

The Equity Solution: Racial Inclusion Is Key to Growing a Strong New Economy



Sarah Treuhaft, Justin Scoggins, and Jennifer Tran
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This is the first in a series of research briefs drawing from data in the National Equity Atlas—a new online resource for data to track, measure, and make the case for inclusive growth in America's regions, states, and nationwide.

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Summary

America is quickly becoming a majority people of color nation. At the same time, inequality is skyrocketing and racial inequities—from the homogeneity of the tech sector to the segregated suburbs of St. Louis—are wide, persistent, and glaring. Equity—just and fair inclusion of all—has always been a moral imperative in this country, but a new consensus is emerging that equity is also an economic imperative. Scores of economists and institutions like Standard & Poor's and Morgan Stanley now believe that rising inequality and low wages for workers on the bottom rungs of the economic ladder are stifling growth and competitiveness, and that racial inequities threaten economic growth and prosperity as people of color become the majority.

This brief offers new research to inform the debate about equity and the future of the American economy. Using data on income

by race, we calculate what total earnings and economic output would have been for the nation in 2012 if racial differences were eliminated and all groups had similar average incomes as non-Hispanic whites. This analysis does not assume that everyone has the same income, rather that the income distributions do not differ by race and ethnicity. We also examine how much of the income gap is attributable to wage differences versus employment differences (measured by hours worked).

Our findings include:

- The American economy would gain \$2.1 trillion in gross domestic product (GDP) every year by closing its racial gaps in income: a 14 percent increase.
- Nationwide, 66 percent of the racial income gap is due to wage differences, while 34 percent is due to employment differences.
- The country's 150 largest metropolitan regions are home to the most diverse populations in the nation and would experience even greater gains: a 24 percent increase in earnings and GDP, compared with the nationwide increase of 14 percent.
- Every region of the country would be financially stronger with racial inclusion. Potential metro GDP gains range from \$287 million per year in Springfield, Missouri (the lowest potential gain) to \$510 billion per year in Los Angeles (the highest).
- Just as metros' potential economic gains vary, they also differ on the wage and employment contributions to their racial income gaps. Wage gaps are more significant in Sunbelt and Coastal metros such as Austin, Miami, New York, Seattle, and Washington, DC. Employment gaps are much more important in older regions in the Midwest and Northeast with industrial legacies, like Flint, Scranton, and Buffalo.

There is an economic as well as a moral cost to America's racial inequities; equity is both the right thing to do and the path to economic prosperity. Racial economic inclusion would have a positive ripple effect—for families who are struggling to make ends meet, for the businesses that depend on them as customers, and for places that rely on their health, well-being, and tax contributions.

Leaders in every sector need to put in place the policies, strategies, investments, and business models to advance equitable and inclusive growth. Through concerted efforts to grow good jobs and connect people to them—by raising the minimum wages, ending employment discrimination against people with records, implementing targeted workforce training and placement strategies, and more—communities can put in place a new, “trickle-up” model of economic growth.

This is the first in a series of research briefs drawing from data in the National Equity Atlas—a new online resource for data to track, measure, and make the case for inclusive growth in America's regions, states, and nationwide. The Atlas provides local leaders and policymakers with data and tools to help them understand how their demographics are changing, how well they do on a series of measures of equity and inclusion, and what strategies they can implement to advance equitable growth. Explore the Atlas at www.nationalequityatlas.org.

Introduction

The United States is undergoing a demographic transformation in which people of color are becoming the majority. In 1980, 80 percent of the population was white. Today, it is 63 percent white and, by 2043, the U.S. Census projects that the United States will be majority people of color overall. Already, more than half of children under age five are people of color.

This brisk pace of demographic change stands in stark contrast to the glacial pace America is making to erase its racial divides. Millions of people of color live in neighborhoods that lack the basic educational and community infrastructure—like good jobs, grocery stores, and safe streets—that everyone needs to be healthy and productive. Low-income children of color go to the most challenged schools and face a job market that primarily offers insecure, low-wage work, and few opportunities to move up and reach their full potential.

These racial inequities are not inevitable. They were created by historic policies that were overtly discriminatory and are maintained by more subtle, but still racially biased, policies and practices embedded in public and private institutions. And they are exacerbated by a failed model of trickle-down economics that has underinvested in people and communities and created rising inequality, slow job growth, and stagnant wages for all but the very top earners.¹

Amidst these demographic and economic trends, a new consensus is emerging that these inequities are not only unjust but place the entire American economy at risk. In August, Standard & Poor's, the credit ratings agency, lowered its growth forecast for the United States, warning that increasing inequality is dampening economic growth.² Morgan Stanley followed suit, emphasizing the challenge of low wages.³ The International Monetary Fund's analysis of more than 100 countries found that inequality exerts a drag on national economic growth while lower inequality leads to more robust and sustained growth.⁴

Studies of America's metropolitan regions have found similar trends: metros with less income inequality and segregation and greater racial inclusion experience stronger growth, more economic resilience, and greater upward mobility.⁵

Widening inequality hurts the economy because low wages mean less of the consumption that drives business growth and creates jobs.⁶ High levels of inequality also skew politics, leading to underinvestment in the human capital and skilled workforce critical to economic growth and competitiveness. Without making progress on racial inclusion, these costs will grow as demographics shift. Former Treasury Secretary Lawrence Summers put it this way: as people of color become the majority, “the failure to end their economic exclusion means a failure of the American economy.”⁷

On the flip side, advancing equity—ensuring that all people, regardless of their race or zip code, have the resources and opportunities they need to reach their full potential—is both the right thing to do and a smart economic strategy. Two recent analyses have added numbers to this assertion by calculating how much stronger the economy would be without racial gaps in income:

- In *All-In Nation*, Robert Lynch and Patrick Oakford estimated that GDP would have been \$1.2 trillion higher, 13 million fewer people would have lived in poverty, and tax revenues would have been \$192 billion higher in 2011 in the absence of income disparities by race.⁸
- The Altarum Institute found that GDP would have been \$1.9 trillion higher in 2012 without racial income gaps and that the economic gains of equity would grow to \$5 trillion per year by 2030 as demographics shift.⁹

This research brief adds new data to the discussion about equity and America's economic future by estimating the economic benefits of racial inclusion for the largest 150 metropolitan regions, all 50 states, the District of Columbia, and the nation as a whole. Drawing from data on wages and employment (work hours) by major racial/ethnic group from the U.S. Census, we calculate what total economic output (GDP) would have been in 2012 under a scenario in which all racial groups had similar income levels, on average, as non-Hispanic whites, adjusted for age. We also analyze the sources of the racial income gaps (the share due to wage differences and the share due to employment differences) by major racial/ethnic group and region.

These estimates of the economic benefits of racial economic inclusion are conservative in that they do not take into account the total effect that rising incomes have on aggregate demand and economic growth. Our analysis assumes that GDP rises in proportion to total income, while in reality, the rise in GDP would be greater because of the “multiplier effect”—more income means more consumer spending, greater demand for businesses, and increased job creation and economic activity.

This analysis also does not account for the costs of investments that would be needed to raise the incomes of people of color. America's racial inequities in employment and earnings result from many persistent barriers, from lack of access to high-quality basic and higher education to employer discrimination. Some strategies to achieve racial economic inclusion—such as removing conviction history questions from job applications and implementing comprehensive immigration reform—can have high impact at low cost. Other crucial solutions—such as upgrading public education and job training systems, and enforcing civil rights laws—will cost more, but are smart, strategic investments that will bring long-lasting economic and social returns.

Findings

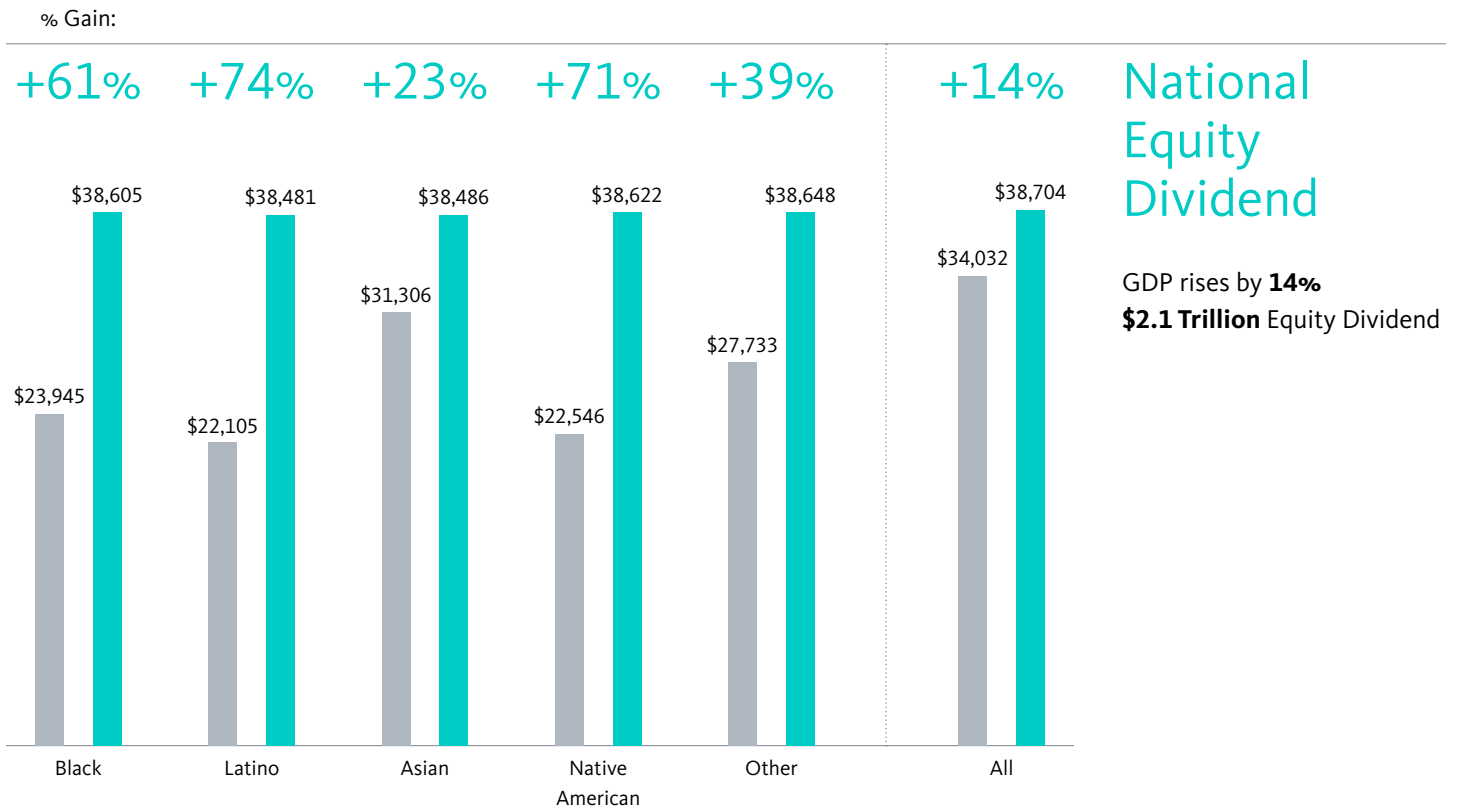
Racial Economic Inclusion Could Add \$2 Trillion to the U.S. Economy Every Year

America's GDP was \$15.6 trillion in 2012, but it would have been \$17.7 trillion, 14 percent higher, or a \$2.1 trillion "equity dividend," in the absence of racial differences in incomes. To put this large number into context, the state of California—the eighth largest economy in the world—had an annual GDP of about \$2 trillion in 2012.

Raising the average incomes of people in each major racial/ethnic group to the average incomes of non-Hispanic whites would significantly boost total earnings and purchasing power. Latino incomes would be 74 percent higher (a \$16,376 annual raise), Native American incomes would be 71 percent higher (a \$16,076 raise), and African American incomes would be 61 percent higher (a \$14,660 raise). The incomes of people with mixed and other racial backgrounds would increase 39 percent (\$10,915), while the incomes of Asians (excluding Asian sub-groups whose incomes are above the average incomes of whites) would increase 23 percent (\$7,180). In an equitable economy without systematic differences in access to education and good jobs, average incomes overall would be 14 percent higher, increasing from \$34,032 to \$38,704 per year.

Actual Average Incomes and Estimated Incomes and GDP Gains With Racial Equity, 2012

■ Average income
■ Average income (no gaps)



Source: PolicyLink/PERE analysis of Bureau of Economic Analysis (2012) and American Community Survey data (2008-2012), IPUMS.

The Economies of America's 150 Largest Metros Could Grow 24 Percent by Closing Racial Gaps

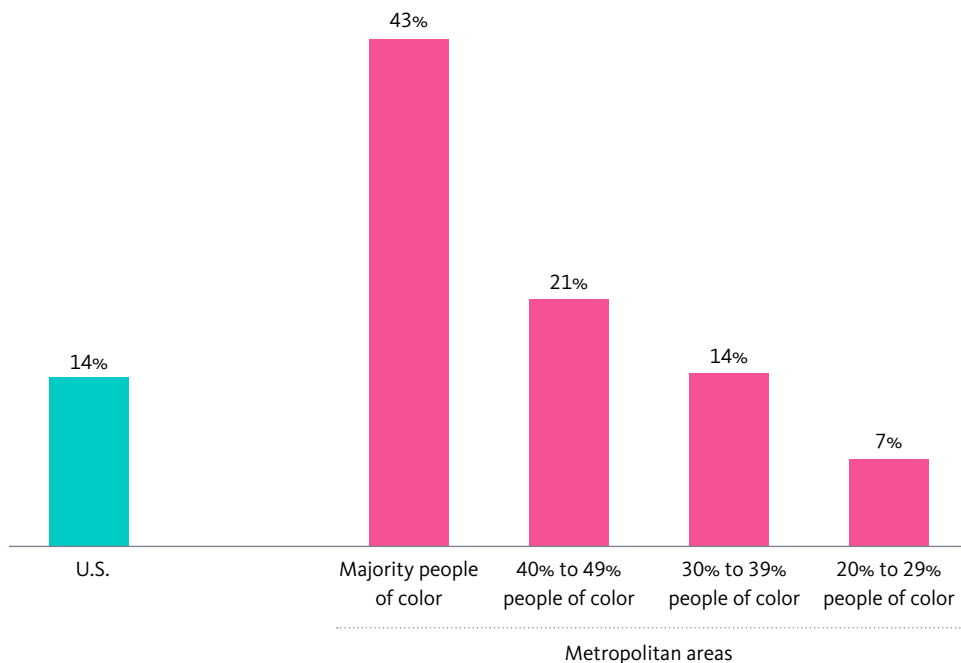
America's 150 largest metropolitan regions are home to the vast majority of the nation's economic activity (80 percent) and population (72 percent). They are also at the vanguard of rising diversity: communities of color are driving population growth in almost all of these metros, and their economic fate hinges on whether Latinos, African Americans, and other diverse groups can participate and thrive.

Because they are home to more diverse populations, America's largest 150 metros stand to gain much more from racial inclusion: the total gain in these metros is 24 percent, compared with 14 percent for the nation overall. While each of the largest 150 metros would experience economic gains from closing their racial gaps, the amount of these gains range widely, ranging from a low of 2 percent in both Portland, Maine, and Springfield,

Missouri, to a high of to 131 percent in Brownsville, Texas. Absolute gains would range from \$287 million per year in Springfield to \$510 billion per year in Los Angeles. See the Appendix for a table detailing the gains for the largest 150 metros, all 50 states, and the District of Columbia.

The relative size of racial income gaps in metros generally tracks the size of their people of color populations. Portland and Springfield's populations are more than 90 percent white, for example, while 88 percent of Brownsville's population is Latino. Every region would reap major economic and social benefits from racial inclusion, but the 29 metros where people of color are already the majority—including most of the California and Texas metros, New York, Washington DC, Miami, Las Vegas, and several Southern regions like Jackson and Memphis—and other regions with diverse populations, would see the largest economic boosts.

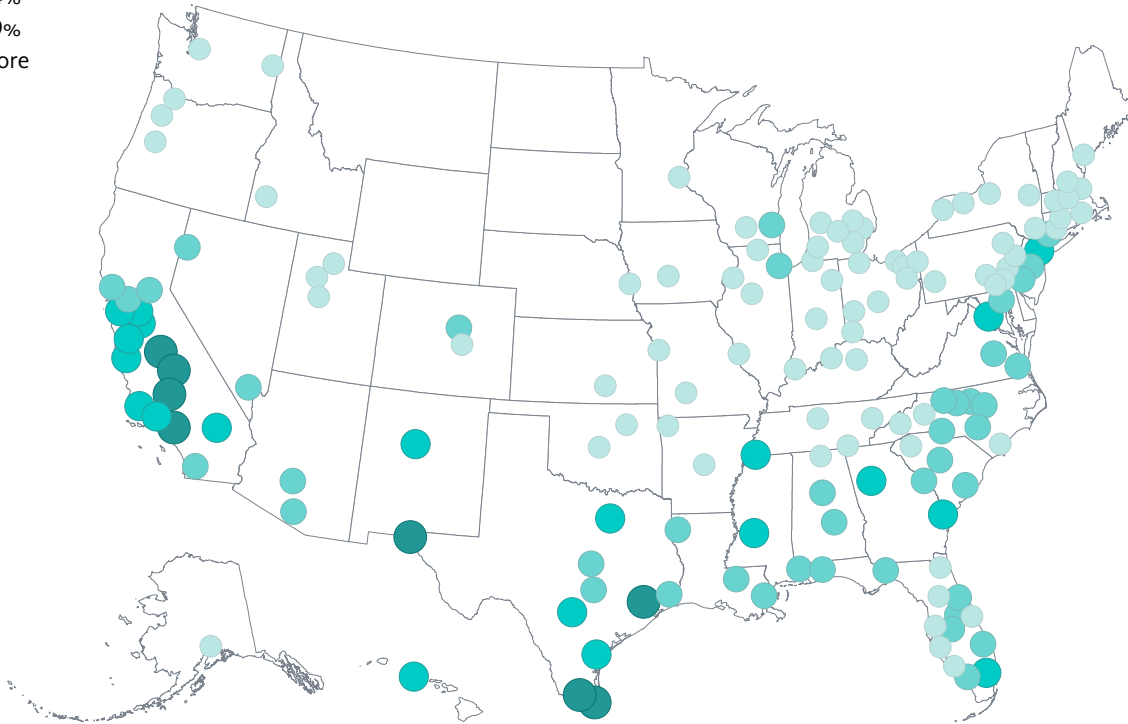
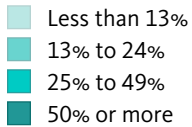
Estimated GDP Gains from Racial Equity in the Largest 150 Metros, by Share of People of Color



Source: PolicyLink/PERE analysis of Bureau of Economic Analysis (2012) and American Community Survey data (2008-2012), IPUMS.

Estimated Increase in GDP from Racial Equity, Largest 150 Metros

Increase in GDP from closing racial gaps in income



Source: PolicyLink/PERE analysis of Bureau of Economic Analysis (2012) and American Community Survey data (2008-2012), IPUMS.

But the potential gains are not entirely determined by demographics. Even among regions with similar racial/ethnic compositions, the size of the gains can vary, reflecting differences in the severity of racial inequities. For example:

- The three regions in Georgia—Atlanta, Savannah, and Augusta—share generally similar demographics (though Atlanta has a larger Latino population), but Augusta has less inequity, with a potential GDP gain of 16 percent compared with 27 and 28 percent in Atlanta and Savannah.
- The California regions of Fresno and Salinas have the same shares of people of color and similar racial/ethnic compositions, but Fresno would gain 63 percent from racial economic inclusion while Salinas would gain 43 percent.

The Sources of Racial Income Gaps Differ Across Racial/Ethnic Groups

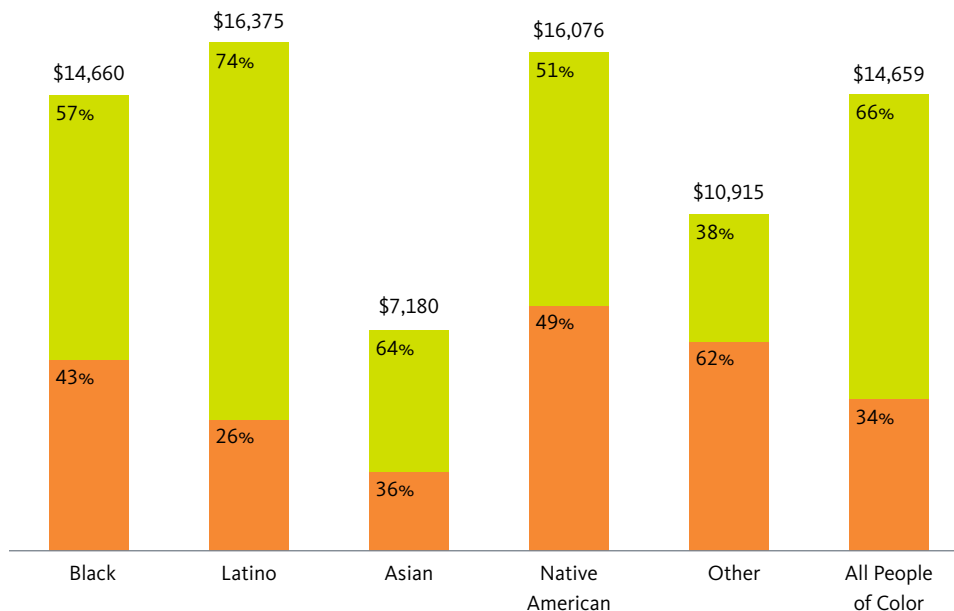
The total income gap for people of color compared with whites is a function of differences in wages (income per hour) and differences in employment (hours worked). Latinos, African Americans, Native Americans, Asians, and other people of color are more likely than whites to be jobless or underemployed (working part-time when they'd prefer full-time work) so tend to work fewer hours. People of color also tend to earn lower wages than their white counterparts. While educational attainment explains a large portion of the income gap, even among people with the same level of education, people of color are more likely to be unemployed and earn lower wages than their white counterparts. African Americans and Latinos with a college education, for example, earn about \$5 less per hour than whites with the same education levels, adding up to about \$10,000 less per year.¹⁰

Nationwide, a larger portion of the racial gap in income is driven by wages than employment: 66 percent of the income gap is due to wage differences, while 34 percent is due to employment differences. But these proportions differ by group. Wage gaps are much more significant for Latinos than other groups, for example, accounting for nearly three-quarters of the income gap (74 percent). Barriers to employment account for a particularly large share of the income gap for people with other and mixed racial backgrounds (62 percent) and Native Americans (49 percent). The wage and employment components of the income gap for African Americans (57 percent wages, 43 percent employment) are similar to those for all people of color combined.

Wage and Employment Shares of Racial Income Gap by Race/Ethnicity, 2012

Gains in average annual income from:

- Increased wages
- Increased employment



Source: PolicyLink/PERE analysis of Bureau of Economic Analysis (2012) and American Community Survey data (2008-2012), IPUMS.

The Sources of Racial Income Gaps Also Vary Widely Across Metros

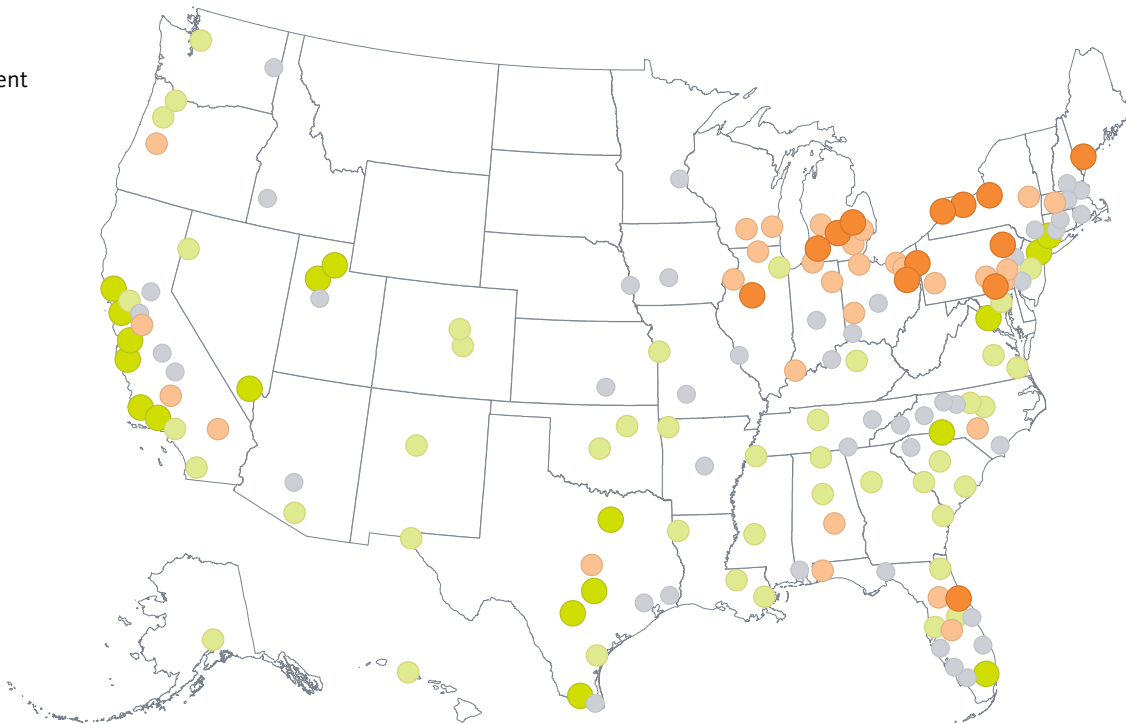
The source of income gaps for people of color—wages versus employment—also differs across metros. Santa Barbara, where wages account for 88 percent of the income gap, sits at one end of the spectrum. Flint, Michigan, where there are no gaps in wages, and employment accounts for the entire income gap, is at the other end of the spectrum.

The wage/employment split tends to track regional demographics and economic dynamics. The regions with high overall unemployment tend to owe a larger share of their racial income gaps to employment barriers for their communities of color.

These places tend to be the regions in the Midwest and Northeast (such as Cleveland, Detroit, and Buffalo) that were centers of industry but have struggled to retool their economies in the postindustrial era. The employment share of racial income gaps is greater in small- and mid-sized regions with industrial legacies (such as Canton, Scranton, and Syracuse). The regions with above-average shares of their racial income gaps due to wage differences include the Coastal and Sunbelt metros (Austin, Miami, Salt Lake City, New York, Seattle, Washington, DC) with significant immigrant populations and booming service-dominated economies with large low-wage sectors.

Wage and Employment Shares of Racial Income Gap, Largest 150 Metros, 2012

Main source of GDP growth from:



Source: PolicyLink/PERE analysis of Bureau of Economic Analysis (2012) and American Community Survey data (2008-2012), IPUMS.

Policy Implications

This analysis illustrates the potential economic benefits of closing the significant income gaps by race that persist in the United States. Ending racial exclusion would help millions of families who are struggling and striving. It would also boost spending in the local economy, generating demand for new and existing businesses and creating jobs. This “equity dividend”—for people, places, and the nation—will only continue to grow as people of color become the majority.

There is no single policy fix for income gaps by race. Higher levels of joblessness and lower wages among people of color have multiple roots. Lack of access to high-quality education at all levels, from preK to college, accounts for a large portion of differences in employment and income by race, but does not fully explain the gap. Broader economic trends—a dearth of job opportunities overall, fewer “middle-skill” jobs that offer pathways to good careers for people without four-year college degrees, and stagnant and declining wages in the growing low-wage sector where people of color are overrepresented—play a role. Racial discrimination in hiring, promotions, and wages, and barriers to employment related to immigration status, criminal records, and lack of reliable transportation factor in as well.

While there is no single solution, there are a number of approaches that, together, would make significant progress to close the racial income gap.

- **Grow new good jobs** through full employment policies, infrastructure investments, and strategies to grow new businesses and expand existing businesses that create good jobs accessible to workers of color. These policies are particularly important in the regions and states where a large share of the racial income gap is attributed to employment. Here are several examples:
 - Invest in infrastructure projects—transit lines, water systems, energy-efficient buildings, schools, and more—that increase connectivity and create jobs in disinvested neighborhoods, such as the Emerald Cities effort to retrofit buildings to be more energy efficient and create new green jobs in ten regions across the country.
 - Focus economic and workforce development efforts on industries in “high-opportunity” sectors that pay living wages and offer good jobs and training for people without college degrees. For example, the Equitable Innovation Economies effort aims to facilitate the growth of equitable, urban, advanced manufacturing industries, starting with projects in Portland (Oregon), San Jose, New York City, and Indianapolis.¹¹

- Ensure entrepreneurs of color can access the capital, networks, and know-how they need to launch and expand successful businesses.
- Leverage the purchasing power of large “anchor institutions”—universities, governments, community colleges, hospitals—to grow new businesses (including worker-owned cooperatives) in communities with high unemployment, as Cleveland’s anchor institutions have done.

- **Raise the floor on low-wage work** through policies that promote strong and rising wages, and ensure the rights of all workers to organize for better wages and working conditions. These strategies are particularly important in the regions and states where a large share of the racial income gap stems from wage gaps. Strategies include:
 - Raise the minimum wage to the level of a living wage, cover tipped workers, and index the wage to inflation to keep up with the cost of living.
 - Pass local living wage ordinances—as more than 150 local jurisdictions have done—to ensure jobs supported by public funding pay at least enough to cover basic living expenses.
 - Require employers to offer paid sick days and family leave, and provide fair and predictable scheduling.
 - Adopt responsible contracting and subsidy accountability policies that include a living wage as a criteria for awarding contracts, and require employers receiving economic development subsidies to pay a living wage.
 - Pass wage theft ordinances, with strong enforcement mechanisms, that penalize employers who withhold workers’ pay.
- **Remove barriers to employment** that prevent many people of color from accessing jobs. Some of the key strategies include:
 - Pass strong “Ban the Box” policies that eliminate the question about conviction history from job applications, ideally for private as well as public employers. Since Durham, North Carolina, passed such a measure, hiring rates for people with records increased dramatically, from 2 percent in 2011 to 15 percent thus far in 2014.¹²
 - Enact legislation forbidding employers from running credit checks on job applicants, as 10 states and several cities, including Chicago, have done.¹³
 - Fund public transit, including buses, that connects communities of color with high unemployment to job centers.
 - Launch efforts to increase citizenship; studies show that immigrants who successfully naturalize increase their earnings by 8 to 11 percent.¹⁴

- **Strengthen education and training pathways** to ensure every child can successfully reach a good job and career. Here are just a few of the many ways communities are fortifying these pathways:
 - Universal preK—as the city of San Antonio and many other cities and states are striving to achieve for four- and sometimes three-year olds—is a proven approach that increases lifetime earnings, boosts high school graduation rates, and decreases incarceration.¹⁵
 - “Cradle-to-career” efforts, like the Promise Neighborhoods Initiative now in more than 50 communities, provide children and families living in low-income neighborhoods with education, health, and social supports from birth to college to career.
 - Career academies, and programs like Year Up and Code 2040, provide young people with the work-related skills and paid internships to help them land that essential first job.
 - Reforming harsh, “zero tolerance” school discipline policies reduces school pushout for boys of color and keeps them on track to graduate.
 - Sector-focused training efforts like Oakland’s EMS Corps and Baltimore’s BioTechnical Institute of Maryland connect people who face barriers to employment with high-quality training programs (often at community colleges) that lead to jobs in growing sectors of the economy, such as health care and technology.¹⁶
 - Targeted and local hiring strategies, community workforce agreements, community benefits agreements, and construction careers programs ensure local workers can access jobs created through new development.

Conclusion

We hope the data and strategies shared in this brief catalyze new community dialogues about equity and the economy that lead to action. The need is urgent: demographic change is swift and inevitable, yet most regions and states are not talking about what their demographic destinies suggest for their growth and development strategies. Elected leaders, advocates, business groups, foundations, planners, organizers, and others need to be debating which of the strategies listed above they should explore and advance. A critical first step is to name equitable growth as the goal, and start talking about what challenges they must address and what assets they can leverage to achieve it.

After all, the key question is not if but when. As a nation, we can ameliorate widespread inequality now, or pay the consequences later. Enlightened business and civic leaders are getting the message about the need to prepare for America’s tomorrow. Charting the future with equity as the guiding principle is a smart, bottom-up strategy to transform this country’s broken economic model into a new economy that is strong, resilient, and sustainable.

Appendix:

Estimated GDP Gains with Racial Equity and Wage and Employment Shares of Racial Income Gaps for the Largest 150 Metropolitan Regions and States

	Population, 2010	People of Color, 2010	GDP, 2012	Estimated GDP Gains with Racial Equity		Decomposition of Racial Income Gap	
				Percent Increase	\$ millions	Share Attributable to Wages	Share Attributable to Employment
Metropolitan Regions							
Brownsville-Harlingen, TX	406,220	89%	\$8,499	131%	\$11,117	57%	43%
McAllen-Edinburg-Pharr, TX	774,769	92%	\$16,025	82%	\$13,063	79%	21%
El Paso, TX	800,647	87%	\$29,566	68%	\$20,078	63%	37%
Los Angeles-Long Beach-Santa Ana, CA	12,828,837	68%	\$765,759	67%	\$509,909	65%	35%
Fresno, CA	930,450	67%	\$31,890	63%	\$20,126	52%	48%
Visalia-Porterville, CA	442,179	67%	\$12,005	61%	\$7,365	57%	43%
Houston-Baytown-Sugar Land, TX	5,946,800	60%	\$449,660	54%	\$243,732	63%	37%
Bakersfield, CA	839,631	61%	\$34,268	54%	\$18,404	50%	50%
Riverside-San Bernardino-Ontario, CA	4,224,851	63%	\$113,998	49%	\$56,207	47%	53%
Salinas, CA	415,057	67%	\$17,779	43%	\$7,723	76%	24%
Miami-Fort Lauderdale-Miami Beach, FL	5,564,635	65%	\$274,105	41%	\$113,059	79%	21%
Modesto, CA	514,453	53%	\$15,998	37%	\$5,900	50%	50%
San Antonio, TX	2,142,508	64%	\$91,995	37%	\$33,849	72%	28%
Stockton, CA	685,306	64%	\$20,390	35%	\$7,103	58%	42%
San Jose-Sunnyvale-Santa Clara, CA	1,836,911	65%	\$173,908	34%	\$58,368	73%	27%
San Francisco-Oakland-Fremont, CA	4,335,391	58%	\$360,395	32%	\$116,959	72%	28%
Memphis, TN-MS-AR	1,316,100	54%	\$66,654	31%	\$20,881	65%	35%
Corpus Christi, TX	428,185	64%	\$21,915	31%	\$6,826	67%	33%
New York-Northern New Jersey-Long Island, NY-NJ-PA	18,897,109	51%	\$1,332,246	31%	\$409,658	78%	22%
Santa Barbara-Santa Maria-Goleta, CA	423,895	52%	\$20,943	31%	\$6,430	88%	12%
Jackson, MS	539,057	52%	\$25,738	30%	\$7,769	63%	37%
Honolulu, HI	953,207	81%	\$56,561	29%	\$16,422	64%	36%
Oxnard-Thousand Oaks-Ventura, CA	823,318	51%	\$39,077	29%	\$11,332	79%	21%
Savannah, GA	347,611	43%	\$14,110	28%	\$3,972	67%	33%
Washington-Arlington-Alexandria, DC-VA-MD-WV	5,582,170	51%	\$447,167	27%	\$122,736	77%	23%
Dallas-Fort Worth-Arlington, TX	6,371,773	50%	\$418,442	27%	\$113,684	76%	24%
Atlanta-Sandy Springs-Marietta, GA	5,268,860	49%	\$294,015	27%	\$78,568	65%	35%
Albuquerque, NM	887,077	58%	\$38,784	26%	\$10,161	67%	33%
San Diego-Carlsbad-San Marcos, CA	3,095,313	52%	\$177,410	25%	\$44,219	71%	29%
Shreveport-Bossier City, LA	398,604	45%	\$19,433	24%	\$4,705	70%	30%
Durham, NC	504,357	45%	\$39,731	24%	\$9,381	72%	28%
Tallahassee, FL	367,413	42%	\$13,385	23%	\$3,124	60%	40%
Montgomery, AL	374,536	49%	\$15,425	23%	\$3,535	51%	49%
Chicago-Naperville-Joliet, IL-IN-WI	9,461,105	45%	\$571,008	23%	\$129,275	67%	33%
New Orleans-Metairie-Kenner, LA	1,167,764	46%	\$83,361	22%	\$18,695	70%	30%
Austin-Round Rock, TX	1,716,289	45%	\$98,677	22%	\$21,714	77%	23%
Vallejo-Fairfield, CA	413,344	59%	\$14,679	22%	\$3,207	63%	37%
Trenton-Ewing, NJ	366,513	45%	\$28,406	22%	\$6,116	71%	29%

Appendix, continued

	Population, 2010	People of Color, 2010	GDP, 2012	Estimated GDP Gains with Racial Equity		Decomposition of Racial Income Gap	
				Percent Increase	\$ millions	Share Attributable to Wages	Share Attributable to Employment
Las Vegas-Paradise, NV	1,951,269	52%	\$95,602	21%	\$20,506	73%	27%
Naples-Marco Island, FL	321,520	34%	\$13,652	21%	\$2,833	76%	24%
Bridgeport-Stamford-Norwalk, CT	916,829	34%	\$86,338	21%	\$17,783	80%	20%
Orlando, FL	2,134,411	47%	\$106,123	20%	\$21,495	71%	29%
Richmond, VA	1,258,251	40%	\$70,098	19%	\$13,556	66%	34%
Tucson, AZ	980,263	45%	\$33,353	19%	\$6,383	68%	32%
Baton Rouge, LA	802,484	42%	\$47,709	19%	\$9,091	66%	34%
Charleston-North Charleston, SC	664,607	37%	\$31,017	19%	\$5,862	69%	31%
Phoenix-Mesa-Scottsdale, AZ	4,192,887	41%	\$201,653	18%	\$36,569	64%	36%
Killeen-Temple-Fort Hood, TX	405,300	46%	\$16,790	18%	\$3,023	38%	62%
Mobile, AL	412,992	41%	\$16,780	18%	\$3,012	56%	44%
Beaumont-Port Arthur, TX	388,745	41%	\$23,395	18%	\$4,140	61%	39%
Charlotte-Gastonia-Concord, NC-SC	1,758,038	39%	\$120,914	17%	\$20,760	74%	26%
Sacramento--Arden-Arcade--Roseville, CA	2,149,127	44%	\$97,558	17%	\$16,711	62%	38%
Columbia, SC	767,598	42%	\$34,301	17%	\$5,873	65%	35%
Raleigh-Cary, NC	1,130,490	37%	\$61,392	17%	\$10,286	73%	27%
Baltimore-Towson, MD	2,710,489	40%	\$157,260	17%	\$26,154	65%	35%
Denver-Aurora, CO	2,543,482	34%	\$167,886	16%	\$27,696	69%	31%
Pensacola-Ferry Pass-Brent, FL	448,991	27%	\$14,555	16%	\$2,297	45%	55%
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	5,965,343	35%	\$364,009	16%	\$57,284	58%	42%
Birmingham-Hoover, AL	1,128,047	35%	\$58,992	16%	\$9,280	70%	30%
Virginia Beach-Norfolk-Newport News, VA-NC	1,671,683	43%	\$85,025	16%	\$13,238	67%	33%
Augusta-Richmond County, GA-SC	556,877	43%	\$20,723	16%	\$3,213	63%	37%
Lakeland, FL	602,095	35%	\$17,093	15%	\$2,642	50%	50%
Greensboro-High Point, NC	723,801	38%	\$36,875	15%	\$5,696	64%	36%
Milwaukee-Waukesha-West Allis, WI	1,555,908	31%	\$88,708	15%	\$12,870	53%	47%
Deltona-Daytona Beach-Ormond Beach, FL	494,593	25%	\$12,104	14%	\$1,738	36%	64%
Santa Rosa-Petaluma, CA	483,878	34%	\$20,325	14%	\$2,890	82%	18%
Port St. Lucie-Fort Pierce, FL	424,107	32%	\$11,500	14%	\$1,620	68%	32%
Reno-Sparks, NV	425,417	34%	\$20,400	14%	\$2,859	73%	27%
Fayetteville, NC	366,383	54%	\$18,685	14%	\$2,602	37%	63%
Winston-Salem, NC	477,717	34%	\$22,738	14%	\$3,123	60%	40%
Cape Coral-Fort Myers, FL	618,754	29%	\$20,906	13%	\$2,685	67%	33%
New Haven-Milford, CT	862,477	32%	\$40,084	13%	\$5,100	61%	39%
Detroit-Warren-Livonia, MI	4,296,250	32%	\$208,379	12%	\$26,043	42%	58%
Greenville, SC	636,986	27%	\$28,290	12%	\$3,445	63%	37%
Oklahoma City, OK	1,252,987	33%	\$63,338	12%	\$7,656	68%	32%
Little Rock-North Little Rock, AR	699,757	30%	\$34,353	12%	\$4,143	63%	37%
Hartford-West Hartford-East Hartford, CT	1,212,381	28%	\$80,670	12%	\$9,637	58%	42%
Jacksonville, FL	1,345,596	34%	\$62,251	12%	\$7,385	68%	32%
Cleveland-Elyria-Mentor, OH	2,077,240	28%	\$111,597	12%	\$13,070	50%	50%
Anchorage, AK	380,821	33%	\$28,616	12%	\$3,300	65%	35%
Salem, OR	390,738	29%	\$12,667	11%	\$1,430	75%	25%

Appendix, continued

	Population, 2010	People of Color, 2010	GDP, 2012	Estimated GDP Gains with Racial Equity		Decomposition of Racial Income Gap	
				Percent Increase	\$ millions	Share Attributable to Wages	Share Attributable to Employment
Huntsville, AL	417,593	31%	\$21,695	11%	\$2,447	72%	28%
Tulsa, OK	937,478	32%	\$47,891	11%	\$5,346	66%	34%
Tampa-St. Petersburg-Clearwater, FL	2,783,243	32%	\$119,926	11%	\$12,895	70%	30%
Springfield, MA	692,942	26%	\$22,172	11%	\$2,341	38%	62%
Boston-Cambridge-Quincy, MA-NH	4,552,402	25%	\$336,232	11%	\$35,452	65%	35%
Salt Lake City, UT	1,124,197	25%	\$74,574	10%	\$7,767	80%	20%
Seattle-Tacoma-Bellevue, WA	3,439,809	32%	\$258,819	10%	\$26,599	68%	32%
Kansas City, MO-KS	2,035,334	26%	\$113,865	10%	\$11,659	64%	36%
Nashville-Davidson--Murfreesboro, TN	1,589,934	26%	\$92,119	10%	\$9,108	69%	31%
St. Louis, MO-IL	2,837,592	25%	\$137,572	10%	\$13,557	57%	43%
Rockford, IL	349,431	27%	\$13,306	10%	\$1,285	45%	55%
Indianapolis, IN	1,756,241	25%	\$112,342	9%	\$10,597	60%	40%
Grand Rapids-Wyoming, MI	774,160	21%	\$35,522	9%	\$3,318	49%	51%
Reading, PA	411,442	23%	\$15,208	9%	\$1,379	49%	51%
Colorado Springs, CO	645,613	27%	\$28,029	9%	\$2,518	69%	31%
Minneapolis-St. Paul-Bloomington, MN-WI	3,279,833	21%	\$218,082	9%	\$19,584	60%	40%
Wichita, KS	623,061	26%	\$29,317	9%	\$2,632	54%	46%
Wilmington, NC	362,315	22%	\$14,818	9%	\$1,302	65%	35%
Rochester, NY	1,054,323	22%	\$46,833	9%	\$4,005	34%	66%
Provo-Orem, UT	526,810	16%	\$17,026	8%	\$1,446	56%	44%
Fort Wayne, IN	416,257	21%	\$18,990	8%	\$1,528	44%	56%
Poughkeepsie-Newburgh-Middletown, NY	670,301	29%	\$26,170	8%	\$2,085	59%	41%
Lexington-Fayette, KY	472,099	21%	\$23,915	8%	\$1,898	67%	33%
South Bend-Mishawaka, IN-MI	319,224	22%	\$13,449	8%	\$1,064	35%	65%
Fayetteville-Springdale-Rogers, AR-MO	463,204	24%	\$20,519	8%	\$1,609	72%	28%
Columbus, OH	1,836,536	24%	\$99,530	8%	\$7,764	57%	43%
Toledo, OH	651,429	23%	\$29,522	8%	\$2,251	34%	66%
Omaha-Council Bluffs, NE-IA	865,350	21%	\$51,878	8%	\$3,900	62%	38%
Chattanooga, TN-GA	528,143	20%	\$22,405	8%	\$1,682	60%	40%
Buffalo-Niagara Falls, NY	1,135,509	20%	\$47,057	7%	\$3,525	32%	68%
Providence-New Bedford-Fall River, RI-MA	1,600,852	20%	\$69,530	7%	\$5,199	56%	44%
Ann Arbor, MI	344,791	28%	\$19,310	7%	\$1,432	48%	52%
Sarasota-Bradenton-Venice, FL	702,281	20%	\$24,493	7%	\$1,815	71%	29%
Portland-Vancouver-Beaverton, OR-WA	2,226,009	24%	\$146,975	7%	\$10,833	71%	29%
Louisville, KY-IN	1,283,566	21%	\$63,789	7%	\$4,702	62%	38%
Flint, MI	425,790	27%	\$11,713	7%	\$844	-26%	126%
Des Moines, IA	569,633	16%	\$42,129	7%	\$2,943	61%	39%
Ocala, FL	331,298	26%	\$7,128	7%	\$496	47%	53%
Worcester, MA	798,552	19%	\$30,948	7%	\$2,096	56%	44%
Allentown-Bethlehem-Easton, PA-NJ	821,173	21%	\$31,988	7%	\$2,121	56%	44%
Lansing-East Lansing, MI	464,036	22%	\$19,355	6%	\$1,200	19%	81%
Harrisburg-Carlisle, PA	549,475	19%	\$29,974	6%	\$1,798	52%	48%
Hickory-Lenoir-Morgantown, NC	365,497	17%	\$12,265	6%	\$735	61%	39%

Appendix, continued

	Population, 2010	People of Color, 2010	GDP, 2012	Estimated GDP Gains with Racial Equity		Decomposition of Racial Income Gap	
				Percent Increase	\$ millions	Share Attributable to Wages	Share Attributable to Employment
Dayton, OH	841,502	21%	\$34,685	6%	\$2,078	36%	64%
Davenport-Moline-Rock Island, IA-IL	379,690	18%	\$18,566	6%	\$1,098	50%	50%
Cincinnati-Middletown, OH-KY-IN	2,130,151	18%	\$108,454	6%	\$6,349	53%	47%
Albany-Schenectady-Troy, NY	870,716	17%	\$42,479	6%	\$2,474	46%	54%
Syracuse, NY	662,577	16%	\$28,453	6%	\$1,639	26%	74%
Ogden-Clearfield, UT	547,184	17%	\$20,568	6%	\$1,183	75%	25%
Palm Bay-Melbourne-Titusville, FL	543,376	22%	\$18,107	6%	\$1,028	55%	45%
Boise City-Nampa, ID	616,561	18%	\$27,455	6%	\$1,517	64%	36%
Madison, WI	568,593	16%	\$37,836	5%	\$2,050	49%	51%
Lancaster, PA	519,445	15%	\$20,953	5%	\$1,104	52%	48%
Akron, OH	703,200	18%	\$29,466	5%	\$1,488	47%	53%
Youngstown-Warren-Boardman, OH-PA	565,773	16%	\$17,563	5%	\$866	25%	75%
Kalamazoo-Portage, MI	326,589	19%	\$12,504	5%	\$596	27%	73%
Peoria, IL	379,186	16%	\$21,299	5%	\$985	20%	80%
Asheville, NC	424,858	14%	\$15,003	4%	\$652	63%	37%
Eugene-Springfield, OR	351,715	15%	\$12,152	4%	\$477	43%	57%
Pittsburgh, PA	2,356,285	13%	\$123,577	4%	\$4,839	37%	63%
York-Hanover, PA	434,972	14%	\$15,817	4%	\$569	28%	72%
Spokane, WA	471,221	13%	\$19,299	3%	\$664	55%	45%
Manchester-Nashua, NH	400,721	12%	\$22,160	3%	\$743	59%	41%
Knoxville, TN	698,030	13%	\$32,332	3%	\$942	58%	42%
Scranton--Wilkes-Barre, PA	563,631	11%	\$20,465	3%	\$576	33%	67%
Evansville, IN-KY	358,676	11%	\$18,192	3%	\$507	48%	52%
Canton-Massillon, OH	404,422	12%	\$14,044	3%	\$390	24%	76%
Portland-South Portland-Biddeford, ME	514,098	7%	\$26,887	2%	\$502	21%	79%
Springfield, MO	436,712	9%	\$16,236	2%	\$287	58%	42%

States

District of Columbia	601,723	65%	\$109,793	60%	\$65,518	64%	36%
California	37,253,956	60%	\$2,003,479	33%	\$670,077	72%	28%
Texas	25,145,561	55%	\$1,397,369	30%	\$420,173	71%	29%
New Mexico	2,059,179	60%	\$80,600	30%	\$24,077	65%	35%
Hawaii	1,360,301	77%	\$72,424	27%	\$19,195	74%	26%
Mississippi	2,967,297	42%	\$101,490	21%	\$21,442	54%	46%
Georgia	9,687,653	44%	\$433,569	21%	\$90,840	60%	40%
New York	19,378,102	42%	\$1,205,930	19%	\$233,788	69%	31%
Arizona	6,392,017	42%	\$266,891	19%	\$49,390	64%	36%
Louisiana	4,533,372	40%	\$243,264	18%	\$44,903	64%	36%
Nevada	2,700,551	46%	\$133,584	18%	\$23,824	73%	27%
New Jersey	8,791,894	41%	\$508,003	17%	\$87,617	76%	24%
Florida	18,801,310	42%	\$777,164	17%	\$131,265	72%	28%
Maryland	5,773,552	45%	\$317,678	16%	\$50,540	72%	28%
South Carolina	4,625,364	36%	\$176,217	16%	\$27,681	66%	34%

Appendix, continued

	Population, 2010	People of Color, 2010	GDP, 2012	Estimated GDP Gains with Racial Equity		Decomposition of Racial Income Gap	
				Percent Increase	\$ millions	Share Attributable to Wages	Share Attributable to Employment
Alaska	710,231	36%	\$51,859	15%	\$7,787	60%	40%
Illinois	12,830,632	36%	\$695,238	15%	\$104,042	62%	38%
North Carolina	9,535,483	35%	\$455,973	14%	\$63,526	64%	36%
Alabama	4,779,736	33%	\$183,547	13%	\$24,186	58%	42%
Connecticut	3,574,097	29%	\$229,317	13%	\$29,640	67%	33%
Colorado	5,029,196	30%	\$274,048	13%	\$34,717	67%	33%
Virginia	8,001,024	35%	\$445,876	12%	\$55,251	74%	26%
Delaware	897,934	35%	\$65,984	11%	\$7,536	64%	36%
Oklahoma	3,751,351	31%	\$160,953	10%	\$15,749	61%	39%
Rhode Island	1,052,567	24%	\$50,956	10%	\$4,965	59%	41%
Massachusetts	6,547,629	24%	\$403,823	9%	\$37,214	61%	39%
Arkansas	2,915,918	25%	\$109,557	8%	\$9,133	56%	44%
Washington	6,724,540	27%	\$375,730	8%	\$30,891	71%	29%
Tennessee	6,346,105	24%	\$277,036	7%	\$20,316	62%	38%
Kansas	2,853,118	22%	\$138,953	7%	\$10,035	57%	43%
Michigan	9,883,640	23%	\$400,504	7%	\$28,900	33%	67%
Utah	2,763,885	20%	\$130,486	7%	\$9,182	78%	22%
Pennsylvania	12,702,379	21%	\$600,897	7%	\$40,407	42%	58%
South Dakota	814,180	15%	\$42,464	6%	\$2,710	29%	71%
Oregon	3,831,074	22%	\$198,702	6%	\$12,373	70%	30%
Nebraska	1,826,341	18%	\$99,557	6%	\$6,045	56%	44%
Minnesota	5,303,925	17%	\$294,729	6%	\$17,530	52%	48%
Ohio	11,536,504	19%	\$509,393	6%	\$28,647	45%	55%
Wisconsin	5,686,986	17%	\$261,548	6%	\$14,486	45%	55%
Missouri	5,988,927	19%	\$258,832	5%	\$14,219	50%	50%
Indiana	6,483,802	18%	\$298,625	5%	\$15,299	44%	56%
Idaho	1,567,582	16%	\$58,243	5%	\$2,762	68%	32%
Wyoming	563,626	14%	\$38,422	4%	\$1,560	56%	44%
Montana	989,415	12%	\$40,422	4%	\$1,454	35%	65%
North Dakota	672,591	11%	\$46,016	3%	\$1,592	38%	62%
Iowa	3,046,355	11%	\$152,436	3%	\$5,118	49%	51%
Kentucky	4,339,367	14%	\$173,466	3%	\$5,763	64%	36%
West Virginia	1,852,994	7%	\$69,380	2%	\$1,160	23%	77%
Vermont	625,741	6%	\$27,296	2%	\$447	36%	64%
New Hampshire	1,316,470	8%	\$64,697	2%	\$994	58%	42%
Maine	1,328,361	6%	\$53,656	1%	\$781	29%	71%

Source: PolicyLink and PERE analysis of 2012 5-Year Microdata on income and employment from the American Community Survey, 2012 GDP data from the Bureau of Economic Analysis, and 2010 U.S. Census data on demographics.

Note: State references indicate that the region includes counties in those states.

Detailed Methodology

This analysis uses the 2012 5-Year ACS microdata from the Integrated Public Use Microdata Series (IPUMS) and 2012 GDP data from Bureau of Economic Analysis to estimate gains in average annual income and GDP under a hypothetical scenario in which there is no income inequality by race/ethnicity.¹⁷ We generate estimates for a variety of geographic areas including the largest 150 metropolitan regions (based on 2010 population and using the December 2003 Metropolitan Area definitions from the Office of Management and Budget), all 50 states and the District of Columbia, and the nation as a whole. It is important to note that GDP for the nation reported here is equal to the sum of GDP by state, and may differ from national GDP reported elsewhere for the following reasons: GDP by state excludes federal expenditures on personnel stationed abroad and on military structures and military equipment located abroad (except office equipment), while these are typically included in national GDP; GDP by state and national GDP have different revision schedules.

To develop our estimates, we applied a methodology similar to that used by Robert Lynch and Patrick Oakford in Chapter Two of *All-in Nation* with some modifications to expand the analysis and to apply the analysis to multiple geographic areas. The expansions made were done to include gains from increased employment rates and to enable the decomposition of total income gains into the portions attributable to increased work efforts (figured as average annual hours of work) versus increased wages (figured as average annual income per hour of work). As in the Lynch and Oakford analysis, once the percentage increase in overall average annual income was estimated, 2012 GDP was assumed to rise by the same percentage. A more detailed description of the methodology is provided below.

We first organized individuals aged 16 or older in the IPUMS ACS into six mutually exclusive racial/ethnic groups: non-Hispanic white, non-Hispanic black, Latino, non-Hispanic Asian/Pacific Islander, non-Hispanic Native American, and non-Hispanic Other or multiracial. Following the approach of Lynch and Oakford in *All-In Nation*, we excluded from the non-Hispanic Asian/Pacific Islander category subgroups whose average incomes were higher than the average for non-Hispanic whites, with the particular subgroups to be excluded determined separately for each of the geographic areas for which we report information on estimated gains. Also, to avoid excluding subgroups based on unreliable average income estimates due to small sample sizes, we added the restriction that a subgroup had to have at least 100 individual survey respondents in order

to be excluded. A list of the particular Asian/Pacific Islander subgroups that were excluded from our analysis and their share of the total Asian/Pacific Islander population aged 16 or older in each geographic area for which we provide data is available online at <https://policylink.box.com/equity-solution-appendix>.

We then estimated the actual average annual income and hours of work for each racial/ethnic group, and “projected” values under the assumption that all racial/ethnic groups had the same average annual income and hours of work, by income percentile and age group, as non-Hispanic whites. The projected values were then applied to individual level for groups of color (that is, all racial/ethnic groups other than non-Hispanic whites). For example, a 54-year-old non-Hispanic black person falling between the 85th and 86th percentiles of the non-Hispanic black income distribution was assigned the average annual income and hours of work values found for non-Hispanic white persons in the corresponding age bracket (51 to 55 years old) and “slice” of the non-Hispanic white income distribution (between the 85th and 86th percentiles)—regardless of whether that individual was working or not. The projected individual annual incomes and work hours were then averaged for each racial/ethnic group (other than non-Hispanic whites) to get projected average incomes and work hours for each group as a whole, and for all groups combined. The income gains for each group (and for all groups combined) were then decomposed into the portions attributable to increased hours of work and income per hour using the following formula:

$$\underbrace{\ln(Y_{pi}) - \ln(Y_{ai})}_{\text{Total percent increase in average annual income}} = \underbrace{\ln(W_{pi}) - \ln(W_{ai})}_{\text{Portion attributable to increase in average annual income per hour of work}} + \underbrace{\ln(H_{pi}) - \ln(H_{ai})}_{\text{Portion attributable to increase in average annual hours of work*}}$$

- Where: Y = average annual income
 H = average annual hours of work
 W = average annual income per hour (Y/H)
 i represents each racial/ethnic group (or all groups combined)
 a represents actual (current) values
 p represents projected (hypothetical) values

*Includes both an increase in employment rates and increased hours for workers.

A key difference between our approach and that of Lynch and Oakford is that we include all individuals ages 16 years and older in our sample, rather than just those with positive income values. Those with income values of zero are largely non-working, and they were included so that income gains attributable to increases in average annual hours of work would reflect both an expansion of work hours for those currently working and an increase in the share of workers—an important factor to consider given measurable differences in employment rates by race/ethnicity. One result of this choice is that the average annual income values we estimate are analogous to measures of per capita income for the age 16 and older population and are notably lower than those reported in Lynch and Oakford; another is that our estimated income gains are relatively larger as they presume increased employment rates.

Notes

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- 2 Joe Maguire, *How Increasing Inequality is Dampening U.S. Economic Growth, and Possible Ways to Change the Tide* (New York, NY: Standard & Poor's Financial Services LLC, 2014) https://www.globalcreditportal.com/ratingsdirect/renderArticle.do?articleId=51366&SctArtId=255732&from=CM&nsl_code=LIME&sourceObjecTId=8741033&sourceRevId=1&fee_ind=N&exp_date=20240804-19:41:13.
- 3 Ellen Zenter and Paula Campbell, *US Economics: Inequality and Consumption* (New York, NY: US Economics, 2014) <http://www.morganstanleyfa.com/public/projectfiles/02386f9f-409c-4cc9-bc6b-13574637ec1d.pdf>.
- 4 Andrew G. Berg and Jonathan D. Ostry, *Inequality and Unsustainable Growth: Two Sides of the Same Coin?*, IMF Staff Discussion Note (Washington, DC: International Monetary Fund, 2011) <http://www.imf.org/external/pubs/ft/sdn/2011/sdn1108.pdf>; Jonathan D. Ostry, Andrew Berg, and Charalambos G. Tsangarides, *Redistribution, Inequality, and Growth*, IMF Staff Discussion Note (Washington, DC: International Monetary Fund, 2014) <http://www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf>.
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- 7 Lawrence Summers, "Inequality Threatens Our Future Growth," in *All-In Nation: An America that Works for All*, eds. Vanessa Cardenas and Sarah Treuhaft (Oakland, CA: PolicyLink and Center for American Progress, 2013), 134-137, <http://allinaction.org/ms-content/uploads/sites/2/2013/10/Chapter7.pdf>.
- 8 Robert Lynch and Patrick Oakford, "Charting New Trends and Imagining an All-In Nation," in *All-In Nation: An America that Works for All*, eds. Vanessa Cardenas and Sarah Treuhaft (Oakland, CA: PolicyLink and Center for American Progress, 2013), 25-30, <http://allinaction.org/ms-content/uploads/sites/2/2013/10/AllInNation.pdf>.
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Author Biographies

Sarah Treuhaft

Sarah Treuhaft, a deputy director at PolicyLink, coordinates the organization's work on demographic change and the economy, collaborating with local and national partners on research and action projects that aim to build a more equitable economy. She writes about policies and strategies to strengthen the U.S. economy and democracy through greater racial and economic inclusion. She manages the research partnership between PolicyLink and the Program for Environmental and Regional Equity.

Justin Scoggins

Justin Scoggins is the data manager at the USC Program for Environmental and Regional Equity (PERE) and the Center for the Study of Immigrant Integration (CSII), where he is responsible for organizing a broad array of datasets and conducting quantitative analysis for various projects, including work done under PERE's partnership with PolicyLink. He specializes in empirical analysis of social equity issues in the areas of environmental justice, regional equity, and immigrant integration.

Jennifer Tran

As a senior associate at PolicyLink, Jennifer Tran researches equitable economic growth and also contributes data and mapping analysis for many PolicyLink projects. She works closely with the Program for Environmental and Regional Equity to develop data indicators to track equity and growth in regions. She has worked extensively on urban planning and regional equity in California and elsewhere with a focus on immigrant integration, environmental justice, and economic development.

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PolicyLink

Headquarters:
1438 Webster Street
Suite 303
Oakland, CA 94612
t 510 663-2333
f 510 663-9684

Communications:
55 West 39th Street
11th Floor
New York, NY 10018
t 212 629-9570
f 212 763-2350

<http://www.policylink.org>



University of Southern
California
950 W. Jefferson Blvd.
JEF 102
Los Angeles, CA 90089
t 213 821-1325
f 213 740-5680

<http://dornsife.usc.edu/pere>