THE BUSINESS CASE FOR

RACIAL EQUITY

IN MICHIGAN

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“States are equitable when all residents—regardless of their race/ethnicity, nativity, neighborhood of residence, or other characteristics—are fully able to participate in the community’s economic vitality, contribute to its readiness for the future, and connect to its assets and resources.”

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What will drive prosperity in Michigan in the 21st century? Our population is not growing, but it is aging. One in seven Michiganders is age 65 or older; in 10 years, one in five will be 65 or older.1 Almost half the manufacturing jobs of the 1990s have disappeared, and the jobs of the future will require a higher level of skills and education.

Yet Michigan has assets that could position it well for the “next economy,” including strong manufacturing, proximity to Canada, and an export-oriented economy.2

Leveraging these strengths will require a high-quality workforce. By 2040, Michigan’s working age population will be smaller by nearly half a million people and its composition will shift from about one-quarter to one-third being residents of color.

Currently, 24% of Michigan’s 9.9 million people are of color: 76.1% of the population is white, 14.3% is black, 4.7% is Hispanic, 2.7% is Asian, 0.7% is American Indian, and 2.2% is of multiple races.3 By 2040, Michigan’s population will be 31% people of color, and nearly 40% will be children of color.4

Unfortunately, the average child of color in Michigan is born into a path of poorer health, lower educational attainment, fewer employment opportunities, and greater involvement with the criminal justice system than the average white child. Given the demographic trends already underway, reducing racial inequities will not only improve life outcomes for those most affected, it will increasingly determine the state’s overall economic performance.

Why is it important to focus strategies on racial equity and not simply poverty or socioeconomic status? Race and ethnicity have played a significant role in the development of today’s inequities. Minorities face circumstances shaped by a history of discriminatory laws and practices that denied people equal opportunities, including limitations on voting and owning property and discriminatory lending, hiring, and sentencing practices. While significant reductions in legal discrimination have occurred over the past 50 years, the effects of these practices remain, as do the more subtle forms of structural racism embedded in our institutions and the effects of the implicit biases we hold about people of different races and cultures.
With greater racial equity, disparities in health, educational achievement, incarceration rates, and employment opportunities diminish, improving life outcomes and building a healthier, more productive workforce whose skills better align with future needs.

Healthier workers cost less in health care, life and disability insurance, and workers’ compensation benefits, allowing businesses to improve profitability or, in the long run, to better compete for workers by passing along these savings in higher wages.

A more diverse workforce in itself will contribute to greater success in an increasingly global economy. Research has shown that businesses with more diverse workforces have more customers, higher revenues and profits, greater market share, less absenteeism and turnover, and a higher level of commitment to their organization. A more productive workforce will merit higher wages, increasing the population’s purchasing power for goods and services. Higher earnings improve the state’s fiscal outlook by increasing tax revenues and reducing public spending on welfare and corrections, enabling investments in other priorities or reductions in taxes.

Wealth accumulation for households of color will improve community stability and intergenerational mobility. It will also provide capital for entrepreneurship, enriching our communities with new products and services that create jobs and spur economic activity.

All these positive outcomes will help Michigan attract more people and greater private investment, further improving the state’s growth outlook.
1. The Race for Results Index assembles 12 measures of success for children and creates a single composite score between 0 and 1,000 for each racial or ethnic group in each state; the higher the score, the greater the likelihood of success. The individual measures include birthweight, preschool participation, proficiency scores, graduation rates, and poverty levels. The score for white children in Michigan is 688, for Latino children it is 411, and for American Indian children it is 501 (see chart). The most serious obstacles are faced by African-American children with a score of 244 out of 1,000. Only two states, Mississippi and Wisconsin, have lower African-American scores.

2. Based on low family income and level of education, more than 70% of children of color (114,000) aged 0–3 years in Michigan are estimated to be “at risk” of poor outcomes, compared to 48% of white children. Specifically, two-thirds of Hispanic children (17,000) and nearly 80% of black children (64,000) are at risk.

3. In Michigan, 37% of white children in grade 4 are proficient in reading, compared to 12% of black and 21% of Hispanic students. In grade 4 math, 45% of white children, 10% of black children, and 22% of Hispanic children are proficient. Similar disparities exist in grade 8. In 2011–2012, 4-year high school graduation rates were 76% overall, 82% for whites, 60% for blacks, 64% for Hispanics, and 87% for Asians.

4. By 2020, 70% of jobs in Michigan will require some type of postsecondary education. Only 61% of whites, 54% of African Americans, and 44% of Latinos meet this requirement. Similarly, one-third of jobs in Michigan will require a bachelor’s degree or above by 2020, but only 26% of whites and 16% of African Americans and Latinos in Michigan have this level of education.

5. Legacy effects of racist laws and practices have segregated communities of color into lower-quality residential neighborhoods, affecting health, wealth accumulation, quality of education, and employment opportunities. Of the 100 largest metropolitan areas in the United States, Detroit is the most segregated between whites and blacks, and Grand Rapids is in the top third.

6. In the Detroit metropolitan area, 90% of blacks, 56% of Hispanics, 43% of American Indians, and 29% of Asians live in opportunity-poor neighborhoods, compared to 19% of whites. The Detroit area ranks as one of the worst in the nation for intergenerational mobility: Only about 5% of children born into the lower fifth of the income distribution can expect to reach the upper fifth.

7. Michigan health inequities begin early in life. African-American babies are twice as likely as white babies to be born at a low birthweight and three times more likely than white babies to die in the first year of life. Babies of color are more likely to be born following pregnancies with inadequate prenatal care.

8. Fifteen percent of whites in Michigan report their health to be fair or poor, compared to 26% of blacks, 24% of American Indians, 18% of Arab Americans, and 28% of Hispanics.

9. The percentages of Michiganders diagnosed with diabetes are 8% for whites, 13% for blacks, 15% for American Indians, and 18% for Hispanics. For cardiovascular disease, the rates are 8% for whites, 11% for blacks, 14% for American Indians, and 10% for Hispanics.

10. In 2014, when the Michigan unemployment rate was 7.2%, the white rate was 5.8%, the Hispanic rate was 8.8%, and the black rate was 15.9%—more than double the total rate and more than two and a half times the white rate.
11. Michigan spends a greater share of the state general budget on corrections than any other state in the nation, spending $2.3 billion in 2014, or 4.4% of total state spending (the U.S. average is 3.2%) and 21% of general revenue fund dollars.  

12. People of color are more likely to be incarcerated and to be victims of crime. In Michigan, Hispanics are nearly twice as likely to be incarcerated as whites, American Indians are two and a half times as likely, and blacks are nearly six times as likely.  

13. The toll of violence on youth of color is extraordinarily high. The top two most violent cities in the United States in 2010 were Flint and Detroit. The cost of violent injuries in Michigan in 2010 was estimated at more than $250 million.  

14. Beyond the economic toll, there is a tragic human cost from violent crime in Michigan. Homicide accounts for 2 deaths per 100,000 whites, 5.5 deaths per 100,000 Hispanics, 6.8 deaths per 100,000 American Indians, and 31 deaths per 100,000 African Americans. The death rate for black teens is more than twice that of white teens due to a black homicide rate 25 times higher than that of whites.  

15. The combination of high rates of incarceration and increased mortality due to violence and disease has created a major gap in the numbers of black men and women. Black girls begin to outnumber black boys in adolescence. Nationally, an estimated 1.5 million black men ages 25–54 are “missing” relative to the number of black women. The imbalance in numbers of black men and women contributes to lower rates of marriage, higher rates of childbirth outside marriage, and more women-led households. Detroit is among the top 10 cities in the nation for the most “missing” black men, at 21,000. Two Michigan cities are in the top 10 in the nation for the lowest share of men in the black population: Farmington Hills at 39% and Oak Park at 39.3%.  

16. As of 2011, 20% of Hispanics, 17% of African Americans, and 14% of Asians in Michigan did not have health insurance, compared with 10% of whites. The Patient Protection and Affordable Care Act (ACA) reduces access barriers by expanding the state Medicaid program and offering subsidies for insurance exchange policies. However, legal, regulatory, and budgetary challenges remain for continuation of the ACA coverage expansions in Michigan.  

17. In Michigan, one-third of African Americans, one-quarter of American Indians, 30% of Arab-Americans, and 28% of Latinos live below the federal poverty level, compared to 12% of whites. For families with children, the discrepancies are even greater, with 45% of African-American children, a third of Latino and American Indian children, and 15% of white children living in poverty.  

18. Differences in earnings summarize the economic impact of racial and ethnic inequities, because earnings potential is affected by many areas where there are disparities, including health, education, and employment opportunities. Age- and sex-adjusted earnings per person for people of color in Michigan are currently 33% below earnings for whites (see chart), slightly larger than the national gap of 30%. The gap is particularly large for men of color in Michigan, whose earnings across all ages are 40% less than white men. Women of color’s earnings in Michigan are closer, at 18% lower than white earnings across all ages. This gap includes the effects of higher rates of incarceration, higher unemployment, and lower wages.  

19. Seventy-eight percent of white families in Michigan own homes, while only 49% of households of color own homes.  

20. Homeownership is the primary means of wealth accumulation for middle-class families. The difference in the median net worth of households in Michigan is dramatic: White households have an average net worth of $106,000, while households of color have an average net worth of $6,800. This ratio, where white households in Michigan have nearly 16 times the wealth of households of color, exceeds the national ratio of 10.
ESTIMATES OF THE ECONOMIC BENEFITS OF GREATER RACIAL EQUITY IN MICHIGAN:

“If the 70% of children of color (114,000) aged 0–3 years in Michigan who are estimated to be “at risk” achieved school readiness, the present value lifetime savings would be $4.5 billion.”

1. Wilder Research estimates that the lifetime economic value of an at-risk child in Michigan achieving school readiness is $39,000, including savings in special education and grade repetition; lower criminal justice, public assistance, and child welfare costs; higher state tax revenues; savings from reduced crime and substance abuse; and increases in parent productivity. If the more than 70% of children of color (114,000) aged 0–3 years in Michigan who are estimated to be “at risk” achieved school readiness, the present value lifetime savings would be $4.5 billion.

2. The Alliance for Excellent Education estimates that if Michigan’s 2012 high school graduation rate for children of color had been 90%, annual earnings would be $151 million higher, increasing spending by $116 million, federal tax revenues by $24 million, and state and local taxes by $11 million per year.

3. The Alliance also estimates that increasing the male high school graduation rate in Michigan by only 5% would produce crime-related savings of more than $175 million.

4. LaVeist and Gaskin estimate that health disparities cost Michigan citizens, employers, and governments $2.03 billion in excess medical costs and $1.39 billion in lost productivity in 2009.

5. LaVeist and Gaskin also estimate that health disparities translate to premature deaths on the order of 130,000 lost life years in Michigan, including 122,000 lost life years for African Americans alone. Monetizing a human life is controversial, but using a conservative estimate of $50,000 per life year, the economic impact due to premature deaths in Michigan was $6.48 billion in 2009.

6. Altarum estimates that if the average adult of color achieved the average income of his or her white counterparts at each age, total Michigan earnings would increase by 7.5%, or $16.2 billion in 2012. If the earnings gaps were eliminated through greater productivity, the increased earnings would raise the state’s economic output by a comparable percentage, for an increase of $31.2 billion in state GDP.

7. Altarum estimates that higher earnings would have generated an additional $1.9 billion in state tax revenues and $900 million in local tax revenues in 2012.

8. Closing the earnings gap and thereby closing the gap in participation in Medicaid and public assistance programs would represent a 25% reduction in spending on these programs, or $3.1 billion in 2012. The increase in revenues and decrease in outlays together would improve state and local finances by nearly $6 billion, more than 10% of the roughly $50 billion state budget. For comparison, we currently spend about $3 billion a year on public safety and $15 billion on all education funding. Six billion dollars represents almost one-quarter of what is collected each year in state taxes (about $24 billion).

9. With state population growth coming exclusively from communities of color, these impacts will increase over time. By 2040, closing the earnings gap would increase earnings by 10.1%, or $65.3 billion, increasing Michigan’s gross domestic product by $126 billion, and the increase in Michigan tax revenues and decrease in outlays would improve state and local budgets by a net $11 billion.

10. The projections presented here assume flat population growth and the current investment outlook. A more productive workforce, higher earnings, higher tax revenues, and other economic benefits will help Michigan attract more people and investment, further increasing the positive economic impacts.

The estimates of economic benefits presented here are approximations and do not include the offsetting cost of investments required to close gaps, but they illustrate that even modest progress toward eliminating racial and ethnic inequities in Michigan could produce significant economic benefits.
PROMISING POLICIES AND APPROACHES TO IMPROVING RACIAL EQUITY

The racial and ethnic inequities witnessed today are longstanding and will not disappear without sustained commitment, but there are effective approaches being implemented in Michigan that are already advancing this goal.

1. 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. A 2-year program targeting African-American 3- to 4-year-olds in public housing included sessions at school and home visits by teachers. Participants at age 27 showed a 44% higher high school graduation rate and 50% fewer teen pregnancies. At age 40, 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 home, and were 26% less likely to have received government assistance.34

2. Michigan has increased its commitment to making quality preschool accessible to all. The Great Start Readiness Program (GSRP) is a state-funded preschool program to prepare young children of qualified families for the transition to kindergarten. Funding for GSRP has increased each year for the past several years, with a goal of covering many more Michigan 4-year-olds. The Michigan Department of Education shows the number of low- and moderate-income children in GSRP classrooms increased from about 23,000 in 2012–2013 to about 30,000 in 2013–2014 to 37,000 in 2014–2015. There was also a 30% increase in full-time versus half-day slots during this period. Expansion of the program to 3-year-olds may come next. Participants were less likely to repeat grades and more likely to test as proficient in math and language arts in high school.35 Effects were especially pronounced for children of color: 60% of who participated in GSRP graduated from high school on time versus 37% of a comparable non-GSRP group.

3. Many communities in Michigan supplement federal or state programs such as GSRP, Head Start, and Early Head Start with additional targeted programs. The Battle Creek Early Childhood Connections program provides Welcome Baby Baskets, home visits, and playgroups for families with children ages 0–5.

4. The Michigan Department of Community Health is addressing the state’s higher-than-average infant mortality rates and inequities in birth outcomes through the Infant Mortality Reduction Plan, a multidimensional, regionally focused approach to reducing the overall mortality rate and racial and ethnic inequities. Flint has been a particular success story in reducing infant mortality in high-poverty areas and has been held as a model for the statewide effort.

5. Home visiting programs such as nurse-family partnership (NFP) 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 have shown improvement in health and in socioeconomic 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.36 Detroit’s Authority Health is administering a nurse family partnership program to support first-time mothers and babies. A complementary initiative through a public-private partnership including major health systems in Detroit, the Women-Inspired Neighborhood Network program, supports second time mothers at risk for poor pregnancy outcomes with community health workers conducting the home visits.

6. Hundreds of local initiatives throughout Michigan target environmental factors critical to good health, including urban gardening and local food initiatives, lead paint testing and remediation, monitoring and cleanup of air and water quality, and development and maintenance of green space and recreational facilities to promote healthy living and childhood play.

7. Acknowledging our high corrections spending, Michigan is one of several states that have begun to focus on reducing incarceration. The goal is for “tough on crime” to become “smart on crime.” Michigan initiatives to reduce incarceration include reducing mandatory drug sentences, increasing parole grants and reducing technical revocations, and enhancing community corrections programming. State leaders commissioned a study of the state’s felony sentencing system.37 Michigan’s prison population has declined from more than 50,000 prisoners a decade ago to about 44,000 today, although it has recently plateaued.38
8. In addition to reducing the numbers entering prison, much can be done to increase the likelihood of success for those leaving prison. The Michigan Prisoner Reentry Initiative has been an effective program of data-driven, locally tailored planning of reentry of prisoners, with the parole boards at the center of the process. The program has helped to reduce the prison population and prevent the return of parolees to prison, although continued funding is uncertain.

9. The Pathways from Prison to Postsecondary Education Project is a 5-year initiative to increase educational attainment and employment opportunities for the incarcerated and formerly incarcerated. 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!

10. Focus: HOPE’s Earn and Learn program targets young men of color and formerly incarcerated and chronically unemployed adults in the greater Detroit area, helping them obtain work skills, set and achieve education goals, and gain work experience. Employers such as Grand Rapids-based Cascade Engineering are at 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.

11. The New Economy Initiative, a $130 million, 10-year collaboration of 10 local and national foundations, is working to create a more diverse economy in southeast Michigan by providing technical assistance and capital for entrepreneurs and small businesses, with a focus on low-income neighborhoods and communities of color.

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MAKING SOUND CHOICES AND INVESTMENTS TODAY

Greater racial equity can be promoted by the choices that we make each day as individuals and by the policies that we support through our institutions and our governments. Progress may also require strategic investments of time and resources.

Advocates for strategies that promote racial equity increasingly include business leaders acting in communities or coming together in groups such as America’s Edge and ReadyNation to support policies for economic growth. These leaders join the W.K. Kellogg Foundation and other organizations investing in Michigan’s future in recognizing that today’s younger generation must be well prepared to become the workers, the consumers, the taxpayers, and the leaders of tomorrow. Racially-based obstacles to the success of this generation threaten our economy and security. Tackling these obstacles is not only the right thing to do; it can be a significant driver of our collective social and economic well-being.

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ENDNOTES


7. Public Sector Consultants. Policy options to support children from birth to age three. Lansing, MI: Public Sector Consultants; November 2014. Factors associated with being at risk included low-income (defined for this estimate at 185% of the federal poverty level, equivalent to the reduced-price lunch threshold), developmental delays or disabilities, parents with low educational attainments, adverse situations, and non-English-speaking homes.


17. Ibid. Age-adjusted rates are cited.


29. Public Sector Consultants, Policy options.

30. Alliance for Excellent Education. The economic benefits of increasing the high school graduation rate for public school students. Washington, DC: Alliance for Excellent Education; 2013.


33. Ibid.


