in the latter half of the 20th century was a major contributor to U.S. economic growth during that period.[2] By the middle of the 21st century, more than half of U.S. workers and consumers will be people of color.[3] Furthering the success of populations of color will not only serve an important social justice goal, it will be a major driver of our collective social and economic well-being.

THE NEW WORKFORCE MAJORITY

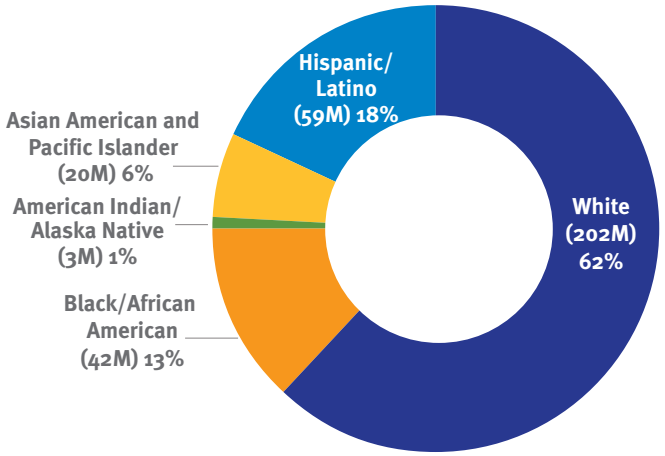
People of color will soon represent the majority of the country's population, workforce, and consumers.

Currently, 38% of the U.S. population, or 124 million out of 326 million, are people of color, including 59 million Hispanics/Latinos, 42 million Blacks, 20 million Asian Americans, and 3 million Native Americans.[4] The fastest-growing groups are Hispanic/Latino and Asian American; both groups are expected to double in size by 2050.

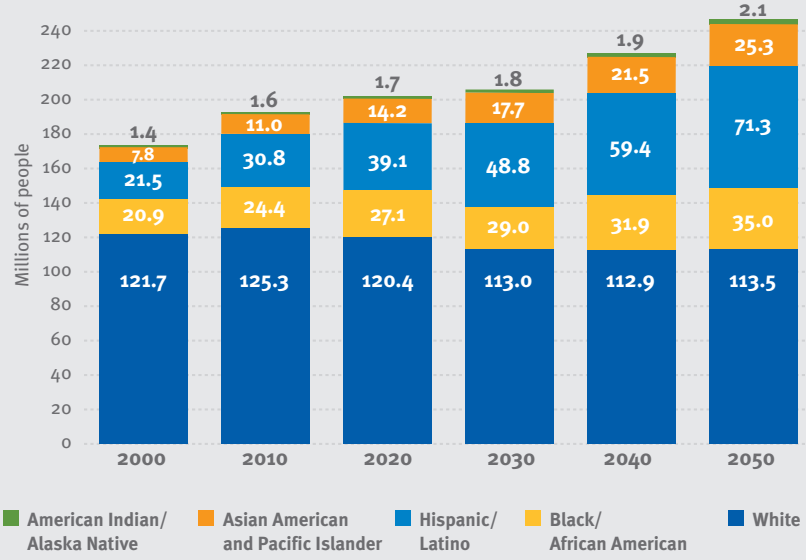
In a little over 25 years, when today's children are in their prime working years, people of color will represent half the total population and more than half of the working age population.

In addition to becoming racially and ethnically more diverse, the U.S. population is aging. There are currently 3.9 people of working age for every 1 person of retirement age. By 2050, the ratio will be 2.7 to 1, making the productivity of future workers even more important to our economy and our fiscal outlook.[5]

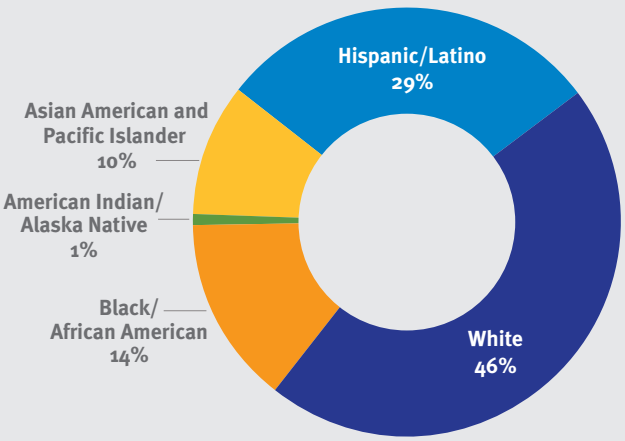
Current Composition of U.S. Population



Projected Composition of U.S. Working Age Population



2050 Working Age Population



BY REDUCING SYSTEMIC BARRIERS, WE CREATE PATHWAYS TO GREATER ECONOMIC OPPORTUNITY.

A DISTINCT AND INTEGRATED STRATEGY

A racially equitable society is one in which neither race nor ethnicity determines opportunity and life outcomes. It is a society in which all groups have the ability to participate, prosper, and reach their full potential.

In light of the many dimensions of inequity in our society — including income, gender, and class — why is it important to advance racial equity as a distinct strategy for societal change and economic growth?

There is much overlap between inequities associated with race and ethnicity and other dimensions. Many of the strategies for addressing racial equity will not be race-specific, and will improve outcomes for all people facing particular challenges. But the persistent racial disparities we see today did not happen by accident, nor can they be explained by differences in potential among people with different colors of skin or countries of origin. They arose from a long history of deliberate policies based on race, and have been perpetuated by biases that remain.[6] Racism will need to be addressed directly to fully overcome them.

Race is a societal way of categorizing people that varies by time and place and is often associated with differences in privilege and opportunity. At critical points in our history, groups of people were denied the right to vote, own property, live in particular neighborhoods, attend particular schools, or receive loans for homes or businesses.

In the 50 years since landmark laws protecting civil rights, voting, and fair housing were enacted, much progress has been made, yet striking disparities remain. Children of color are still much more likely to be born into circumstances of concentrated poverty and less upward mobility, and to experience poorer health and less financial security, than their non-Hispanic/Latino White counterparts.

Advancing racial equity will require investments of time and resources, for which there will always be competing priorities. In weighing the value and priority of such investments, it will be important to understand that greater racial equity will not only improve individual lives, it will generate broad economic benefits.

THE ECONOMIC *UPSIDE* OF RACIAL EQUITY

ADVANCING RACIAL EQUITY

is an investment in people and in our economic future. According to the World Bank, the global economy has the potential for stronger long-term growth if the supply of goods and services can keep up with demand. Rising standards of living in emerging economies are creating new markets and all major regions of the world are growing. The economic opportunity is there — who will meet it?

Reduce skills gap and improve the bottom line A well-prepared, healthy, and diverse workforce is critical to the success of U.S. businesses. Raising levels of education and other capabilities important for success in the workplace will narrow the skills gap between employer demand and available talent, lower unemployment, and enable businesses to more efficiently produce the level of goods and services that markets demand.[7] The growing diversity in the U.S. workforce can also be a tremendous asset in bringing together different approaches and perspectives and broadening understanding of potential markets in an increasingly global economy.[8] Businesses with a more diverse workforce have been shown to have more customers, higher revenues and profits, greater market share, less absenteeism and turnover, and a higher level of employee and customer commitment to their organizations.[9]

$2.7 trillion in greater economic output today The combined effect of current disparities in health, education, incarceration, and employment opportunities is reflected in earnings. The average earnings of persons of color in the U.S. are 63% of the average earnings of Whites of the same age and gender — roughly $25,000 per year versus $40,000 per year.[10] Raising the average earnings of people of color to match those of Whites by closing gaps in health, education, and opportunity would generate an additional $1 trillion in earnings, a 15% gain.[11] Where will these additional earnings come from? They will come from the economic growth that a more productive workforce brings to meet growing global demand, and the growth that families of color themselves support with greater spending power and more financial security. Because this gain would be generated through greater productivity, it would translate to an additional $2.7 trillion in economic output, or gross domestic product (GDP). By 2050, given the expected growth in populations of color, closing the earnings gap would increase inflation-adjusted earnings by 22%. The corresponding gain in 2050 GDP would be $8 trillion — an amount greater than the current GDP of every country in the world except the U.S. and China!

Billions in increased consumer spending power Under current consumer spending patterns, $1 trillion in higher earnings would translate to an additional $800 billion in spending, including $109 billion on annual food purchases, $286 billion on housing, $30 billion on apparel and services, $147 billion on automobiles and transportation, and $44 billion on entertainment.[12] By 2050, more than half of the consumers in the U.S. market will be people of color. Closing the earnings gap by 2050 would represent an additional $2.6 trillion in spending, including $330 billion annually on food, $860 billion on housing, $90 billion on apparel, $440 billion on transportation, and $130 billion on entertainment.

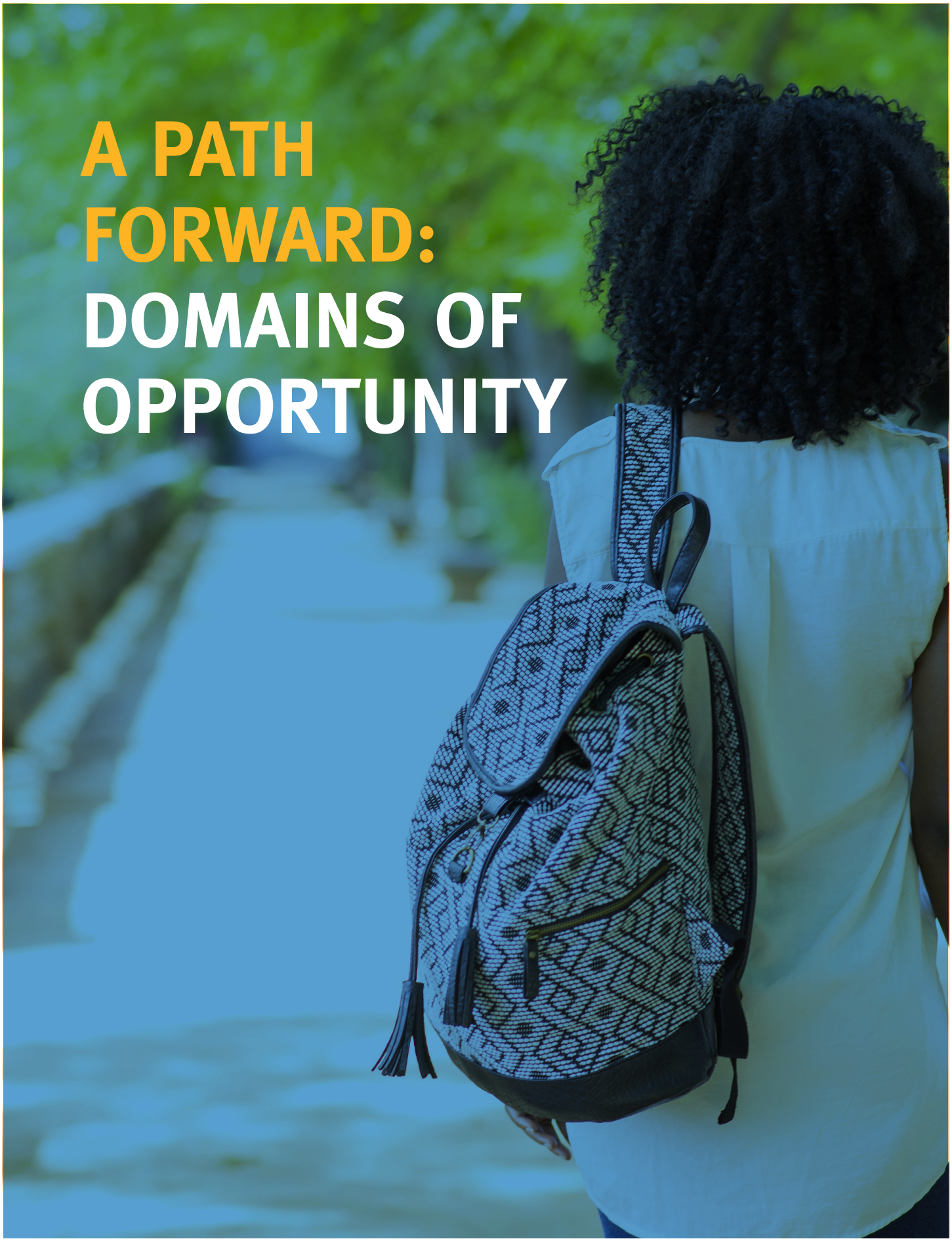
BY 2050, THE UNITED STATES STANDS TO GAIN $8 TRILLION IN GDP — MORE THAN THE CURRENT GDP OF EVERY COUNTRY IN THE WORLD EXCEPT THE U.S. AND CHINA.

$135 billion gained per year by reducing health disparities Healthier workers have fewer sick days, are more productive on the job, and have lower medical care costs. A healthier population saves everyone in insurance premiums and health-related public spending. Beyond the toll in avoidable human suffering, we estimate disparities in health in the U.S. today represent $93 billion in excess medical care costs and $42 billion in untapped productivity, for a total potential economic gain of $135 billion per year.[13] Today's health disparities also mean that life expectancy varies significantly. We estimate 3.5 million lost life years associated with these premature deaths. Using $50,000 per life year (on the low end of valuations of a life year used in medical cost-effectiveness analyses), the economic impact of these shortened life spans is $175 billion.[14] Eliminating health disparities by 2050 would reduce the need for more than $150 billion in medical care and reduce lost productivity by $80 billion, for a total of more than $230 billion per year.[15]

Substantial benefits for federal, state, and local governments The ratio of wage earners to recipients of Social Security and Medicare is declining as our population ages. Government deficits and debt are a major concern for our economic future. Greater earnings for people of color will generate more contributions to these programs through payroll taxes and higher income, sales, and other tax revenues. A population with higher earnings will also require less public spending on programs supporting food, housing, medical care, and other essential needs. Our estimates show that closing the earnings gap for people of color would increase federal tax revenues by $450 billion and state and local tax revenues by $100 billion annually.[16] By 2050, the increase would be $1.4 trillion in federal tax revenues and nearly $325 billion in additional state and local tax revenues.

Accelerated long-term economic growth rate The Congressional Budget Office projects a long-term growth rate for the U.S. economy of about 2% per year. We estimate that closing the earnings gap by 2050 would increase GDP by 22%, equivalent to increasing the long-term growth rate by half a percentage point to 2.5% per year. This is not simply a thought exercise; researchers at Stanford University and the University of Chicago have estimated that more than 25% of the growth in productivity in the U.S. economy from 1960 through 2008 was associated with reducing occupational barriers facing Blacks and women.[17] Our success today in continuing to reduce barriers to opportunity will help drive the level of economic growth we can achieve over the next 50 years.

How and where should investments be made to most effectively close gaps in opportunity and outcomes and achieve greater racial equity? Programs and policies in the key domains of housing, education, health, criminal justice, and employment and entrepreneurship, separately and in combination, provide a path forward.



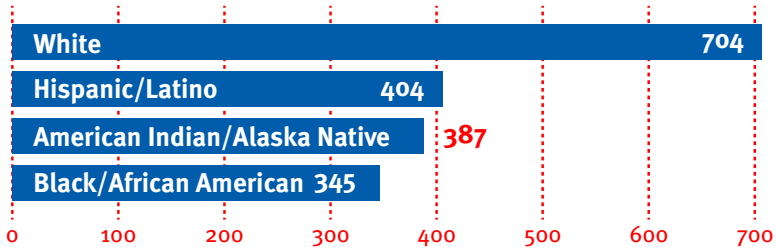
A PATH FORWARD: DOMAINS OF OPPORTUNITY

The forces that impact life outcomes are interconnecting and reinforcing.

Healthier, better-educated people tend to earn more and live in higher-income neighborhoods where there are lower crime rates, less pollution, better quality education, and more resources to stay healthy. The wealth that families build by owning a home in a neighborhood with increasing home values improves their financial stability and enables them to support higher education and other investments in future generations. For children born into neighborhoods of concentrated poverty, this reinforcing cycle works in the opposite direction.

How do these forces impact the likelihood of success for children of different races and ethnicities in the U.S. today? By one measure, the odds of success for children of color are currently roughly half those for White children. The Annie E. Casey Foundation's *Race for Results Opportunity Index* combines 12 predictors of future success, including birth weight, preschool participation, academic proficiency scores, graduation rates, and family poverty levels, and creates a single composite score between 0 and 1,000 for each racial or ethnic group — the higher the score, the greater the likelihood of success.[18] In 2016, the composite score for White children was 704 out of 1,000. The score for Hispanic/Latino children was 404, for Native American children it was 387, and for Black children it was 345.[19]

***Race for Results* Composite Index of Opportunity (out of 1,000)**



To raise these odds, we need to understand the current challenges and identify solutions in the domains that strongly influence life outcomes: housing, education, health, crime and criminal justice, and employment and entrepreneurship. We begin with housing as the first and most important domain, because where we are born and raised affects everything else — our ability to grow and stay healthy, the quality of schools in our neighborhood, our exposure to violence and crime, our access to employment opportunities, and even our hopes and expectations for the future.

HOUSING

WHERE WE ARE BORN AND RAISED **AFFECTS OUR OPPORTUNITY** FOR GOOD HEALTH, EDUCATION, EMPLOYMENT, AND WEALTH.

$110 THOUSAND

gap in median net worth between White households and households of color

32%

of Black children live in concentrated poverty, versus 5% of White children

1.6x

as many Whites as people of color own homes

As of 2016, 71% of Whites, 58% of Asian Americans, 53% of Native Americans, 46% of Hispanics/Latinos, and 41% of Blacks owned their own homes.

HOUSING

RESEARCH CONFIRMS what parents who strive to move their families to a better neighborhood have long understood — that where we live has a profound impact on our future. For much of the 20th century, the financing, development, and sale of housing in the U.S. was shaped by policies that helped White families achieve homeownership in desirable neighborhoods, supporting wealth accumulation, financial stability, and the ability to invest in the future. At the same time, these policies explicitly discriminated against non-White home buyers, creating diverging paths for White families and families of color. The residential segregation that resulted from these policies constrained people of color to higher poverty and lower opportunity neighborhoods, leading to poorer health, education, and employment opportunities. Neighborhood revitalization efforts to improve existing communities and programs that provide options for families to move into neighborhoods with more opportunity are among the strategies beginning to undo the effects of these policies.

WHERE ARE WE NOW AND HOW DID WE GET HERE?

Educational achievement, crime, unemployment, and other outcomes are affected by neighborhood characteristics, and these negative effects are especially impactful when 20% or more of families in the area are living in poverty.[20] In the U.S., not only are families of color more likely to be poor,[21] they are much more likely to live in these high-poverty neighborhoods. About one-third of Black and Native American children (32% and 31%) and just under one-quarter of Hispanic/Latino children (23%) live in neighborhoods where 30% or more of the people are poor, compared to 5% of White children.[22]

The concentration of people of color in high-poverty neighborhoods is not accidental. It is the result of decades of public and private policies pertaining to residential development, lending, and transportation.[23] Housing policy that explicitly discriminated by race was a part of federal, state, and local laws and practices until the Fair Housing Act of 1968.

In 1934, the Federal Housing Administration (FHA) created the financial home mortgaging system, endorsing the practice of "redlining," which made home purchases in many non-White, largely urban neighborhoods ineligible for FHA-backed mortgages, even if the applicant was creditworthy. For the next two decades, most home loans and developments were financed or guaranteed by the FHA, whose policies favored borrowers and developers in White middle-class neighborhoods, contributing to both racial segregation and inner city decline.

Racially restrictive covenants were contracts stating that homes could not be sold to non-White or Jewish buyers even if the seller and buyer agreed to the transaction.[24] In 1946, the Supreme Court ruled that such covenants were not legally enforceable, but many areas continued to implement them. Economic development and city planning decisions were also used to sweep away or isolate communities of color. As the roads system grew

in the 1940s and 1950s, highways were purposely routed through neighborhoods viewed as less desirable, even when it meant leveling houses, churches, and businesses. Roads such as State Road 40 bisecting West Baltimore became concrete barriers separating and segregating cities.

Native peoples in America have experienced a history that has also led to higher rates of poverty, poor housing, and low opportunity. This history spans hundreds of years of forced relocation and removal, loss of land and natural resources, oppression of language and culture, removal of children from Native homes, and underinvestment in housing, education, and basic infrastructure. Native Americans were not granted U.S. citizenship until 1924, and did not have citizenship in all states until 1962. Communities located on Native lands currently suffer from overcrowding, schools in disrepair, and lack of housing, roads, and access to broadband.[25] Reservations are often in remote locations with higher construction costs, and restrictions on land use create barriers to investment and economic development. Nevertheless, Native Americans have preserved their cultures and their sovereignty for centuries and are slowly advancing progress in a period of increased self-determination.

While housing discrimination on the basis of race or ethnicity is no longer government policy, it continues in more subtle forms. The U.S. Department of Housing and Urban Development has been tracking discrimination in housing and rental markets since the 1970s. Well-qualified White and minority homeseekers are sent into the housing market in 28 metropolitan areas and any differences in outcomes are tracked. Overt discrimination has decreased over time; in the most recent study (2012), all participants were equally likely to get an appointment and to see at least one housing option. However, Black, Hispanic/Latino, and Asian American homeseekers were told about and shown fewer homes and rental apartments than comparable White homeseekers, limiting their options.[26]

In addition to creating and perpetuating residential segregation, the housing policies of much of the 20th century made the path to homeownership much easier for White families, and families of color have yet to catch up. As of 2016, 71% of White families owned their own homes, compared with 41% of Black families, 46% of Hispanic/Latino families, 53% of Native American families, and 58% of Asian American families.[27] Even when incomes are comparable, people of color tend to own homes with lower values than do Whites. Houses in neighborhoods with higher concentrations of people of color typically have lower home values and appreciate more slowly.

Given that housing equity makes up about two-thirds of the wealth of an average household, housing differences are the major reason that the wealth gap between racial and ethnic groups is even larger than the earnings gap. Family net worth (assets minus debts) provides a cushion for economic hard times, greater financial stability, and the ability to save for retirement, invest in education, or gain financing for entrepreneurship. According to Census Bureau data, the median net worth of White households was $127,000, compared to $109,000 for Asian Americans, $13,000 for Hispanics/Latinos, and only $9,000 for Black households. Overall, the gap in net worth between White households and households of color was $110,000. One in four households of color had zero net worth — no net assets, compared to 13% of White households.[28] These gaps have been generations in the making and are unlikely to close without purposeful changes to housing, lending, or tax laws.[29]

WHAT ARE EXAMPLES OF PROMISING STRATEGIES?

The strong impact that our surroundings have on our lives also means that simply moving to a better neighborhood can be life-changing. A new body of research led by economists at Stanford, Harvard, and Brown Universities has substantiated that when children from low-income families move to neighborhoods where there is more opportunity, they are more successful and have higher earnings later in life — and the younger they are when they move, the larger the effect.[30]

Moving to a neighborhood where there is more opportunity can be life-changing for a child of color. Strategies that empower social mobility and strengthen communities are smart investments that advance racial equity.

Empower social mobility with housing vouchers Mobility programs such as Moving to Opportunity offer vouchers for tenants of public housing to move to neighborhoods with less poverty. Studies of this program have shown that moving children to higher- opportunity neighborhoods has long-term benefits, including higher college attendance rates and higher earnings, particularly if children move before the age of 13.[31] Real estate and other businesses can have a big impact on the success of these types of voucher programs, since they require an adequate supply of affordable housing, landlords willing to take the vouchers, and methods to connect families qualifying for vouchers with higher-opportunity neighborhoods.

Increase economic and racial integration through inclusionary zoning Inclusionary zoning requires a percentage of new housing developments to be set aside for low- or moderate-income housing to increase the availability of affordable housing. Nearly 500 jurisdictions around the country implement some type of inclusionary zoning practice.[32] Existing research suggests that inclusionary zoning increases economic and racial integration by incentivizing the creation of low-income housing outside high-poverty, underserved neighborhoods.[33] Businesses associated with residential development of homes and rental units can contribute by supporting this type of zoning and working to make it successful.

Improve the environment in existing communities through neighborhood revitalization Not everyone can move to a higher-opportunity neighborhood or to newly built affordable housing. Improving conditions in current communities is also an important strategy to reduce the impact of housing inequities and expand opportunity. Businesses across the country are supporting neighborhood revitalization efforts that improve lives and improve the value of those neighborhoods. As just one example of private sector investment in neighborhoods, JPMorgan Chase launched the Partnerships for Raising Opportunity in Neighborhoods (PRO Neighborhoods) program, providing $125 million over five years to fund local community development efforts for revitalizing distressed neighborhoods across the U.S.

EDUCATION

CLOSING THE **EDUCATIONAL ACHIEVEMENT** GAP CAN BE ONE OF THE MOST BENEFICIAL STRATEGIES FOR PRODUCING ECONOMIC, HUMAN, AND SOCIAL GAINS.

$2.3 TRILLION

Estimated increase in the U.S. economy by 2050 if the educational achievement of Black and Hispanic/Latino children was raised to that of White children, according to one study

$13

Long-term return for every $1 spent on quality early childhood education

500

Estimated number of jurisdictions across the U.S. implementing inclusionary residential zoning practices

65% of jobs will require post-secondary education. 64% of Whites have this level of education, compared to only 53% of Blacks, 49% of Native Americans, and 37% of Hispanics/Latinos.

EDUCATION

WHILE U.S. GRADUATION RATES have been increasing, and educational achievement gaps are gradually closing, educational attainment overall lags behind employer demand, constraining business and economic growth. Closing the educational achievement gaps can be one of the most beneficial strategies for producing economic, human, and social gains. Researchers at the Center for American Progress estimate that if the educational achievement of Black and Hispanic/Latino children in the U.S. was raised to that of White children born in the United States, the economy would be $2.3 trillion, or nearly 6%, larger by 2050.[34]

These gaps can be attributed to a host of socioeconomic and other factors — among them nutrition, exposure to books and language, teacher quality and stability, environmental stress, and expectations — but there are proven strategies that begin in early childhood and extend through post-secondary education that can accelerate progress.

WHERE ARE WE NOW AND HOW DID WE GET HERE?

It is easy to forget that when today's baby boomers were children, most schools in the U.S. were still segregated by race. The Jim Crow laws following Reconstruction were not overturned until the landmark 1954 Supreme Court decision in *Brown v. Board of Education of Topeka*, and it took decades of subsequent court rulings and civil rights actions to drive greater integration of schools and more equitable school funding. Although children of color have made significant gains, persistent racial and ethnic gaps in readiness for school, educational achievement, and educational attainment remain.[35]

Gaps begin even before children enter school. The Economic Policy Institute found that Black and Hispanic/Latino students (especially non-English learners) start kindergarten behind in math and reading, but that much of the effect can be explained by social class, suggesting that poverty and the associated circumstances are more important to school readiness than race itself.[36]

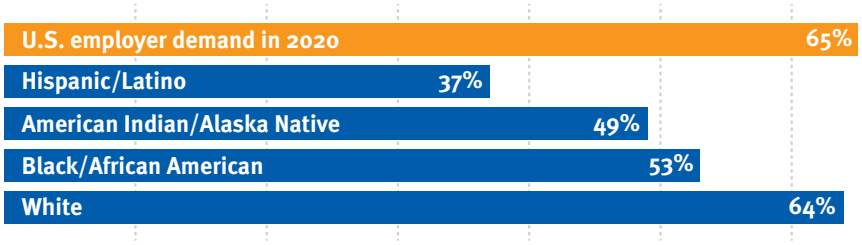
Academic achievement gaps that begin in early childhood continue through primary and secondary education. In 2015, about 46% of White children in grade 4 were proficient in reading, compared to 18% of Black, 21% of Hispanic/Latino, and 22% of Native American students.[37] Similar disparities exist in grade 8 math proficiency; about 42% of White children were proficient in math, compared to 12% of Black, 19% of Hispanic/Latino, and 19% of Native American students.[38]

High school graduation rates have been increasing in recent years for all groups, and racial and ethnic gaps have been closing, but disparities in this important milestone still remain. In 2015–2016, four-year high school graduation rates were 84% overall, 88% for Whites, 76% for Blacks, 79% for Hispanics/Latinos, and 72% for Native Americans.[39] For the 8% of Native American students attending Bureau of Indian Education schools, recent graduation rates were even lower, at only 53%.[40]

The segregation of children of color into higher poverty neighborhoods affects many aspects of their lives, including education. Most children

attend their neighborhood schools, and these schools vary in the level of resources, teacher quality and stability, classroom size, and facilities. Even when per-pupil public funding is equitable, schools in high-poverty urban or rural communities are less likely to benefit from the significant fundraising and volunteer labor that more affluent parent communities can provide. Perhaps most importantly, the ability to learn and the belief that education will have long-term benefits are strongly affected by children's environments — their exposure to crime and other stresses, family stability, role models, and expectations of success.

Percent of Workforce with Some Post-Secondary Education



The past three decades have seen a significant increase in exclusionary discipline methods such as suspensions or expulsions from school, and in referrals of students to law enforcement, even when misbehaviors are not dangerous or harmful to other students.[41] These types of punishments have been shown to be harmful to the education and life outcomes of affected students, and they are much more likely to be applied to students of color. In 2011–2012, rates of in-school suspension were 13% of enrolled Black students, 8% of Native American students, 7% of Hispanic/Latino students, and 5% of White students.[42] Rates of out-of-school suspension and expulsion followed similar patterns.

Extensive research has disproven the notion that Black children misbehave more than White children, suggesting that unconscious bias on the part of teachers and administrators plays a role in the much greater tendency to suspend or expel students of color.[43] Studies have shown that teachers express greater concern about disruptive behaviors when exhibited by children of color, even in children as young as five.[44]

High school graduation alone improves employment opportunities, but two-thirds of all jobs in the U.S. by 2020 are expected to require some post-secondary education.[45] White adults today have nearly achieved this proportion, but only 53% of Blacks, 49% of Native Americans, and 37% of Hispanics/Latinos currently have some post-secondary training.[46] Increasing high school graduation rates and strengthening academic and financial paths to college or vocational training beyond high school for students of color will support a future workforce better aligned with employer needs.

WHAT ARE EXAMPLES OF PROMISING STRATEGIES?

Intervene when children are young by investing in quality early childhood education Long-term evaluations of high-quality early childhood interventions, particularly those involving both children and their families, have demonstrated meaningful impacts on educational performance and other outcomes, providing benefits that accumulate over lifetimes and into future generations. Nobel Prize–winning economist James Heckman estimates that every dollar spent on quality early childhood education returns $13 over the long term.[47]

Education gaps begin early. Early childhood programs are part of a sound investment strategy to close the educational achievement gaps.

ReadyNation is a group of nearly 2,000 CEOs and business leaders who work to improve the economy and the workforce through effective investments in children and youth. Over the past decade, "ReadyNation members have made a bottom-line case for effective, bipartisan investments in children — from birth to young adulthood — as the future workforce that will drive success in the global marketplace."[48]

PNC Financial Services Group has invested $350 million in the *PNC Grow Up Great* program, a multi-year initiative to help prepare children from birth to age five for future success.[49] Partnering with early childhood experts, the bilingual program targets underserved children through grants to organizations around the country. In Utah's Granite School District, Goldman Sachs and investor J.B. Pritzker are investing $7 million over eight years to expand an early childhood education program under a "social impact bond" mechanism.[50] If the program achieves measurable results, the investment will be repaid with 5% interest.

Make smart fiscal allocations to ensure equitable school funding Adequate school funding is critical to closing gaps in primary and secondary education. To be equitable, not only should school funding formulas be equalized between wealthier and poorer districts, but additional resources should be allocated to schools with greater needs, including those with a high number of English language learners, children with special needs, or children living in areas of concentrated poverty. Hawaii is an example of a state that has implemented a weighted formula for school funding that gives greater resources to those in greater need, with funding following the students to each school.[51]

Reduce suspensions and expulsions by using restorative justice Restorative justice is an approach to school discipline that moves away from punishments, especially in the form of suspensions and expulsions, in favor of requiring recognition of the harm caused by wrongdoing and taking responsibility to put things right. The restorative justice approach implemented in Oakland, California schools is an example of a program that helped to cut the number of suspensions in half between 2011 and 2014.[52]

Create diverse and inclusive learning cultures using school system strategies In addition to strategies targeting residential segregation, school districts or charter schools have policy levers that can increase school diversity.[53] Drawing school attendance zone boundaries that consider socioeconomic diversity, or shifting from geographic enrollment to a choice-based policy that promotes diversity, can be effective.[54,55] Factoring diversity into magnet school, charter school, or transfer admissions policies can also contribute. In implementing such strategies, practical considerations such as the convenience of school schedules and transportation can influence community support and acceptance.[56]

HEALTH

GIVING **ALL GROUPS** THE SAME OPPORTUNITY FOR GOOD HEALTH WILL BE AN IMPORTANT COMPONENT OF BUILDING A **HEALTHIER COUNTRY.**

$135 BILLION
total economic gain per year if health disparities removed

$42 BILLION
untapped productivity due to health disparities

$93 BILLION
excess health care costs due to health disparities

$175 BILLION
economic impact of shortened life spans

3.5 MILLION
lost life years associated with premature deaths

$230 BILLION
projected economic gain per year if health disparities eliminated by 2050

Infant mortality rates are 11 deaths per 1,000 for Black children, 8 for Native American children, 5.2 for Hispanic/Latino children, and 4.8 for White children.

HEALTH IS FUNDAMENTAL to quality of life and is an important measure of societal well-being. Despite spending more than any other country on health care, the U.S. ranks below other advanced countries in health and life expectancy, and there are wide disparities in health by race, ethnicity, and income. Health disparities that start at birth and continue into adulthood affect the lives of millions of people of color; they also carry an economic burden estimated at $93 billion in excess medical care costs per year and $42 billion in untapped productivity. Greater health equity, giving all groups the same opportunity for good health, will be an important component of building a healthier country. Achieving health equity will require eliminating gaps in access to health care, the quality of care, and, most importantly, the social and environmental determinants of health.

WHERE ARE WE NOW AND HOW DID WE GET HERE?

Differences in health start early in life. Researchers at Columbia University and others have shown that the circumstances around an infant in utero can impact the health and economic conditions of that person in adulthood.[57] Infant mortality rates currently vary widely among racial and ethnic groups in the U.S., at 11 deaths per 1,000 for Black babies, 8 for Native American babies, 5.2 for Hispanic/Latino babies, and 4.8 for White babies.[58]

The incidence of low birth weight babies follows similar patterns. Research has shown associations between low birth weight and prematurity and poorer educational outcomes.

Health disparities by race and ethnicity continue into adulthood. In an analysis of national data by the Kaiser Family Foundation, Blacks experienced poorer health than Whites on 24 out of 29 measures, Native Americans experienced poorer health on 20 measures, and Hispanics/Latinos experienced poorer health on 13 measures.[59] Nine percent of nonelderly adult Whites in the U.S. report being in fair or poor health, compared to 11% of Hispanics/Latinos, 15% of Blacks, and 17% of Native Americans.[60] Physical health clearly affects workforce participation and productivity, but mental health disorders are also a leading cause of disability. According to data from the U.S. Substance Abuse and Mental Health Services Administration, fewer than one-third of adults of color with a mental illness receive treatment, compared to half of White adults.[61] Access to care and cultural barriers are among the factors.

Closing gaps in health insurance coverage can contribute to closing gaps in health and improving financial security. The Affordable Care Act reduced but did not eliminate disparities in coverage, partly because of differences in Medicaid expansion decisions by state; as of 2016, 28% of Hispanics/Latinos and 11.4% of Blacks in the U.S. did not have health insurance, compared with 6.4% of Whites.[62]

Even when there is financial and geographic access to care, studies by the Agency for Healthcare Research and Quality, the Institute of Medicine, and others have documented that people of color are often less likely to receive the recommended standard of care.

Like so many other life outcomes, health is influenced by neighborhood environment. In the U.S., where a person lives can dramatically affect that person's chance of living a longer, healthier life. According to maps published by the Robert Wood Johnson Foundation's Commission to Build a Healthier America, the life expectancy of people living only miles apart can vary dramatically. For example, residents of the Lakeview neighborhood of New Orleans can expect to live to age 80, while those in the nearby Treme neighborhood have a life expectancy of only 55 years.[63] Children and adults of color are more likely to live in neighborhood conditions that contribute to poor health, including lower air and water quality, less access to healthy food, less opportunity for outdoor play and physical exercise, and greater exposure to the ongoing negative stresses of crime, violence, and financial instability.

WHAT ARE EXAMPLES OF PROMISING STRATEGIES?

Improve health at birth and in early childhood through home visiting programs There are many evidence-based strategies for improving outcomes at birth and in the early years of life, including nurse home visiting and other programs to increase access to prenatal medical care and parent education. In the Nurse-Family Partnership (NFP) program, NFP nurses visit the homes of low-income, first-time mothers during prenatal and early childhood periods. NFP has a strong evidence base establishing its effectiveness in improving both short-term and long-term outcomes. For participating mothers, NFP has been found to increase workforce participation, decrease smoking rates during pregnancies, and decrease the use of public assistance. For the children born to these mothers, injuries, substance abuse, and crime were reduced.[64] Investments in this program have been estimated to generate net present value savings of $18,000 per family.[65]

Intervene early to prevent youth alcohol abuse with community- and school-based solutions Two strategies for reducing underage alcohol use and related consequences were tested within the Cherokee Nation area of northeastern Oklahoma. One of the strategies was community-based, with teams of adults trained to take actions to reduce youth access to alcohol through social and commercial sources. The other strategy engaged school social workers to meet with each student at least once per semester to encourage healthy drinking behaviors, and to refer students reporting high-risk drinking to appropriate resources or programs. Students were in the 9th and 10th grades during the intervention, and were followed for three years. Both strategies significantly reduced youth alcohol use (22%–25%) and alcohol-related consequences (22%–23%).[66]

Address local social, economic, and environmental determinants of health through place-based community coalitions The National Collaborative for Health Equity, formerly Place Matters, builds community-based coalitions to identify and address the social, economic, and environmental conditions that are root causes of health inequities. Where a person lives in the U.S. can dramatically affect that person's chance of living a longer, healthier life, in some cases by as much as 22 years.[67] Teams in 24 jurisdictions across 10 states and D.C. identify community concerns related to health and well-being, work to understand root causes, and build support for solutions.[68] Businesses participate in broad coalitions within these communities that include public sector, academic, and faith-based organizations working together to improve opportunities for good health.

Address root causes of poor health and health disparities by improving education, housing, and other social determinants of health The interconnectedness of the domains affecting life outcomes is especially true for health. Health is affected by the social determinants of health, including the physical environment, education, and employment, as much as if not more than medical care. A recent review of strategies to address the social determinants of health found that the evidence supports the health benefits of interventions that addressed disparities in other domains, including education, housing, and community development.[69]

To improve health outcomes — improve housing, education, employment, and medical care. The social determinants of health are interconnected and reinforcing.

Improve nutrition with the Supplemental Nutrition Assistance Program (SNAP) and innovative programs like Double Up Food Bucks The Double Up Food Bucks program allows SNAP recipients to double their purchases of fresh, locally grown produce when shopping at participating farmers' markets and grocers. The program allows participants to access more food at no extra cost and eat more locally grown fresh fruits and vegetables while creating demand and circulating more money in local economies.

Support healthier lifestyles with community-driven activities to improve food and fitness The Northeast Iowa Food & Fitness Initiative is an example of a multi-county, multi-sector, multi-year initiative with the goal of advancing universal access to healthy foods and opportunities for physical activity in six Iowa counties.[70] Strategies focus on aligning school district policies and practices to promote healthy living, expanding availability of locally grown food, and increasing opportunities for physical activity in the built environment. A similar program exists in Oakland, California.

Increase access to primary and preventive care with school-based health centers The U.S. Community Preventive Services Task Force recommends implementing school-based health centers (SBHCs) in low-income communities to improve health and educational outcomes and reduce disparities.[71] Health issues affecting low-income children and children of color, including missing more days of school because of illness, being hungry, and having unaddressed vision or hearing problems, affect not only long-term health outcomes but educational outcomes as well.

Low-income children and children of color are less likely to have a usual source of health and dental care. SBHCs provide primary care health services to students in grades K–12, and may also provide mental and oral health care, social services, and health education. These centers have been shown to improve health outcomes, including increasing vaccination rates, reducing asthma morbidity, and decreasing emergency department and hospital admissions. SBHCs have also been shown to improve educational outcomes, including school performance, grade promotion, and high school completion.

CRIMINAL JUSTICE

THE **CYCLE OF INCARCERATION** COMES AT A STAGGERING AND PREVENTABLE ECONOMIC, SOCIETAL, AND HUMAN COST.

$30 BILLION

estimated savings in annual state and federal prison costs if Blacks and Hispanics/Latinos were incarcerated at the same rate as Whites

$50 BILLION

projected savings by 2050 in annual state and federal prison costs if Blacks and Hispanics/Latinos were incarcerated at the same rate as Whites

$10 to $1

overall societal dollars saved for every dollar saved in prison costs from reduced incarceration

> $100 THOUSAND

direct economic benefits per youth of providing educational services to juvenile offenders

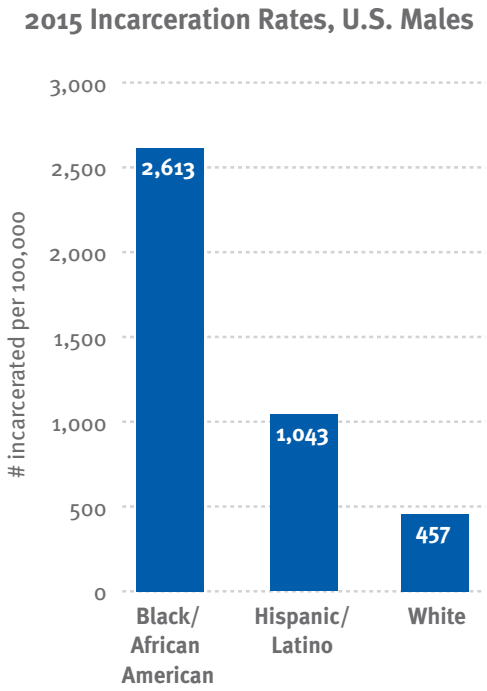
Hispanic/Latino men are incarcerated at twice the rate of White men, and Black men are incarcerated at nearly 6 times the rate of White men.

CRIMINAL JUSTICE

EQUAL JUSTICE under the law is an American ideal. Yet people of color are imprisoned at rates far exceeding their share of the population, being more likely to be stopped, arrested, prosecuted, and incarcerated, and receiving longer sentences than their White counterparts. These differences may not be the result of conscious racism, but they do likely reflect differences in environments and expectations along with unconscious biases. The cycle of incarceration and subsequent disadvantage takes a lifetime toll on children, families, and communities of color. It also imposes a significant economic burden on society. If incarceration rates for Blacks and Hispanics/Latinos were the same as for Whites, the U.S. prison population would be cut roughly in half, translating to a potential reduction in annual state and federal prison costs of nearly $30 billion. In recognition of these human and economic costs, criminal justice reforms are gaining support throughout the country, as are programs that focus on prevention, addiction, and workplace re-entry. These are all promising strategies to both prevent incarceration and help returning individuals reintegrate successfully as productive members of their communities.

WHERE ARE WE NOW AND HOW DID WE GET HERE?

The United States has seen a fivefold increase in incarceration since the 1980s, and this increase has been borne disproportionately by populations of color. More than 2 million people are in our prisons and jails, and our incarceration rate is more than four times the world average.[72] In economic terms, researchers at Washington University at St. Louis estimate that in addition to the $80 billion per year spent on corrections, for every $1 in corrections costs, incarceration generates an additional $10 in lost productivity and other social costs. They estimate the total economic burden of incarceration in the U.S. at $1 trillion.[73]



According to the U.S. Bureau of Justice Statistics, incarceration rates vary significantly by race and ethnicity. Black men in particular are incarcerated at 5.7 times the rate of White men.[74] If Black and Hispanic/Latino men and women were incarcerated at the same rates as White men and women,

the U.S. prison population would be cut roughly in half. With the cost of housing a prisoner in the U.S. averaging about $33,000 per year,[75] equalizing incarceration rates would have the potential to save $30 billion annually. By 2050, the prison population could be reduced by 1.5 million people, for a potential savings in corrections spending of $50 billion.

Not only are inmates out of the workforce for the time they are in prison, but a criminal record becomes a barrier to finding employment and housing once former inmates return to their communities. The Pew Charitable Trusts finds that incarceration reduces annual earnings by 40%.[76]

More than half of inmates are parents with minor children, which significantly impacts the economic resources and stability of these families. One in 9 Black children, one in 28 Hispanic/Latino children, and one in 57 White children has an incarcerated parent. Research has shown that children with incarcerated parents are more likely to experience homelessness, drop out of school, develop learning disabilities, experience anxiety, stress, and depression, and suffer from physical health problems, all of which hinder educational and other outcomes.[77]

People of color, especially Black men, are more likely to be stopped, questioned, arrested, brought to trial, and given a longer sentence for similar crimes. People of color are disproportionately imprisoned on drug charges, despite the fact that Whites have been found to use illegal drugs at similar rates.

WHAT ARE EXAMPLES OF PROMISING STRATEGIES?

Reduce the impact of racial bias in policing by targeting behaviors and situations Rather than focusing on trying to eliminate unconscious bias among law enforcement personnel, research supports the effectiveness of taking concrete steps to reduce bias-inducing situations and ensure that departmental culture rewards fair policing. For example, studies show that limiting police authority to stop motorists except when there is reasonable suspicion of criminal activity substantially reduces bias incidents.[78]

Change laws and policies governing nonviolent crime with sentencing reform In recognition of the large human, economic, and fiscal toll of incarceration and the lack of evidence that this level of incarceration improves public safety, bipartisan support has grown around sentencing reform. In 2015, the U.S. Department of Justice began to reduce the number of nonviolent drug offenders held in federal prisons. States also enacted laws and policies to reduce prison populations, including retroactively reducing offenses from felonies to misdemeanors (California), diverting prisoners from state prisons to local jails (Indiana), and using more specialty courts, substance abuse treatment facilities, and re-entry programs to decrease prison populations and reduce recidivism. Many states are reviewing mandatory sentencing, particularly for nonviolent crimes. The Bureau of Justice Statistics has begun to report stable or slightly declining prison populations, although recent policies from the U.S. Department of Justice are shifting the direction back toward longer sentences and increased incarceration.

Intervene early with juvenile offenders by introducing education services Education is particularly critical for juvenile offenders, who have perhaps the greatest opportunity to change their life paths and often enter the criminal justice system academically behind. Researchers with the National Academy of Sciences reviewed modeling results on the costs and benefits of a range of juvenile justice interventions. Educational services were shown to offer the highest direct economic benefits, at more than $100,000 per youth.[79]

Remove barriers from job applications with hiring practice reform Businesses can play a role in reducing the impact of mass incarceration by pursuing policies that offer opportunities to returning community members. For example, "ban the box" policies remove the question about conviction history from initial job applications so that job-seekers re-entering society have the opportunity to be considered for employment. Currently, 30 states in all regions of the country have adopted such policies for public sector hiring, and 10 of these states also require the policy for private employers.[80] A study of the impact of Hawaii's implementation of a ban the box policy found that it measurably reduced repeat offending: defendants prosecuted for felonies were 57% less likely to have a prior conviction after the policy was implemented.[81] Regardless of public policies in their locations, most businesses can adopt a ban the box policy and allow returning citizens the opportunity to be considered for positions for which they are qualified. The Equal Employment Opportunity Commission offers guidance on best practices for using arrest and conviction information in hiring decisions.[82]

Engineer successful transitions with re-entry programs Returning citizens may need additional types of support initially as they make the transition back to their communities. The Center for Employment Opportunities (CEO) is an example of a successful evidence-based program that supports the productive return to the community of people who have been incarcerated. CEO provides short-term paid transitional work and full-time job placement along with life skills education and post-placement services. Over the past 10 years, CEO has placed nearly 25,000 returning community members into full-time employment. An external evaluation found that CEO reduced recidivism by 16%–22%, with results greatest for those recently released. The program was found to generate benefits of $3.85 for every dollar spent. The Louisiana Prisoner Reentry Initiative is a public-private partnership piloted by the Louisiana Department of Corrections to focus on reducing recidivism through improved case planning and strengthened re-entry programs by adding transition specialists to local prisons. Results include greater and more consistent communication between local prisons and the Department of Probation and Parole.[83] Businesses such as Cascade Engineering in Grand Rapids, Michigan, have created a new pipeline to talent and are gaining productive and valued members of their workforce through their commitment to supporting the re-entry of returning citizens. Finally, companies such as Sweet Beginnings, LLC, in the North Lawndale neighborhood of Chicago are creating transitional jobs under a business model that is economically and environmentally sustainable as well as societally beneficial.

Criminal justice reforms and programs focusing on prevention, addiction, and workplace re-entry can disrupt the cycle of incarceration and lessen the lifelong toll incarceration takes on children, families, and communities.

EMPLOYMENT AND ENTREPRENEURSHIP

WITH ECONOMIC GROWTH SLOWING, ENABLING THE FULL **CREATIVE AND ECONOMIC POTENTIAL** OF **ALL** BENEFITS THE COUNTRY ON MULTIPLE LEVELS.

$450 BILLION
additional annual federal tax revenues

$100 BILLION
additional annual state and local tax revenues

$330 BILLION
additional annual spending on food by 2050

$800 BILLION
additional annual consumer spending

9 MILLION
potential jobs created by businesses owned by people of color, if ownership rates were comparable to White rates

Average earnings of persons of color in the U.S. are 63% of the average earnings of Whites of the same age and gender.

EMPLOYMENT AND ENTREPRENEURSHIP

WHAT ONCE WERE predictions about the future of work are now today's reality — automation, technology, and artificial intelligence are sweeping through the economy, changing almost every job and making new demands for highly skilled workers. In response, employers are "upskilling" their workforces, educational systems are transforming, and policymakers are discussing the need for a massive effort to prepare workers for quality jobs. Raising levels of education and narrowing skills gaps for populations of color, who will soon be the majority of the workforce, will increase competitiveness and position the country to take full advantage of one of its greatest assets, a highly trained, diverse workforce. Entrepreneurship is also a path to increased economic opportunity within communities of color. Reports indicate that entrepreneurs of color find unique challenges that limit the growth, scalability, and sustainability of their businesses — lack of access to favorable credit terms, funding, investors, and marketplace opportunities. On multiple levels, from innovation to jobs to financial security to developing resilient economies, cultivating job skills and entrepreneurship within communities of color makes strong economic sense.

WHERE ARE WE NOW AND HOW DID WE GET HERE?

People of color have higher unemployment rates, lower labor force participation, and lower earnings than their White counterparts, as well as lower odds of long-term success in small business ownership. As of fall 2017, unemployment rates were twice as high for Blacks as for Whites, and 1.4 times higher for Hispanics/Latinos.[84]

Disparities in education and health play a role, as do higher rates of incarceration and a greater likelihood of living in a neighborhood of concentrated poverty. Neighborhoods of concentrated poverty have fewer available jobs, less opportunity to gain jobs skills early, fewer contacts to provide mentorship or connections in a job search, and fewer role models to inspire career goals. A study of Black and White men who graduated from the same vocational school and sought jobs in the same blue-collar market sought to explain why White applicants were more successful in finding jobs. The researchers found that the biggest difference between Black and White job-seekers was not educational performance, work ethic, or values, but rather access to contacts to help in the job search and entry process.[85]

Systemic biases also remain as barriers to people of color in the labor market and as small business owners. In a well-known University of Chicago study, when the same resume was submitted to job postings under different names, a call back for an interview was 50% more likely when the resume had a stereotypically White name instead of a stereotypically African American name.[86] In a separate experiment, White, Black, and Hispanic/Latino participants with similar demographic characteristics and interpersonal skills were given equivalent resumes and sent in person to apply for hundreds of low-wage jobs. Black applicants were half as likely as equivalent White applicants

to be called back or offered the job. Remarkably, both Black and Hispanic/Latino applicants with no criminal record had the same success rates as White applicants who reported being recently released from prison.[87]

According to the Census Bureau's Annual Survey of Entrepreneurs, there were nearly 1 million employer firms owned by people of color in the U.S. in 2015, about a 5% increase over 2014. These firms represent receipts of more than $1 billion.[88] While business ownership among people of color is increasing, it is still underrepresented. If business ownership were proportional to each group's share of the labor force, people of color would own more than 1 million more businesses with employees, for about 9 million more jobs.[89]

There are several factors that contribute to gaps in small business ownership and performance, including more limited access to capital to weather initial bumps and take advantage of opportunities to expand, and lack of access to needed business and management skills and experience.[90] Less capital and collateral and lower credit scores may contribute to Black and Hispanic/Latino business owners being denied financing or being charged higher interest rates. But there is also persistent evidence that applicants of color are more likely to be denied loans, even when controlling for other characteristics. Further, access to financial services varies; FDIC survey data show that 15% of households of color are "unbanked," with no checking or savings account, compared to only 3% of White households.[91]

The evidence shows that Blacks and Hispanics/Latinos start businesses at rates similar to Whites — in fact, Blacks may be more likely to pursue entrepreneurship. Where these businesses diverge from White-owned businesses is in size, profitability, and early survival rates. This suggests that programs to increase access to capital for underserved populations and support business training and mentorship could leverage the initiative that already exists and drive a significant increase in the number of successful small businesses, while reducing racial and ethnic earnings and wealth gaps.

WHAT ARE EXAMPLES OF PROMISING STRATEGIES?

Create an equitable work environment

The W.K. Kellogg Foundation's Truth, Racial Healing & Transformation (TRHT) implementation guidebook recommends that organizations ask the following questions in assessing diversity and inclusiveness in recruitment, retention, responsibilities, and remuneration.[92]

- **Recruitment and Hiring** How aggressively and through what means are people from a wide range of racial and ethnic backgrounds recruited? Does the recruitment strategy ensure a diverse applicant pool? Is the interview process fair to all applicants? Are the qualifications for the position well-defined and clearly relevant to the job responsibilities? Do the interviewers have diverse backgrounds and perspectives and are they aware of the potentially dangerous manifestations of implicit bias?
- **Retention and Advancement** Is the atmosphere in the organization welcoming to all? Are staff tuned into and trained in cultural sensitivities for all cultures, irrespective of racial or ethnic background? Are performance evaluations clear and objective? Is there an equal opportunity for advancement? Are diverse backgrounds and perspectives valued equally?

Access to capital, business training, and mentorships can drive significant increases in the number of successful small businesses.

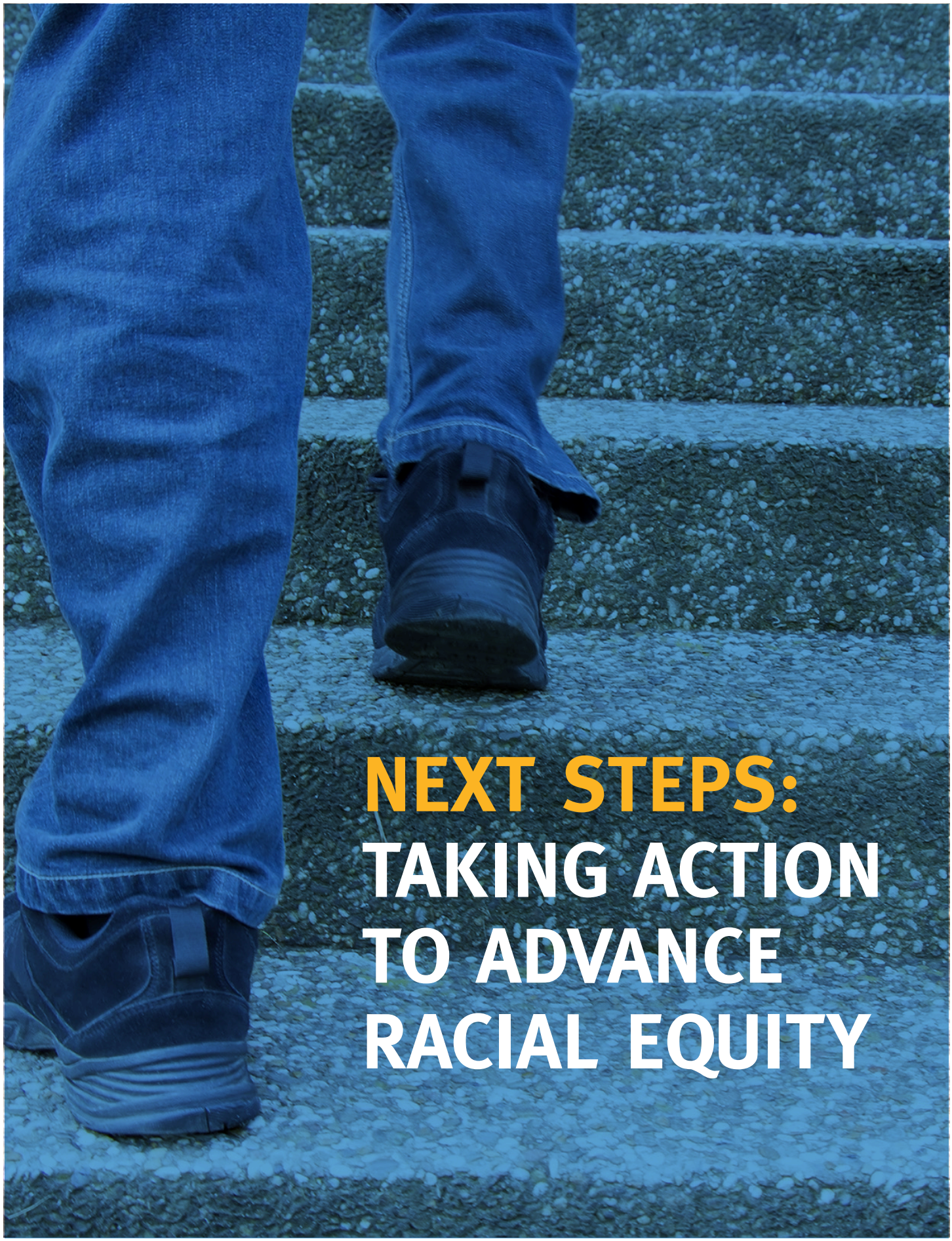
- **Responsibilities** Are people entrusted with responsibilities without regard to racial or ethnic background? Are expectations similarly high for all?
- **Remuneration** Are people paid equally for equal work responsibilities? Among customers and clientele served by these organizations, the belief system may be manifested in how customers and clientele are treated and in the atmosphere that is created for those who are being served.

Better connect youth to job skills with career-focused education In partnership with the Council of Chief State School Officers, JPMorgan Chase dedicated $35 million in grant funding to the New Skills for Youth program to expand high-quality career-focused education that leads to well-paying jobs and long-term careers.[93] The Earn + Learn program of Southwest Economic Solutions and Focus: HOPE targets young men of color and others in the greater Detroit area, helping them to identify and remove barriers (such as illiteracy or substance abuse), obtain work skills, set and achieve educational goals, and gain work experience.[94]

Generate economic opportunities with business development within communities of color The Mississippi Band of Choctaw Indians (MBCI) has carried out a successful strategy of business development over the past 30 years, becoming one of the top 10 employers in Mississippi. The MBCI provides nearly 6,000 jobs, employing Tribal members and providing an equal number of jobs for non-Tribal workers.[95] Tribal leaders have creatively worked in coordination with government and private industry to bring in jobs, services, economic activity, and tax revenues.[96] Revenues help fund services such as police and fire protection and education, and have helped the Tribe invest more than $500 million in economic development in the state.

Grow minority entrepreneurship by investing in new businesses The 10,000 Small Businesses program, a partnership between the city of New Orleans and Goldman Sachs, offers business and management education, access to capital, and business support services to small businesses in the New Orleans area. Under this initiative, Goldman Sachs has committed $20 million of lending capital to the region. The Entrepreneurs of Color Fund, developed by the Kellogg Foundation with key partners JPMorgan Chase and Detroit Development Fund, provides financing and technical assistance to small businesses that are either owned by people of color or primarily employ people of color. Since it was established, the fund has nearly tripled in size to more than $18 million, providing pathways for community ownership, better jobs, and more opportunities for people of color.[97]

Reexamine all aspects of business operations from a racial equity perspective as outlined in *The Competitive Advantage of Racial Equity* Research by FSG and PolicyLink provides specific examples of companies applying racial equity strategies to reconceive products and markets, redefine workforce development, and strengthen their competitive context. Companies such as PayPal, Gap Inc., and Symantec create value by advancing equity while improving business performance.[98]



NEXT STEPS: TAKING ACTION TO ADVANCE RACIAL EQUITY

Each of us has the power to advance racial equity.

As business leaders, policymakers, and individuals, we can influence the attitudes and actions around us. We can increase our participation in our communities, make our voices heard by our governments, and join in the broader national discourse on race, inequity, and our economic future.

Businesses can evaluate internal practices in recruitment, hiring, retention, and advancement to identify and break down biases and create a diverse and inclusive work environment. These practices can produce immediate gains in increased retention and employee satisfaction and new business solutions that come from combining different perspectives.[99] Businesses can also explore new products and markets that better meet the needs of people of color and that also make good business sense.

Private and public organizations can invest directly in workforce and economic development efforts in their communities that target underrepresented groups. These investments create pipelines to good workers and a better community in which to live, work, do business, and attract more talent and investment. Successful programs can be extended to other connected communities or more broadly.

Finally, individuals, community organizations, and business groups can lend political support to public policies that promote greater equity. Many of these policies, including early childhood investments, education, and sentencing reform, need not be targeted at specific racial and ethnic groups, but will benefit populations of color as they help populations most at risk.

NEXT STEPS:
TAKING ACTION TO ADVANCE RACIAL EQUITY

A good place to start is by considering investing in or advocating for some of the high-leverage, evidence-based strategies highlighted in this brief and summarized below:

1. **Invest early to maximize lifelong health and educational achievement.** Proven strategies include home visiting programs, such as Nurse-Family Partnership for prenatal and early childhood care and counseling, and early childhood investments, including preschool and quality early child care.

2. **Empower social mobility through programs such as the Moving to Opportunity housing voucher program.** The younger children are when they move to a better neighborhood, the greater the lifelong benefits.

3. **Increase economic growth by supporting and complying with inclusionary zoning policies.** Greater availability of affordable housing and greater integration of income levels, races, and cultures will reduce opportunity gaps and strengthen communities. Purposeful school system strategies can also better diversify schools by race and income.

4. **Improve the environment in existing communities through neighborhood revitalization efforts.** Improving the physical environment and promoting new businesses in underserved neighborhoods can improve health, economic opportunity, and hope in the communities.

5. **Support smart fiscal allocations to align resources with the highest need.** Examples of smart fiscal allocation include policies for equitable school funding such as those successfully applied in Hawaii.

6. **Keep children in school by implementing more effective school discipline policies such as restorative justice.** Restorative justice — requiring taking responsibility and making restitution — has been shown to be an effective consequence of misbehavior, while reducing suspensions and expulsions disproportionately faced by children of color. Remaining in the classroom and in school improves academic performance and graduation rates.

CURRENTLY, 38% OF THE U.S. POPULATION, OR 124 MILLION OUT OF 326 MILLION, ARE PEOPLE OF COLOR. HISPANIC/LATINO AND ASIAN AMERICAN POPULATIONS ARE EXPECTED TO DOUBLE IN SIZE BY 2050.

7. **Address root causes of health disparities with community coalitions.** Partnerships of public, private, academic, and faith-based organizations can work at a local level to identify and promote the social and environmental conditions for good health.

8. **Change laws and policies governing nonviolent crime through evidence-based sentencing reform.** The high cost of incarceration on individuals, families, and taxpayers, and evidence that increased incarceration and longer sentences in most cases do not reduce crime, have led to bipartisan support for sensible sentencing reform.

9. **Engineer successful transitions to society for returning citizens through re-entry programs.** Giving returning citizens the opportunity and support they need during this critical transition not only lowers recidivism, it expands the pipeline to productive and dedicated workers.

10. **Better connect youth to job skills through career-focused education.** Across the country, employers are partnering with high schools, community colleges, and universities to support and influence training that will best meet employer needs and increase job opportunities.

11. **Create economic opportunity through business development in underserved areas.** High-poverty neighborhoods are less able to support local businesses, so job opportunities and experience are scarce, affecting current economic security and upward mobility.

12. **Grow minority entrepreneurship through expanding access to capital and business expertise.** People of color start businesses at similar rates as White entrepreneurs, but need better access to capital and expertise to thrive and grow.

The growing number of organizations and partnerships working to promote racial equity as an economic imperative speaks to the importance and increased awareness of the issues discussed in this brief. Good sources of additional information and resources include ReadyNation and the other organizations of the Council for a Strong America, the Economic Policy Institute, and PolicyLink. These groups and others investing in our future understand that alongside the case for social justice, there is a business case for moving toward greater racial equity to create a stronger, more secure, and more prosperous country for all.

METHODS

U.S. population estimates and projections to 2050 by age, sex, and race/ethnicity were taken from Woods & Poole Economics, 2016 Complete U.S. Demographic Database, based on U.S. Census Bureau data and Woods & Poole projections.

U.S. gross domestic product (GDP) estimates and projections to 2050 were taken from Woods & Poole Economics, 2016 Complete U.S. Demographic Database, based on U.S. Bureau of Economic Analysis data and Woods & Poole projections.

The **potential increase in earnings** under racial equity was estimated as follows.

1. Population counts for Blacks, Hispanics/Latinos, Asian Americans, Native Americans, and Whites were multiplied by their respective average earnings estimates from the PolicyLink/PERE National Equity Atlas (www.nationalequityatlas.org) and summed across all racial and ethnic categories to produce total current earnings.
2. The same population counts were multiplied by average "earnings under racial equity" for each racial and ethnic category from the PolicyLink/PERE National Equity Atlas to produce total current earnings under racial equity. PolicyLink/PERE compute earnings under racial equity by setting earnings for each category of persons of color by age and sex to the average earnings of their non-Hispanic/Latino White age/sex counterparts (see http://nationalequityatlas.org/sites/default/files/Data_and_Methods.pdf).
3. Total earnings were subtracted from total earnings under racial equity to estimate the potential gain in total earnings under racial equity.
4. For future years, the same computations were performed with projected population counts in each racial/ethnic category to compute total earnings with and without racial equity and the potential gain in earnings under racial equity. This gain as a percentage was then applied to projected GDP to produce projected GDP with equity. Finally, the projected earnings under equity are the share of GDP represented by earnings in the base year, multiplied by the projected GDP under racial equity. This method retains the productivity growth built into the GDP projections for all groups.
5. Note that this earnings gap is not driven by a few very high-income White earners ("the 1%"). The data source used to measure earnings, the Census Bureau's American Community Survey, tends to underrepresent very high incomes as it includes employed and self-employed wages and salaries but not capital gains and other investment income. Previous Altarum analyses of the earnings gap using data and methods comparable to those used by PolicyLink/PERE computed estimates with and without the top 1% of earners, and found that the order of magnitude of the gap was similar.

The potential **gain in GDP** was estimated as follows:

1. The earnings gap as described above was computed for the year of interest and divided by total earnings to compute the percent increase in total earnings that would occur under racial equity.
2. The GDP estimate or projection for the year of interest was increased by the percentage computed in step 1 to compute the dollar increase in GDP. This approach assumes an increase in GDP proportional to the increase in earnings, with the gain in earnings achieved by increasing productivity.

The **potential gains in consumer spending in each major category** of goods and services were estimated by multiplying the average share of earnings spent by U.S. households on each category according to the BLS National Consumer Expenditure Survey, 2015 data, released August 2016 (https://www.bls.gov/news.release/cesan.nro.htm).

The **potential increase in federal tax revenues** was computed as 17% of the potential increase in GDP, based on Federal Reserve Bank of St. Louis and U.S. Office of Management and Budget, "Federal Receipts as Percent of Gross Domestic Product [FYFRGDA188S]," from FRED, Federal Reserve Bank of St. Louis (https://fred.stlouisfed.org/series/FYFRGDA188S). The **estimated potential increase in state and local tax revenues** was computed as 9.9% of the potential increase in earnings, the U.S. average based on The Tax Foundation's "State-Local Tax Burden Rankings FY 2012" (https://taxfoundation.org/state-local-tax-burden-rankings-fy-2012/).

The **savings associated with eliminating disparities in incarceration rates** was estimated by computing the number of incarcerated people using our state-specific population estimates and incarceration rates by race and ethnicity from the Sentencing Project, then subtracting the number that would be incarcerated if all groups were incarcerated at the White rate. The difference was multiplied by the average cost per prisoner by state from the Vera Institute. We used average costs because the large resulting decreases in the prison population make it likely that both fixed and marginal costs could be reduced.

The **economic impacts associated with health disparities** were produced under original research conducted for this project by Dr. Darrell Gaskin of Johns Hopkins University and Dr. Thomas LaVeist of George Washington University. The estimates are based on updates of models and methods previously documented in "The Economic Burden of Health Inequalities in the United States," September 2009 (http://www.hhnmag.com/ext/resources/inc-hhn/pdfs/resources/Burden_Of_Health_FINAL_0.pdf). The full set of estimates is shown below.

DIRECT MEDICAL CARE COSTS, LOSS OF PRODUCTIVITY COSTS, AND COSTS OF PREMATURE DEATH ATTRIBUTABLE TO HEALTH DISPARITIES IN THE U.S., 2014

(BILLIONS OF DOLLARS)

	Black/African Americans	Hispanics/Latinos	Asian Americans and Pacific Islanders	Total
Direct Medical Care Costs	61.5	31.6	–	93.1
Indirect Costs				
Lost work days	3.0	1.9	–	4.9
Lost work hours	3.1	14.3	0.0	17.4
Lost wages	3.1	16.2	0.0	19.3
Subtotal Indirect Cost	9.3	32.4	0.0	41.7
Total Direct and Indirect	70.8	64.0	0.0	134.8
Value of Lost Life Years	137.8	36.6	0.1	174.5
Grand Total	208.6	100.5	0.1	309.2

Estimates of the impact of health disparities by 2050 were approximated by first converting the 2014 estimates into per capita costs, then multiplying the per capita costs by the projected 2050 population by racial or ethnic category. Population across all ages was used for direct medical costs and lost life years, while the working age population (18–64) was used for the indirect cost categories. Note that 2050 ballpark projections reflect population growth but do not include the effects of overall or medical care inflation.

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