

2018



W.K.  
KELLOGG  
FOUNDATION®

GROWTH  
PRODUCTIVITY  
REVENUES  
OUTPUT

# THE BUSINESS CASE FOR RACIAL EQUITY

MICHIGAN

TALENT  
POTENTIAL  
SOCIAL JUSTICE  
OPPORTUNITY

ANI TURNER

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 ALTARUM

A STRATEGY FOR GROWTH

# 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 positive effect on children and their families, it also has tremendous influence on the potential for profound 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 “Michigan 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 “Michigan Business Case for Racial Equity” issue brief was released in 2015, 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](http://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

THE SIGNIFICANT SOCIAL AND ECONOMIC GAINS MADE BY ADVANCING RACIAL EQUITY IN MICHIGAN, AS IN THE COUNTRY AS A WHOLE, DIRECTLY SUPPORT PLANS FOR ECONOMIC DEVELOPMENT.

# A SIGNIFICANT ECONOMIC AND SOCIAL GAIN FOR MICHIGAN

**By 2050**, Michigan stands to realize a \$92 billion gain in economic output by closing the 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 makes a compelling economic argument for the social justice imperative of racial equity. Beyond an increase in economic output, advancing racial equity can translate into meaningful increases in consumer spending and tax revenues, and decreases in social services spending and health-related costs. For example, in consumer spending alone, closing the racial equity gap in Michigan would generate an additional \$1.5 billion in spending on food, \$4 billion on housing, \$423 million on apparel, \$2 billion on automobiles and transportation, and \$625 million on entertainment each year. An additional \$1.5 billion would be generated in state and local tax revenues.

The potential economic and social gains are significant. By 2050, 40% of the workforce and consumers in Michigan will be people of color. To create the qualified workforce and economic climate that will position the state for the future, businesses and policymakers must look to the potential of all Michiganders 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 Michigan’s economic development and 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 Michigan’s businesses, communities, and institutions.

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RACIAL EQUITY CREATES A SOCIETY IN WHICH ALL HAVE THE ABILITY TO PARTICIPATE, PROSPER, AND REACH THEIR FULL POTENTIAL. IT IS A MATTER OF SOCIAL JUSTICE AND ECONOMIC GROWTH.

# MEETING MICHIGAN'S CHALLENGES

**Michigan, like its largest city, Detroit, is on the rise.** Half the state's manufacturing jobs were lost from 2000 to 2010, but a third of those jobs have returned, government budgets have stabilized, and investment and economic development in the state are growing.<sup>1</sup> The CNBC America's Top States for Business scorecard recognizes Michigan's economy as the most improved of all states over the past decade, rising from a rank of 41 ten years ago to the current rank of 11.<sup>2</sup>

Michigan has assets that can continue to position it well for the new economy. The state retains a strong manufacturing infrastructure that is tied to a culture of innovation.<sup>3</sup> It has an export-oriented economy and benefits from bordering four of the five Great Lakes and Canada, the country's largest trading partner. The Michigan Economic Development Corporation is promoting the creation of high-skill jobs in advanced manufacturing, aerospace, agribusiness, cybersecurity, and defense.<sup>4</sup>

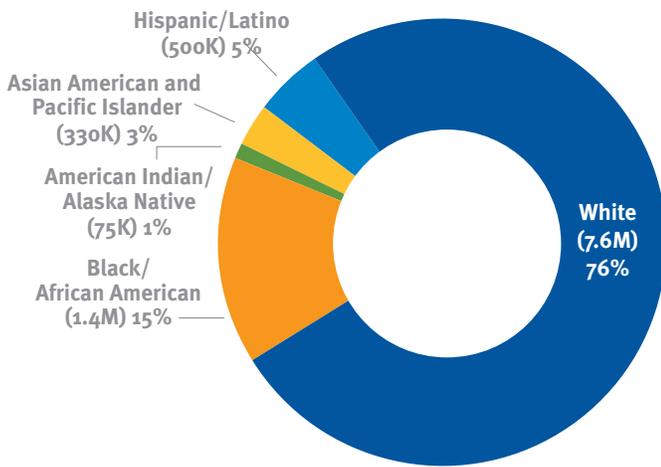
**MICHIGAN BUSINESS LEADERS REPORT THAT THE STATE NEEDS TO TRAIN AND RETAIN MORE SKILLED TALENT FOR ECONOMIC GROWTH AND COMPETITIVENESS.**

To leverage these strengths, Michigan's workforce must be ready. The state's population is not growing, and the pool of workers is shrinking as a relatively old population ages into retirement. Employers are already concerned about a skills gap between the workforce and the level of education demanded by the jobs of today and tomorrow.<sup>5</sup>

Yet there is tremendous untapped potential in the people of Michigan, especially the populations of color that are driving population growth. By 2050, 40% of Michigan's workers and consumers will be people of color.<sup>6</sup> Enabling the full creative and economic potential of all Michiganders will be critical to sustaining momentum and achieving the state's vision for the future.

# THE NEW WORKFORCE MAJORITY IN MICHIGAN

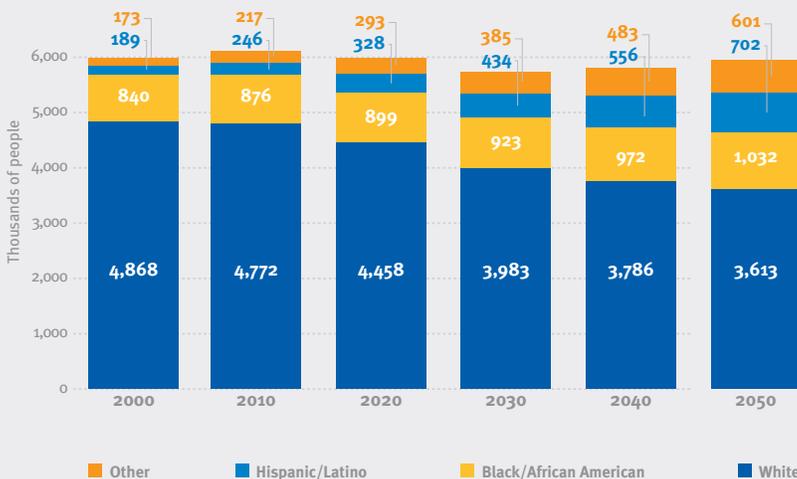
Current Composition of Michigan Population



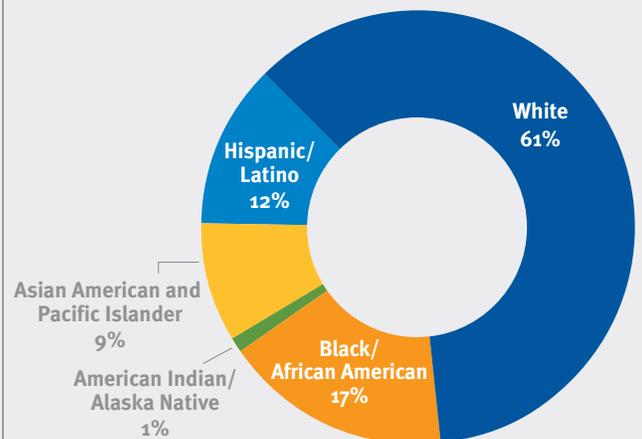
People of color are currently about one-quarter of the total population and one-quarter of the working age population (age 18 to 64) in Michigan. Over the next 15 years, the working age population is projected to be smaller by about 350,000 people and to shift to being one-third persons of color. By 2050, as these demographic trends continue, 40% of the working age population will be people of color, with the Black share increasing from 15% to 17%, the Hispanic/Latino share increasing from 5% to 12%, and the Asian American share increasing from 3% to 9%.<sup>7</sup>

Michigan's population is not growing, but it is aging. There are currently 3.4 people of working age for every one person of retirement age; by 2050, there will be only 2.5, making the productivity of the remaining workers particularly important to both businesses and the government's fiscal outlook.

Michigan Working Age Population



2050 Working Age Population



PATHWAYS TO GREATER OPPORTUNITY ARE LINKED TO ADDRESSING ATTITUDES ABOUT RACE, REDUCING SYSTEMIC BARRIERS, AND MAKING SIGNIFICANT AND CONSISTENT INVESTMENTS.

# 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.<sup>8</sup> 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 in Michigan 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 FOR MICHIGAN

## 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 crucial to the success of Michigan businesses. Raising levels of education and other capabilities important for success in the workforce 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 markets demand.<sup>9</sup> The growing diversity in the 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.<sup>10</sup> 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.<sup>11</sup>

### \$36 billion 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 Michigan are about two-thirds of the average earnings of their White age/sex counterparts — roughly \$23,000 versus \$35,000 per year.<sup>12</sup> Blacks earn 63%, Hispanics/Latinos earn 67%, and Native Americans earn 71% of the White average. Closing these gaps across Michigan would generate an additional \$15 billion in earnings today.<sup>13</sup> 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 \$36 billion in higher economic output, representing an 8% increase in Michigan's Gross State Product (GSP). By 2050, given the expected growth in populations of color, closing earnings gaps would result in \$40 billion in higher earnings and \$92 billion in greater economic output, a 12% increase in Michigan's projected GSP.

## BY 2050, MICHIGAN STANDS TO REALIZE A \$92 BILLION GAIN IN ECONOMIC OUTPUT BY CLOSING THE RACIAL EQUITY GAP.



### **Billions in increased consumer spending power**

Higher earnings mean additional purchasing power to support local businesses. The \$15 billion in additional earnings, at current consumption patterns, would translate to \$12 billion in additional purchasing power, including an additional \$1.5 billion in food purchases per year, \$4 billion in housing, \$423 million in apparel and services, \$2 billion in automobiles and transportation, and \$625 million in entertainment spending.<sup>14</sup> By 2050, closing the earnings gap would represent an additional \$3.9 billion in spending on food, \$10 billion on housing, \$1 billion on apparel, \$5.3 billion on transportation, and \$1.6 billion on entertainment, in today's dollars.

### **\$4 billion gained per year by reducing health disparities**

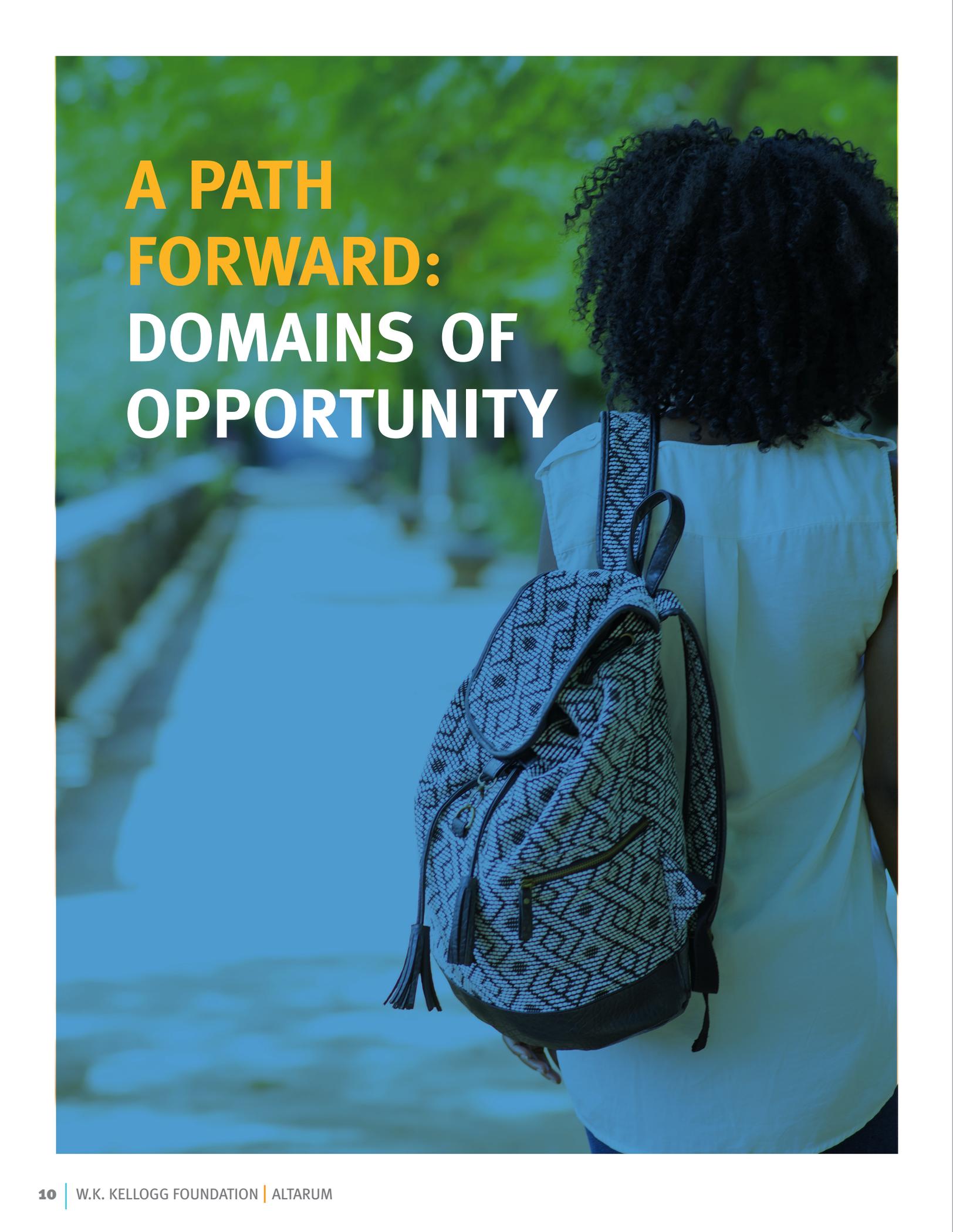
Healthier workers have fewer sick days, are more productive on the job, and have lower medical care costs. Beyond the toll in avoidable human suffering, we estimate that disparities in health in Michigan today represent \$2.2 billion in excess medical care costs and \$1.9 billion in untapped productivity, for a potential economic gain of \$4.1 billion per year.<sup>15</sup> Today's health disparities also mean that life expectancy varies significantly. We estimate 140,000 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 lifespans is \$7 billion.<sup>16</sup> Eliminating health disparities by 2050 would reduce the need for \$2.5 billion in medical care costs, reduce lost productivity by \$2.6 billion, and save 170,000 life years.

### **Substantial benefits for state and local governments**

Greater earnings for people of color will generate more payroll, 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. Closing the earnings gap for people of color would generate nearly \$1.5 billion in additional state and local tax revenues annually. By 2050, tax revenues would increase by more than \$3.6 billion.<sup>17</sup>

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 person with dark, curly hair is seen from behind, wearing a white sleeveless top and a patterned backpack with tassels. They are walking on a paved path outdoors, with green foliage in the background. The image has a blue tint.

# A PATH FORWARD: DOMAINS OF OPPORTUNITY

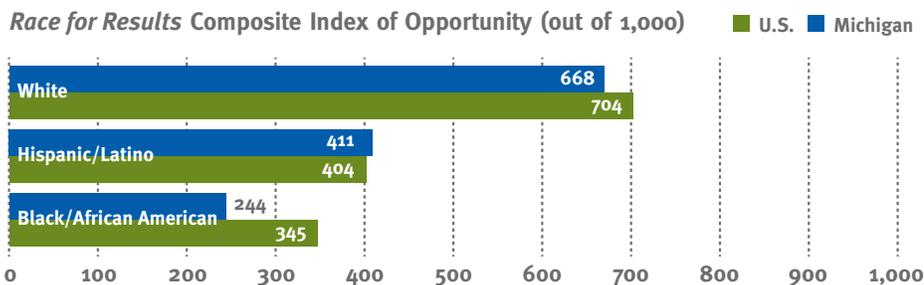
# The forces that impact life outcomes are interconnecting and reinforcing.

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 Michigan 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.<sup>18</sup>



The opportunity score for White children in Michigan was 668 out of 1,000, more than 1.5 times the opportunity score for Hispanic children, at 411, and more than 2.5 times the opportunity score for Black children, at 244.<sup>19</sup>

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 neighborhoods, 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 OPPORTUNITIES** FOR  
GOOD HEALTH, EDUCATION,  
EMPLOYMENT, AND WEALTH.

**\$87**  
**THOUSAND**

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

**55%**

of Black children in  
Michigan live  
in concentrated  
poverty, versus 7%  
of White children

**1.7x**

as many Whites as  
people of color  
own homes in Michigan

As of 2016, 77% of Whites, 55% of Asian Americans, 56% of Native Americans, 55% of Hispanics/Latinos, and 40% of Black families in Michigan owned their own homes.

**RESEARCH CONFIRMS** what parents who strive to move their families to better neighborhoods 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 and fewer educational 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?**

Neighborhood characteristics affect health, longevity, crime exposure, educational attainment, employment opportunities, and many other dimensions of quality of life. Research has shown that the negative

effects of living in a poor neighborhood become significant when 20% or more of families in that neighborhood are living in poverty.<sup>20</sup> In Michigan, children and families of color are much more likely to live in these high-poverty areas. Across the state, more than half (55%) of Black children, 29% of Hispanic/Latino children, and 14% of Native American children live in areas of concentrated poverty (where 30% or more of families are poor), compared to 7% of White children. Detroit is the most segregated city in the country, with more than half the Black population living in neighborhoods that are 80% Black.<sup>21</sup>

The concentration of families of color in high-poverty neighborhoods is not accidental. It is the result of a history of laws and policies creating separate paths for families over generations. The historical experience of Blacks in the U.S. with regard to housing and lending highlights some of the broader forces leading to current circumstances. During slavery, Blacks were not allowed to own property, and subsequent laws severely limited their ability to acquire property until the late 19th century. Two major federal government programs in the 20th century, the G.I. Bill and the Federal Housing Administration (FHA), helped millions of people achieve homeownership, an education, or financing to start a business — a share of the “American dream.” But these benefits were enjoyed almost entirely by White Americans.

In the decades after World War II, the majority of home loans in the U.S. were financed by the FHA. The FHA’s underwriting handbook explicitly endorsed the practice of “redlining,” which made home purchases in many non-White, largely urban neighborhoods (outlined on maps in red) ineligible for FHA-backed mortgages, even if the applicant was creditworthy. Financing for residential development depended on the racial composition of the neighborhood, and was often denied where the neighborhood was or might become racially integrated.<sup>22</sup>

## HOUSING

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In Detroit, one dividing line was more than a red line on a map. In 1940, a predominantly Black neighborhood in the Eight Mile Wyoming area was situated in the middle of more affluent White suburban developments in Northwest Detroit. The presence of this enclave was preventing a developer from obtaining financing for a new subdivision; he finally received approval after building a 6-foot-high, 1-foot-thick cement wall along Eight Mile Road to separate his all-White development from the adjoining predominantly Black neighborhood.<sup>23</sup> Portions of this wall still stand as a physical reminder of the discriminatory patterns of lending and development that existed in the not-too-distant past.

The G.I. Bill after World War II was not overtly discriminatory, but in practice it did not confer opportunity equally. Thousands of soldiers returning from the war received education and loans for homes, businesses, and farms through the G.I. Bill, supporting the creation of a strong middle class. Yet Black veterans were much less able to capitalize on these opportunities because of the barriers they faced in getting approved for home loans and gaining admission to colleges and universities.

Racially restrictive private-sector covenants were also used in the 20th century to maintain segregation. Many contracts stated that homes could not be sold to non-White or Jewish buyers, even if the seller and buyer agreed to the transaction.<sup>24</sup> In 1946, the Supreme Court ruled that these racially restrictive covenants were not legally enforceable, but many sellers continued to implement them. Realtors and civic associations in Southeast Michigan used covenants and threats to enforce the “Pointe system,” which assigned points to prospective buyers based on race and religion and qualified buyers based on these point totals. This point system kept Black individuals from buying homes in any of the five Grosse Pointe municipalities during most of the 20th century.<sup>25</sup>

The unique historical experience of Native peoples in America has also led to higher rates of poverty and low opportunity. This history spans hundreds of years of forced relocation and removal, loss of land and natural resources, oppression of languages and cultures, removal of children from Native homes, and underinvestment in housing, education, and basic infrastructure.<sup>26</sup> Nevertheless, Native American tribes have preserved their cultures and their sovereignty for centuries, and tribes such as the Nottawaseppi Huron Band of Potawatomi in Battle Creek are achieving economic success 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 shown fewer homes and rental apartments than White participants, limiting their options.<sup>27</sup> A 2008 analysis by the Michigan State Housing Development Authority found that there is still work to be done to educate the people of Michigan on fair housing rights and enforce the laws of fair housing.<sup>28</sup>

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, 77% of White families in Michigan owned their own homes, compared to 40% of Black families, 55% of Hispanic/Latino families, 56% of Native American families, and 55% of Asian American families.<sup>29</sup>

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 in Michigan was \$91,000, compared to only \$4,000 for households of color, a gap of \$87,000. These gaps have been generations in the making and are unlikely to close without purposeful changes to housing, lending, and tax laws.<sup>30</sup>

### 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.<sup>31</sup>

#### **Empower social mobility with housing vouchers**

Mobility programs such as Moving to Opportunity offer rental assistance vouchers combined with counseling and other services to support the movement of tenants of public housing to neighborhoods with less poverty. Studies of these programs 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.<sup>32</sup> Real estate and other businesses can have a big impact on the success 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 housing**

Inclusionary housing policies, such as inclusionary zoning, require 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 inclusionary zoning, and that figure rises to more than 800 jurisdictions when counting a broader range of inclusionary housing policies.<sup>33</sup> Incentivized inclusionary zoning policies are being studied to preserve affordable housing as development in Michigan accelerates. Research suggests that inclusionary zoning increases economic and racial integration by incentivizing the creation of low-income housing outside of high-poverty neighborhoods and is most effective when specific provisions take into account conditions in the local housing market. Businesses associated with residential development of homes and rental units can play a major role in creating more equitable communities 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. As an example of private sector investment in Michigan communities, JPMorgan Chase is contributing \$150 million to the Invested in Detroit initiative, which funds projects to strengthen Detroit's workforce, support small business growth, stabilize neighborhoods, and undertake other transformative efforts.<sup>34</sup>

## EDUCATION

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

**\$92**  
**BILLION**

gain in GSP from closing the racial equity gap by 2050

**70%**

jobs in Michigan that will require some post-secondary education by 2020

**\$13**

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

In Michigan, 55% of Black adults, 54% of Hispanics/Latinos, and 53% of Native Americans have had some post-secondary education, compared to 65% of Whites.

**WHILE GRADUATION RATES** have been increasing in Michigan, achievement gaps remain, and educational attainment is not at the level of employer demand, constraining business and economic growth. In 2015, 32% of White students in grade 4 were proficient in reading, compared to 9% of Black and 17% of Hispanic/Latino students in the state. Closing educational achievement gaps can be one of the most beneficial strategies for producing economic, human, and social gains.

The educational achievement gap for children of color 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 is a strong evidence base of 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?**

There are persistent racial and ethnic gaps in readiness for school, educational achievement, and educational attainment in the U.S. and in Michigan. 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.

Academic achievement gaps that begin in early childhood continue through primary and secondary education. In 2015, about 32% of White students in grade 4 were proficient in reading, compared to 9% of Black and 17% of Hispanic/Latino students in Michigan. Similar disparities exist in grade 8 math proficiency; about 34% of White students were proficient in math, compared to 5% of Black and 18% of Hispanic/Latino students.<sup>35</sup> In 2014–2015, four-year high school graduation rates in Michigan were 80% overall, 83% for Whites, 67% for Blacks, and 72% for Hispanics/Latinos.<sup>36</sup>

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 parents 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.

Discipline practices in schools can also disproportionately affect the education of children of color. 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

## EDUCATION

when misbehaviors are not dangerous or harmful to other students.<sup>37</sup> These types of punishments have been shown to be harmful to the educational achievement and life outcomes of affected students, and they are much more likely to be applied to students of color. 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.<sup>38</sup> Studies have shown that teachers express greater concern about disruptive behaviors when they are exhibited by children of color, even in children as

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?

#### Invest in quality early childhood interventions

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.<sup>43</sup> The Perry Preschool Program, implemented in Ypsilanti, Michigan, is one of the best-known examples of an investment in early childhood education that has demonstrated lasting payoffs. At age 40, former participants had 36% higher median earnings, were 46% less likely to have served time in jail or prison, were 32% more likely to own their own homes, and were 26% less likely to have received government assistance, compared to a control group.<sup>44</sup>

Today, Michigan's Great Start Readiness Program (GSRP) is a state-funded preschool program that promotes school readiness for at-risk four-year-olds. A study by Wilder Research estimated the lifetime economic value of investing in school readiness for each at-risk child in Michigan to be \$47,000.<sup>45</sup> The HighScope Educational Research Foundation's ongoing evaluation of the GSRP has

### Percent of Workforce with Some Post-Secondary Education



young as five.<sup>39</sup> In Michigan, 26% of Black male students had out-of-school suspensions in 2011–2012 compared to 12% of Hispanic/Latino males and 8% of White males. Additionally, 16% of Black female students had out-of-school suspensions in 2011–2012 compared to 6% of Hispanic/Latino females and 3% of White females.<sup>40</sup>

High school graduation alone improves employment opportunities, but by 2020, 70% of jobs in Michigan are expected to require some education beyond high school.<sup>41</sup> Yet only 65% of Whites, 55% of Blacks, and 54% of Hispanics/Latinos over age 25 have some post-secondary education.<sup>42</sup>

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

found that participants were less likely to repeat grades and more likely to test as proficient in math and language arts in high school.<sup>46</sup> Effects were especially pronounced for children of color: 60% of children of color who participated in GSRP graduated from high school on time versus 37% of a comparable non-GSRP group.

### **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 higher needs, including those with a high number of English language learners, children with special needs, or children living in areas of concentrated poverty. Michigan's school funding formula does allocate additional resources to higher-need districts.

### **Invest in the local community with educational enrichment programs**

General Motors' Hometown Giving supports programs in the Detroit area with objectives related to Science, Technology, Engineering, and Math (STEM) education, community development in low- and moderate-income neighborhoods, and cultural enrichment programs. The program aims to increase the number of students with third grade literacy proficiency and the percentage of high school graduates.

### **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. Restorative justice is endorsed in the State Board of Education Policy on Reducing Student Suspensions and Expulsions and in the Michigan Department of Education's Model Code of Student Conduct. The Department of Education provides free online training materials and encourages school communities to integrate the process into their cultures.

### **Create diverse and inclusive learning cultures using school system strategies**

In addition to strategies targeting residential segregation, school districts and charter schools have policy levers that can increase school diversity.<sup>47</sup> 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.<sup>48</sup> Factoring diversity into magnet school, charter school, or transfer admissions policies can also contribute. In the implementation of such strategies, practical considerations such as the convenience of school schedules and transportation can influence community support and acceptance.<sup>49</sup>

## HEALTH

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

**\$4.1  
BILLION**

total economic gain per year to Michigan by eliminating health disparities

**\$1.9  
BILLION**

untapped productivity due to health disparities in Michigan today

**140  
THOUSAND**

lost life years saved by eliminating health disparities

**\$7  
BILLION**

economic impact of shortened life spans

**\$5.1  
BILLION**

projected economic gain per year if health disparities are removed by 2050

In Michigan, 26% of Blacks and 21% of Hispanics/Latinos, compared to 16% of Whites, report that they are in fair or poor health.

**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. In Michigan, 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 \$2.2 billion in excess medical care costs per year and \$1.9 billion in untapped productivity. 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.<sup>50</sup> In Michigan, Black babies are twice as likely as White babies to be born with low birth weight and three times more likely than White babies to die in the first year of life.<sup>51</sup> Thirty-one

percent of Black mothers do not receive adequate prenatal care.<sup>52</sup> While there has been improvement overall, infant mortality rates are higher for babies of color in Michigan: 13.2 per 1,000 for Blacks, 11.6 for Native Americans, 9.4 for Hispanics/Latinos, and 6.1 for Arab Americans, compared to 5.1 per 1,000 for Whites.<sup>53</sup>

Health disparities by race and ethnicity continue into adulthood. Michigan has an adult obesity rate of 31% overall, with Blacks at 38% and Whites at 30%.<sup>54</sup> Diabetes rates in Michigan are 14% for Blacks compared to 9% for Whites.<sup>55</sup> Overall, 26% of Blacks, 21% of Hispanics/Latinos, and 16% of Whites report that they are in fair or poor health.<sup>56</sup> 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, less than one-third of adults of color with a mental illness receive treatment, compared to half of White adults.<sup>57</sup> 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. As of 2014, 17% of Hispanics/Latinos, 13% of Blacks, and 10% of Asian Americans in Michigan did not have health insurance, compared with 9% of Whites.<sup>58</sup> Under the Affordable Care Act, Michigan expanded eligibility for Medicaid in April 2014. More than 670,000 people are covered under this Medicaid expansion, called the Healthy Michigan program.<sup>59</sup> Uninsured rates have decreased for all groups, but gaps remain: 13% of Hispanics/Latinos, 9% of Blacks, and 6% of Asian Americans did not have health insurance in 2016, compared to 6% of Whites.<sup>60</sup>

Even when there is financial and geographic access to care, studies by the Agency for Healthcare

## HEALTH

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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 for the same conditions.

Like so many other life outcomes, health is influenced by neighborhood environment. Where a person lives can dramatically affect that person's chance of living a longer, healthier life. For example, the average life expectancy in Midtown Detroit is 69 years, 13 years shorter than for people born in the Grosse Pointe area, just a few miles away.<sup>61</sup> 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?

**Intervene early in prenatal care through home visiting programs** Home visiting programs such as the Nurse-Family Partnership (NFP) program have been demonstrated to improve health and other outcomes through very early intervention. NFP nurses visit the homes of low-income, first-time mothers during prenatal and early childhood periods. Both parents and children in this program have shown improvement in health and in socio-economic status. For the mothers, the program was found to increase workforce participation, decrease smoking rates during pregnancies, and decrease the use of public assistance. Injuries, substance abuse, and crime were reduced for the children. The investment in this program has been estimated to generate net present-value savings of \$18,000 per family.<sup>62</sup> In another type of home visiting program, the Kent County Health

Department is administering a community partnership to support first-time mothers and babies. Strong Beginnings, a complementary initiative of public and private partners including major health systems in Grand Rapids, supports women at risk for poor pregnancy outcomes through visits by community health workers.<sup>63</sup> The Family Health Center in Battle Creek is a community organization committed to helping women in Calhoun County achieve full-term pregnancy by connecting them with insurance options, physician appointments, and important information to put mother and child on a path to good health and long-term success.<sup>64</sup> Statewide, the Infant Mortality Reduction Plan focuses on the social determinants of health and eliminating the racial and ethnicity gaps.<sup>65</sup>

### Address root causes by improving education, housing, and other social determinants of health

The interconnectedness of the domains affecting life outcomes is especially strong for health. A recent review of strategies to address the social determinants of health found that the evidence supports the health benefits of interventions that address disparities in other domains, including education, housing, and community development.<sup>66</sup> 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.<sup>67</sup> Teams in 24 jurisdictions across 10 states and D.C., including Wayne County, Michigan, identify community concerns related to health and well-being, work to understand root causes, and build support for solutions. 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.

## Like many other life outcomes, health is influenced by neighborhood environment. Where a person lives can dramatically affect that person's chance of living a longer, healthier life.

### **Increase access to primary and preventive care with school-based health centers and programs**

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. Health issues affecting low-income children and children of color, including missing days of school because of illness, being hungry, and/or 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 reliable source of health and dental care. SBHCs provide primary care 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.

### **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. This 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.

The program was begun by the Fair Food Network at five farmers' markets in Michigan and has expanded to more than 150 sites in Michigan and to 18 other states. Preliminary results from a University of Michigan study of the program in Detroit show that it reaches the poorest SNAP shoppers.<sup>68</sup>

### **Improve provider and patient communication through culturally competent health care**

Successful programs providing care to racial and ethnic populations in Michigan that may otherwise experience language or cultural barriers include:

- The Arab Community Center for Economic and Social Services (ACCESS) Community Health and Research Center, which serves Southeast Michigan and is the largest and most comprehensive Arab community-based health and mental health center in North America
- The Community Health and Social Services (CHASS) clinics focusing on the Hispanic/Latino community in the Detroit area
- The American Indian Health and Family Services (AIHFS) program, a non-profit health center serving the Native American community of Southeastern Michigan

## CRIMINAL JUSTICE

# THE CYCLE OF INCARCERATION IN MICHIGAN HAS STAGGERING AND PREVENTABLE ECONOMIC, SOCIETAL, AND HUMAN COSTS.

**\$740  
MILLION**

annual reduction in  
corrections spending if  
Michigan Blacks were  
incarcerated at the same  
rate as Whites

**\$2.2  
BILLION**

spent on state corrections,  
20% of general fund dollars

**\$10 to \$1**

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

**> \$100  
THOUSAND**

direct economic benefit  
per person of providing  
educational services to  
juvenile offenders

Incarceration rates in Michigan are 253 per 100,000 for Whites and 1,682 per 100,000 for Blacks, six times the rate for Whites.

## CRIMINAL JUSTICE

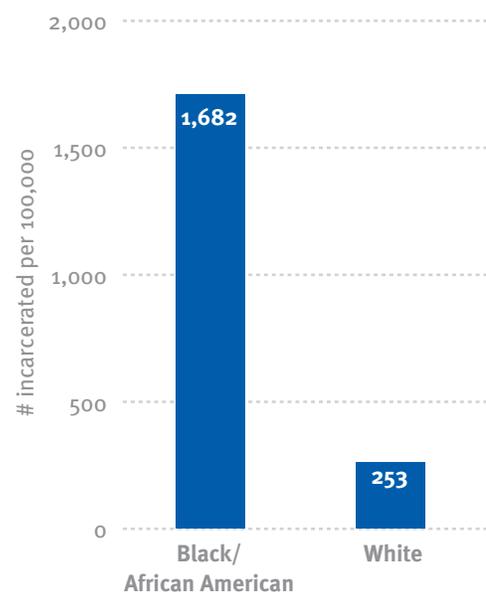
**EQUAL JUSTICE** under the law is an American ideal. Yet people of color are imprisoned at rates way out of proportion to their share of the population, being more likely to be arrested, prosecuted, and incarcerated and receiving longer sentences than Whites. These differences may not be the result 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 were the same as for Whites in Michigan, the prison population would be reduced by more than 40%, translating to a potential reduction in annual state corrections costs of \$740 million. In recognition of the human and economic costs associated with high rates of incarceration, criminal justice reforms are gaining support, as are programs that focus on prevention, addiction,

and workplace re-entry. These are all promising strategies being advanced to prevent incarceration and help returning individuals reintegrate successfully as productive members of their communities.

### WHERE ARE WE NOW AND HOW DID WE GET HERE?

Michigan spends \$2.2 billion, or nearly 20% of general fund expenditures, on corrections, a higher percentage than any other state.<sup>69</sup> In addition to the direct costs, the state's economy loses potential employees and taxpayers who are out of the workforce during the time they are in prison and are likely to have lower lifetime earnings. Researchers at the University of Washington in St. Louis estimate that for every dollar saved in prison costs due to reduced incarceration, \$10 in overall societal costs are saved.<sup>70</sup>

2015 Incarceration Rates, Michigan



## CRIMINAL JUSTICE

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People of color in Michigan are incarcerated at much higher rates than Whites.<sup>71</sup> Statewide, Whites make up 76% of the population in Michigan and in 2014 made up 46% of the incarcerated population, while Blacks represent 15% of the population and 49% of the incarcerated population.<sup>72</sup> A disproportionate number of children of color are in Michigan's criminal justice system. In a recent review of the data, the Michigan Council on Crime and Delinquency found that while youth of color represent 23% of the state's 17-year-old population, more than 53% of 17-year-olds under the jurisdiction of the Michigan Department of Corrections are youth of color.

Besides being out of the workforce for the time they are in prison, former inmates may face difficulty finding employment and housing when they re-enter the community. More than half of inmates are parents with minor children, and incarceration significantly impacts the economic resources and stability of their families. 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.<sup>73</sup>

### WHAT ARE EXAMPLES OF PROMISING STRATEGIES?

**Reduce the impact of racial bias in policing by targeting behaviors and situations** Research supports the idea that rather than focusing on trying to eliminate unconscious bias among law enforcement personnel, it is more effective to take 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 to situations in which there is reasonable suspicion of criminal activity substantially reduces incidents of bias.<sup>74</sup>

**Reduce correctional populations with research-based sentencing and corrections reforms** Michigan initiatives to decrease the rate of incarceration include reducing mandatory drug sentences, increasing parole grants and reducing technical revocations, and enhancing community corrections programming.<sup>75</sup> Combined with re-entry programs and declines in recidivism, these strategies have reduced the prison population in Michigan by 20% over the past decade. Ten years ago, Michigan's prison population peaked at more than 51,000. In 2017, the state's prison population dropped to below 40,000 for the first time in more than 20 years. Since 2005, the Department of Corrections has closed or consolidated 26 facilities and camps, which has resulted in nearly \$400 million in savings for the state.<sup>76</sup>

**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. Most businesses, regardless of public policies in their locations, can adopt ban the box policies. The Equal Employment Opportunity Commission offers guidance on best practices regarding the use of arrest and conviction information in hiring decisions.<sup>77</sup>

A disproportionate number of children of color are in Michigan's criminal justice system. A recent review found that while youth of color represent 23% of the state's 17-year-old population, more than 53% of 17-year-olds under the jurisdiction of the Michigan Department of Corrections are youth of color.

**Engineer successful transitions with re-entry programs**

In addition to working to reduce the number of people incarcerated, there is a need to connect returning community members with employment and other supportive services. The Michigan Prisoner Re-entry Initiative is a state program that coordinates services and support for inmates returning to their communities. Michigan's recidivism rate of 29.8% is near historical lows and is one of the lowest in the country.<sup>78</sup> As illustrated in the examples below, businesses can support re-entry in partnership with other private or public sector entities or offer job opportunities to former inmates as they transition back into the workforce.

- **On the Rise Bakery**, run by the Capuchin friars in Detroit, employs returning citizens as bakers and applies funds earned to the provision of a variety of supportive services. The program has achieved a success rate of over 95%; only two of the 71 returning citizens in the program over the past seven years have returned to prison.<sup>79</sup>
- **The Pathways from Prison to Postsecondary Education Project** is a five-year initiative to increase educational attainment and employment opportunities for incarcerated and formerly incarcerated individuals. The program is being piloted in Pontiac and Kalamazoo and

involves assessments, placements in college or vocational courses, counseling and mentoring, and partnerships with community-based organizations such as Michigan Works!<sup>80</sup>

- **Earn + Learn**, a program of Southwest Solutions and Focus: HOPE, is an innovative model of workforce development providing technical training and other supportive services to help transition Detroit's jobless individuals into long-term employment. The program helps participants identify and remove barriers such as illiteracy or substance abuse, obtain work skills, set and achieve education goals, and gain work experience. During Phase I of the project from 2011 to 2014, the Earn + Learn program moved more than 1,000 structurally unemployed individuals to sustainable employment.<sup>81</sup>
- **Grand Rapids-based Cascade Engineering** has moved to the forefront of businesses confronting barriers to success after prison by adopting an explicit policy of considering all qualified job applicants on an individual basis, regardless of past criminal record.<sup>82</sup>

EMPLOYMENT AND ENTREPRENEURSHIP

ENABLING THE FULL CREATIVE AND ECONOMIC POTENTIAL OF ALL MICHIGANDERS BENEFITS MICHIGAN ON MULTIPLE LEVELS.

**\$15  
BILLION**

gain in Michigan earnings today

**8%**

increase in Michigan's economy today

**\$12  
BILLION**

additional purchasing power today

**\$40  
BILLION**

gain in inflation-adjusted earnings by 2050

**12%**

increase in Michigan's economy by 2050

**\$3.7  
BILLION**

increase in state and local tax revenues by 2050

As of late 2017, the unemployment rate in the state was 4%, but it was 3.2% for White Michiganders and 9.1% for Black Michiganders.

**WHAT ONCE WERE** predictions about the future of work are 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 being transformed, and policymakers are discussing the need for a massive effort to prepare workers for quality jobs. For the large share of Michigan's working age population that are people of color, raising levels of education, narrowing skills gaps, and preparing to be full participants in the workplace of the future will reduce unemployment, increase competitiveness, and position the state 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 confront unique challenges that limit the growth, scalability, and sustainability of their businesses — 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 in communities of color makes strong economic sense.

### **WHERE ARE WE NOW AND HOW DID WE GET HERE?**

People of color in Michigan 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 the end of 2016, unemployment rates were more than twice as high for Blacks as for Whites. Disparities in education and health play a role, as do higher rates of incarceration. People of color are more likely to live in neighborhoods of concentrated poverty, where there are fewer available jobs, less opportunity to gain job skills early, fewer contacts who can provide mentorship or connections in a job search, and fewer role models to inspire career goals. As of fall 2017, Michigan's unemployment rate was 4%, but the rate was 3.2% for Whites and 9.1% for Blacks.<sup>83</sup>

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 callback for an interview was 50% more likely when the resume had a stereotypically White name.<sup>84</sup> 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 jobs. Remarkably, both Black and Hispanic/Latino applicants with no criminal records had the same success rate as White applicants who reported being recently released from prison.<sup>85</sup>

Disparities are seen in entrepreneurship as well. 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. 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, although there is debate as to whether this represents bias or other factors that are not being measured.

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 to assess diversity and inclusiveness in recruitment, retention, responsibilities, and remuneration.<sup>86</sup>

- **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?
- **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.

### **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.<sup>87</sup>

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

### **Partner to support employees — The Source**

Started by a group of employers in the Grand Rapids area, The Source is a non-profit, collaborative model to provide long-term comprehensive support to employers, their employees, and their employees' families. The collaboration includes partners from education and training, economic development, and social service organizations. The original Source has grown to 18 employer members who collectively have more than 7,500 employees. Employers estimate a return on their investment of more than 300%. The Source has been replicated in Detroit and in several other cities across the country.<sup>88</sup>

### **Reduce earnings disparities through tax policy**

Michigan's Earned Income Tax Credit (EITC) was reduced from 20% of the federal EITC to 6% in 2012, resulting in a tax increase for Michigan's most vulnerable working families. The EITC has been shown to have long-lasting positive effects

on children, reducing the number of children in poverty and helping them stay healthier, do better and go farther in school, and earn more as adults. It also helps small businesses and boosts local economies by helping low-income workers afford services that support workforce participation, such as child care and transportation.

### **Grow minority entrepreneurship by investing in new businesses**

Strategies to ensure that entrepreneurs of color can access capital and gain the expertise to launch and expand their businesses will be important in closing earnings and wealth gaps. 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 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.<sup>89</sup>

ProsperUS Detroit is an entrepreneurial training and small business lending program for Detroit residents designed to empower low and moderate income, immigrant, and minority individuals and neighborhoods. ProsperUS has trained more than 600 Detroiters and provided start-up micro-loan financing totalling more than half a million dollars since 2014.<sup>90</sup>



**NEXT STEPS:**  
**TAKING ACTION**  
**TO ADVANCE**  
**RACIAL EQUITY**

# Michigan has the power to advance racial equity.

Within Michigan, 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 discourse on race, inequity, and our economic future.

Michigan's 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. 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 Michigan's 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 to the area.

Finally, individuals, community organizations, and business groups can support 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 IN MICHIGAN

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 the 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 zoning 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 that go beyond equal funding per student to allocate more resources where there is more need.
- 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.
- 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.

## OVER THE NEXT FEW DECADES, THE WORKING AGE POPULATION IN MICHIGAN WILL SHIFT FROM ONE-QUARTER TO ALMOST 40% PEOPLE OF COLOR.

**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.** 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; supporting the establishment of businesses in these neighborhoods increases opportunities for employment and the development of job skills.

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

The number of organizations committed to equity and racial healing in Michigan is growing. Institutions of higher education, such as the Center for Diversity and Innovation at Kellogg Community College and the Walker Institute at Western Michigan University, study race and ethnic relations to understand disparities and conflicts and create more equitable and inclusive communities.<sup>91</sup> Local commitments are also emerging from grassroots organizations across the state. Eliminating Racism and Claiming/Celebrating Equality (ERACCE) in Kalamazoo focuses on the elimination of structural racism and the creation of a network of equitable, anti-racist institutions and communities.<sup>92</sup> New Detroit is an organization of community leaders from local businesses and foundations that focuses on building economic equity, social justice, and racial understanding.<sup>93</sup> Partners for a Racism-Free Community and the Grand Rapids Racial Equity Network are working on the ground in Grand Rapids.

These leaders join the W.K. Kellogg Foundation and other organizations investing in Michigan's future in understanding that alongside the case for social justice, there is a business case for moving toward greater racial equity to create a stronger and more prosperous Michigan for all.

## METHODS

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**Michigan 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.

**Michigan gross state product (GSP) 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. Michigan population counts for Blacks, Hispanics/Latinos, Asian Americans, Native Americans, and Whites were multiplied by their respective average Michigan earnings estimates from the PolicyLink/PERE National Equity Atlas ([www.nationalequityatlas.org](http://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](http://nationalequityatlas.org/sites/default/files/Data_and_Methods.pdf)).
3. Total earnings were subtracted from total earnings under racial equity to estimate 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 is 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 economic output** 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 GSP estimate or projection for the year of interest was increased by the percentage computed in step 1 to compute the dollar increase in GSP. This approach assumes an increase in GSP 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 **estimated potential increase in state and local tax revenues** was computed as 9.4% 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 in support of this project by Dr. Darrell Gaskin of Johns Hopkins University and Dr. Thomas LaVeist of The 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\\_o.pdf](http://www.hhnmag.com/ext/resources/inc-hhn/pdfs/resources/Burden_Of_Health_FINAL_o.pdf)). The full set of estimates is shown at right.

**DIRECT MEDICAL CARE COSTS, LOSS OF PRODUCTIVITY COSTS, AND COSTS OF PREMATURE DEATH ATTRIBUTABLE TO HEALTH DISPARITIES IN MICHIGAN, 2014 (BILLIONS OF DOLLARS)**

	Blacks/African Americans	Hispanics/Latinos	Asian Americans and Pacific Islanders	Total
<b>Direct Medical Care Costs</b>	2.11	.09	–	2.20
<b>Indirect Costs</b>				
Lost work days	.10	.02	–	.12
Lost work hours	.53	.27	.02	.82
Lost wages	.65	.30	.01	.96
<b>Subtotal Indirect Cost</b>	1.28	.59	.03	1.90
<b>Total Direct and Indirect</b>	3.39	.68	.03	4.10
<b>Value of Lost Life Years</b>	6.05	.92	–	6.97
<b>Grand Total</b>	9.44	1.60	.03	11.07

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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