

America's Tomorrow: Equity is the Superior Growth Model



America's Tomorrow: Equity is the Superior Growth Model

Sarah Treuhaft

Angela Glover Blackwell

Manuel Pastor

Acknowledgments

PolicyLink and USC's Program for Environmental and Regional Equity (PERE) are extremely grateful to the Ford Foundation and the W. K. Kellogg Foundation for supporting our new partnership and this report as our flagship product. The authors would like to thank our team members for their significant contributions to this research and analysis. Justin Scoggins at PERE expertly conducted economic and demographic research for this report, with assistance from Mirabai Auer. At PolicyLink, Jennifer Tran provided both demographic analysis and terrific data displays, and worked with Frances Liu to research promising strategies. We also extend special thanks to the many other staff members who contributed to the development of this report, including Victor Rubin, Judith Bell, Milly Hawk Daniel, Josh Kirschenbaum, and Rubén Lizardo of PolicyLink, along with Rhonda Ortiz of PERE. Our deepest appreciation goes to our editor, Paulette Jones Robinson, as well as to Leslie Yang, design and production manager, and Heather Tamir, editorial manager. We also thank our Community Advisory Committee of equity leaders across the country, which provided critical guidance throughout the development of this report:

- Steve Bradberry, Executive Director, The Alliance Institute (New Orleans, LA)
- Chung-Wha Hong, Executive Director, NY Immigration Coalition (New York, NY)
- Rev. Nelson Johnson, Executive Director, Beloved Community Center (Greensboro, NC)
- Karen Landry, Executive Director, War on Poverty-Florida, and State Director, Southern Regional Asset Building Coalition (Jacksonville, FL)
- Mary Lim-Lampe, Executive Director, MORE2 (Kansas City, MO)
- Sharmain Matlock-Turner, President and CEO, Urban Affairs Coalition (Philadelphia, PA)
- Repa Mekha, Executive Director, Nexus Community Partners (Saint Paul, MN)
- Bee Moorhead, Executive Director, Texas Impact (Austin, TX)
- Maricela Morales, Associate Executive Director, Coastal Alliance United for a Sustainable Economy (CAUSE) (Oxnard, CA)
- Ed Sivak, Director, Mississippi Economic Policy Center (Jackson, MS)
- Constance Slider Pierre, Program Director, Coalition on Regional Equity (CORE) (Sacramento, CA)
- Nathaniel Smith, Co-founder and Convener, Partnership for Southern Equity (Atlanta, GA)
- Barbara Stiffarm, Executive Director, Opportunity Link (Havre, MT)
- George Swan, Vice Chancellor for External Affairs, Wayne County Community College District (Detroit, MI)
- Benjamin Torres, President and CEO, CD Tech (Los Angeles, CA)

Table of Contents

4	Introduction	18	How is Your Region Changing?
6	Building the Next Economy	20	The Way Forward: An Equity-Driven Growth Model
6	Jobs Wanted	21	Rebuilding Our Public Infrastructure
7	Young Workers at Risk	22	Growing New Businesses and New Jobs
8	Slower and More Unequal Growth	23	Preparing Workers for the Jobs of Tomorrow
8	Shrinking Middle Class, Stalled Mobility	25	It Takes a Movement
9	The Disappearance of Good Jobs	27	Conclusion
10	Education and Skills Gap	28	Technical Appendix
11	Inequality Is Hindering Growth	37	Notes
12	The Nation's Demographic Transformation		
12	Becoming a World Nation		
14	Growing Generational Gap		
14	Diversity Is Increasing Everywhere		
16	Diversity Is an Economic Opportunity		

Introduction

Post–World War II California was poor, uneducated, and predominantly white. A mecca for people aspiring for a better life, half the residents were recent arrivals from other states, a fourth lived in poverty, and only half had a high-school education. Viewing this population as an asset to be developed, the state built a world-class education system—from K–12 classrooms to public community colleges and public universities—along with a vast network of roads, bridges, water systems, and parks. By 1960, Californians had a 25 percent advantage in income and education compared to the rest of the country. A 1962 Newsweek cover claimed: “No. 1 State: Booming, Beautiful California.”¹

These are uncertain times. As the country barely inches its way out of the Great Recession, its economic future is unclear. The growth model of the past decade—based on a housing bubble, credit-fueled consumption, and a deregulated financial industry—is failing nearly everyone. This model was not only unsustainable, but it also did not deliver on the American promise of shared prosperity. A few at the very top ran away with nearly all of the gains, and almost everyone else lost: Their wages stagnated, their assets evaporated, their jobs disappeared, and their safety net unraveled. The most vulnerable—low-income people and people of color—were hit first and worst. They are still waiting for a recovery that continues to sputter along and is at risk of “double-dipping” into another recession.

At the same time, a major demographic transformation is well underway. The very same racial and ethnic groups who have long been left behind in America are quickly growing in number and population share. By the end of this decade, the majority of youth will be people of color. By 2030, the majority of workers under

age 25 will be people of color. And by 2042, the majority overall will be people of color.

To secure the future in the face of such economic and demographic upheaval, this nation needs a new growth model—one that builds on our assets, leaves the generations to come with a strong foundation for the future, and brings us closer to the ideal of American prosperity. Like California in the 1950s and ‘60s, under both Republican Governor Earl Warren and Democratic Governor Pat Brown, the nation’s public- and private-sector leaders need to recognize that preparing the changing population for the needs of the modern economy is the key to our future; they must make investments that allow all people to maximize their potential.

This new growth model must be driven by *equity*—just and fair inclusion into a society in which everyone can participate and prosper. Achieving equity requires erasing racial disparities in opportunities and outcomes. Equity is not only a matter of social justice or morality: It is an economic necessity. By building the capabilities of

those who are the furthest behind, America not only begins to solve its most serious challenges, but also creates the conditions that allow all to flourish. This is not a zero-sum game. It is a win-win proposition: The more we invest in each other, the better off we will all be. Equity matters to our economic recovery *and* our economic future. Equity is the superior growth model.

An equity-driven growth model would bring together two agendas that have traditionally been separate: the agenda to grow new jobs and bolster long-term competitiveness, and the agenda to ensure that all—especially low-income people and people of color—have the opportunity to benefit from and co-create that growth. Equity and growth need each other more than ever. Robust job growth is essential for creating economic opportunities and erasing disparities. And reducing inequality, rebuilding the middle class, and turning today's youth into tomorrow's skilled workers and innovators are critical to restoring America's growth and competitiveness.

Make no mistake: Changing our economic paradigm will be no small task. Massive shifts in policy and politics are needed at every level—from local job creation to national economic policy—and champions for this approach, including unlikely ones, will need to emerge. It also means addressing the often uncomfortable topic of race. Indeed, in many ways, race is at the heart of the matter. Racial inequities are deeply entrenched in our

institutions, communities, and ownership structure. But reversing these disparities is absolutely what must be done, and there is no time to waste.

This country has accomplished incredible things; it can achieve full racial inclusion and create an equitable economy. Our future depends on it.

America's Tomorrow aims to get this urgent conversation started by putting forward a new vision of America's future in three parts:

- **Building the Next Economy** lifts up the challenges that the nation must address to succeed and highlights continued racial gaps and disparities.
- **The Nation's Demographic Transformation** reviews current and future demographic shifts.
- **The Way Forward: An Equity-Driven Growth Model** suggests some initial steps toward building an equity-driven growth model based on the innovative work being done in communities across the country.

Building the Next Economy

Upward mobility, a broad middle class, and the idea that everyone can achieve the American dream are strongly held American values. But our economic reality is not measuring up, and the real slowdown began long before the Great Recession.

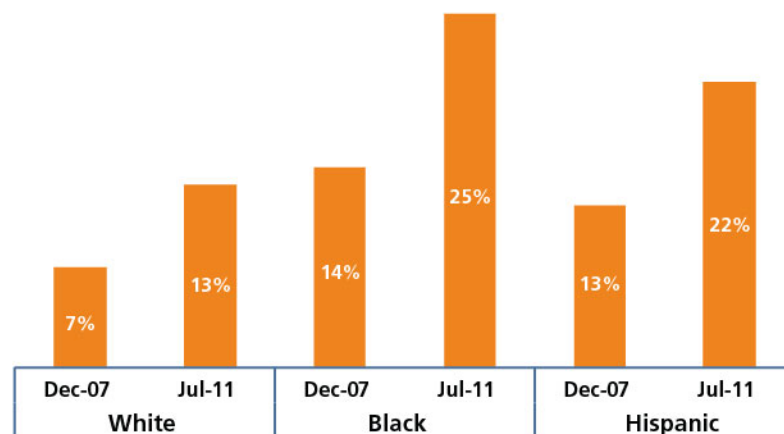
Like a mirage, the bubble economy masked longer-term economic challenges of slow job creation, wage stagnation, rising inequality, and eroded global competitiveness. Economic growth has been slower and less broadly shared in recent decades (with the notable exception of the late 1990s), while economic insecurity has grown. Technological change and globalization—along with a set of policies emphasizing deregulation, privatization, weakened labor unions, and a shrunken social safety net—changed the world of work in ways that disadvantaged workers, especially those without college degrees.

Long-standing inequities in income, wealth, health, and opportunity have reached unprecedented levels. More and more families are falling further behind, with diminishing prospects for catching up. And communities of color—who have long had the least access to this country's riches—have felt the greatest pains as the economy has shifted and then stagnated.²

Jobs Wanted

It is not news that we face a serious jobs crisis: 14 million Americans are out of work. And when you count those who are underemployed (working part-time jobs because their hours have been cut or they cannot find full-time work) and those who want a job but have stopped looking for one, the number of affected workers jumps to 25 million.³ It would take 12.3 million jobs to return to the peak employment

Communities of Color Have Been Hit Hardest in the Recession
Percent Unemployed or Underemployed, Age 16 and Above



Source: EPI analysis of data from the U.S. Bureau of Labor Statistics, Current Population Survey.

Note: The data for whites and blacks are inclusive of Hispanics. The underemployed includes those working part-time involuntarily and those who want, are available for, and have looked for work in the past year but are not currently employed or looking.

level before the recession. At the current growth rate, it would take nearly a decade to catch up.⁴

As dismal as these figures are, they mask the larger jobs crisis for people of color, who have long faced recessionary conditions, and were hit earliest and hardest by the recent economic downturn. At the start of the recession, unemployment and underemployment rates were higher for blacks than the current rates for whites, and they have skyrocketed since. In July 2011, a quarter of African Americans and more than one fifth of Latinos were unemployed or underemployed, compared to 13 percent of whites.⁵ The same groups also face longer spells of unemployment, which reduce earnings well into the future.⁶ And while a college degree is the best defense against unemployment overall, even college-educated African Americans and Latinos face disproportionately high unemployment compared to white college graduates.⁷ The disparities in unemployment rates for college grads may seem surprising, but research suggests that racial discrimination in the workplace is not a thing of the past and exists at all levels of the labor market.⁸

Young Workers at Risk

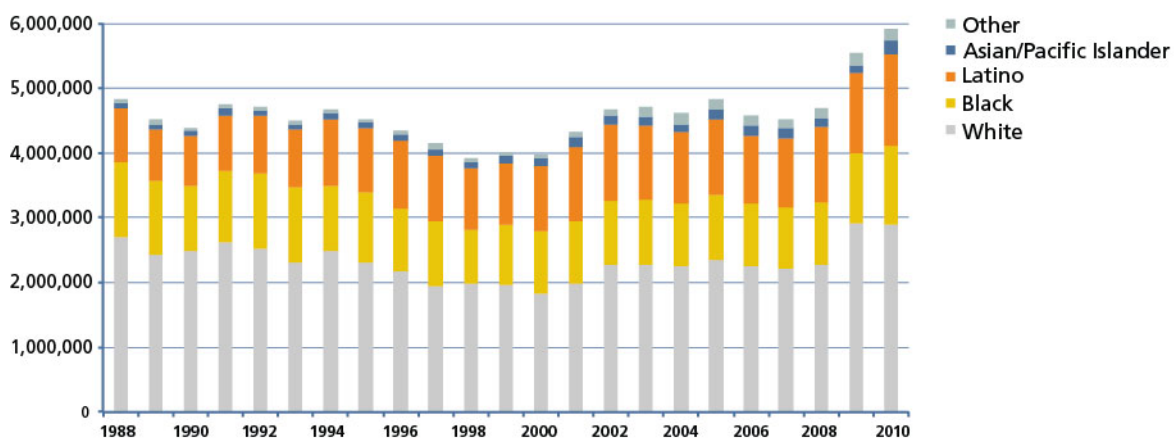
Young workers will form the backbone of the next economy, but the newest entrants to the world of work have been particularly hard-hit by the crisis, and are at risk of never reaching their potential.

Recent college graduates—particularly young blacks and Latinos—are struggling to find their footing in the workplace. Among college graduates under age 25, unemployment rates are 15 percent for African Americans, 14 percent for Latinos, and 9 percent for whites.⁹ Many of today’s college graduates are starting further behind than they ought to because they take positions with lower education requirements and lower salaries.¹⁰ This is not just a short-term setback: Entering the workforce during a recession can depress earnings for 10 to 15 years.¹¹

Faring much worse is the growing legion of disconnected youth. Nearly six million young people ages 16 through 24 are neither working nor in school—this is both the highest absolute number of disconnected youth and the highest share of youth that are disconnected over the entire 24-year period for which data are available. These disconnected youth are disproportionately youth of color: 51 percent are of color, compared to 40 percent of all youth in this age group. But the fact that close to half are white highlights the reality that *all* youth are at risk.¹²

Such high numbers of young people without jobs and options are a source of social instability—for the youth themselves, for their families, and for society. Lacking a successful work experience by the age of 25 increases the risk of lifelong poverty, and disconnected youth are also more likely to end up in the criminal justice system, exacerbating an already downward-spiraling situation and imposing a host of societal costs.¹³

The Number of Disconnected Youth is at an All-Time High
Ages 16-24 Not Working or in School by Race/Ethnicity, 1988-2010



Source: PolicyLink/PERE analysis of data from the Integrated Public Use Microdata Series (IPUMS) CPS March Supplement.

Note: Data series begins in 1988 because that is the first year that data is available for Asian/Pacific Islanders; data for other racial/ethnic groups is available beginning in 1986.

Slower and More Unequal Growth

From the 1940s through the 1970s, worker productivity soared, new jobs were created, and wages increased. Whatever size paycheck workers took home, it grew at a steady pace, year after year. Some groups were initially shut out, but the work of the civil rights movement, the women’s movement, and the labor movement helped open doors.

Since the late 1970s, however, the U.S. economy has grown more slowly and the fruits of growth—in terms of income and wealth—have not been widely shared, with people of color gaining the least. Although worker productivity has continued to increase, wages have not kept up, and the workers with the smallest paychecks to begin with have actually seen their incomes decline, while the lion’s share of the gains have gone to those at the very top. Since 1976, the share of income going to the top 1 percent more than doubled, and these top echelon earners now get more than a fifth of the entire U.S. economic pie.¹⁴

The wealth divide in America has grown even more dramatically than the income and wage divide. Of the total wealth generated between 1983 and 2009, 82 percent of it went to the wealthiest 5 percent of households while the typical household’s wealth actually declined.¹⁵ The median wealth of white households is now 20 times that

of black households and 18 times that of Latino households—the largest gaps since the federal government began tracking these data 25 years ago. A key cause of this gap is the foreclosure crisis, which disproportionately impacted black and Latino families, stripping many of them of their most significant—and often, only—asset.¹⁶

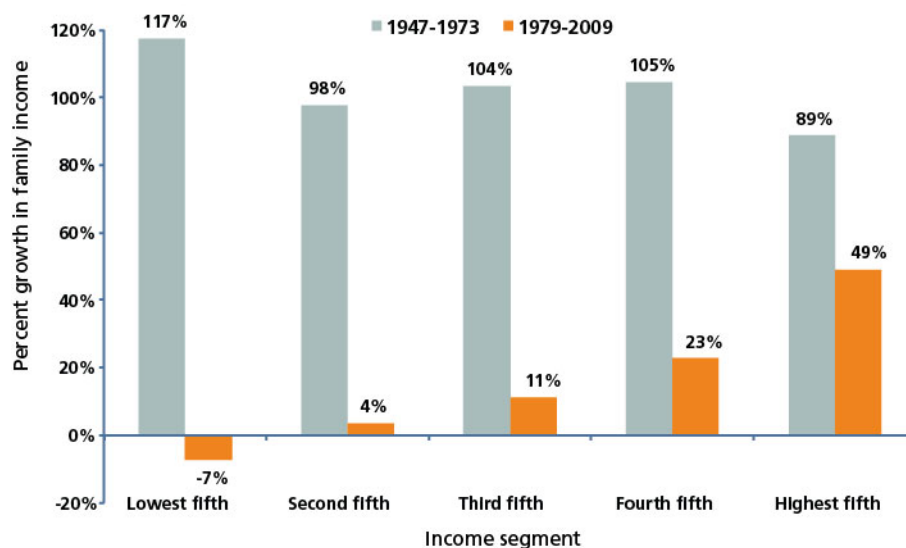
Shrinking Middle Class, Stalled Mobility

As the very top catapults ahead, America’s famed middle class is shrinking: The portion of households with middle-class incomes has steadily declined for more than three decades.¹⁷

Fewer and fewer households can achieve the markers of middle-class status: a secure paycheck that grows year after year, a nice home in a safe neighborhood with decent schools, retirement savings, health care, some leisure time to spend with friends and family, and the ability to send their kids to college. And equal to the challenge of getting into the middle class is the risk of falling out of it. Families of color who fought hard to get into the middle class are seeing their children grow up to live in poverty or near-poverty.

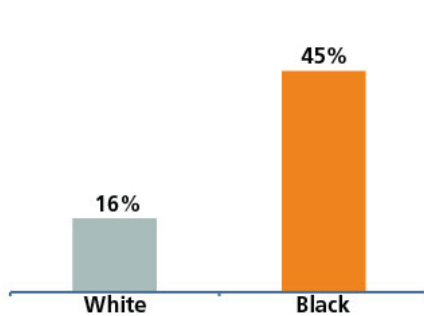
With the withering of middle-class opportunities, economic mobility—the ability to move up the income ladder within one’s lifetime or from one generation to the next—has stalled, and the

Since 1979, Incomes Have Stagnated for Most Families

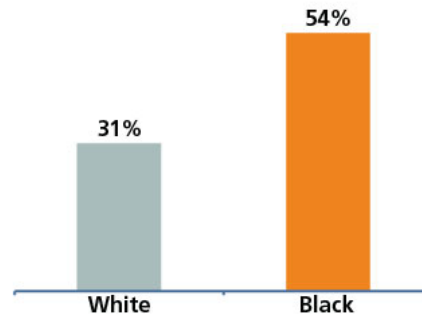


Source: EPI analysis of U.S. Census Bureau data.

Black Middle-Class Children are Almost Three Times More Likely to End Up Poor than White Middle-Class Children



More Than Half of Low-Income Black Children Remain Poor as Adults



Source: Ron Haskins, Julia Isaacs, and Isabel Sawhill, *Getting Ahead or Losing Ground: Economic Mobility in America* (Washington: The Brookings Institution, 2008). Analysis of Panel Study of Income Dynamics data.

Note: The data for whites and blacks are inclusive of Hispanics. Figures based on longitudinal data on income of families and their children from 1967-2002. Middle class is defined as falling in the middle family income quintile; poor is defined as falling in the bottom family income quintile.

roadblocks are bigger for people of color. More than half of black children born to parents whose incomes are in the bottom fifth of all incomes remain there as adults, compared to three in 10 white children. And the specter of downward mobility is more prevalent for African American children as well: 45 percent of middle-class African American children end up poor, compared to 16 percent of middle-class white children.¹⁸

The declining middle class (along with high unemployment and wage stagnation) is not only bad for individuals—it is bad for regional economies and the national economy as well. Less income means fewer dollars to spend on goods and services, fewer business opportunities, and less economic activity. A strong middle class is an important engine of economic growth.

The Disappearance of Good Jobs

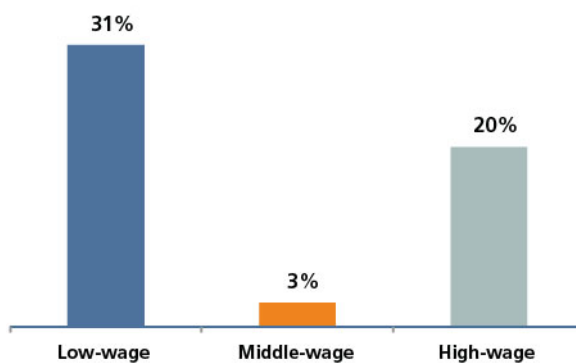
The most recent wave of globalization and technological change has radically altered the structure of employment in the United States and contributed to rising inequality, with dire impacts on already vulnerable workers of color.

International trade agreements and the rapid diffusion of computers, the Internet, and other technologies have made it cheaper for employers to replace

workers doing routine tasks with computers or to hire lower-wage workers in developing countries than to pay middle-class wages to American workers. Many good, unionized manufacturing jobs that were available to workers without a college degree either disappeared or were shipped overseas. More recently, white-collar jobs have been outsourced as well. Not surprisingly, workers of color have borne the brunt of many of these recent trends. With the shift from an economy based on manufacturing to one based on services and

The Economy is not Growing Middle-Wage Jobs

Job Growth by Wage Level, 1990-2010



Source: PolicyLink/PERE analysis of BLS Quarterly Census of Employment and Wages data.

retail, job growth has become more polarized. There has been growth at both ends of the labor market—in high-wage jobs in technology- and knowledge-based industries, and low-wage jobs in the service and retail sectors. But there has been very little growth in the middle-wage jobs that are essential to a strong middle class.¹⁹ Between 1990 and 2010, low-wage jobs grew 31 percent, high-wage jobs grew 20 percent, and middle-wage jobs grew by just 3 percent.

These structural shifts have crushed the economic prospects for lower-skilled workers. Although high growth of low-wage jobs would seem to signal abundant job opportunities for people with little education, many of these jobs (e.g., food-service workers, retail clerks, customer service representatives) do not pay high enough wages to support a family and offer few opportunities to move up the ladder or to obtain further skills or training, low job security, and minimal benefits like health care and retirement savings.

It is important to put this trend into context. There are still many middle-wage jobs in the United States: 44 percent of current jobs are middle-wage, while 43 percent are low-wage and 13 percent are high-wage. These jobs are important targets for strategies to build up the skills of low-wage and unemployed workers (further discussed on page 24). But as a share of all jobs, middle-wage jobs have been in decline since at least 1990, signaling a need for a jobs strategy to create many more good, middle-class jobs.

Education and Skills Gap

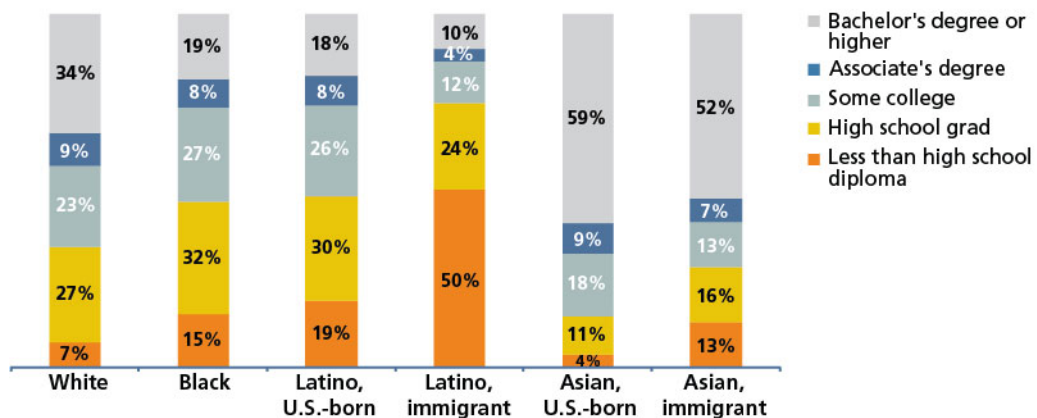
Unless we reverse current educational disparities, the U.S. labor force will be less skilled even as the global knowledge- and technology-based economy demands more and more skilled workers.

The jobs of the future will require ever-higher levels of skills. The Center for Education and the Workforce at Georgetown University projects that 45 percent of jobs in 2018 will require higher education—at least an associate’s degree.²⁰ But there are wide racial disparities in higher education attainment: While 43 percent of working-age whites have at least an associate’s degree, this is true for only 27 percent of African Americans, 26 percent of U.S.-born Latinos, and 14 percent of Latino immigrants.

Disparities in gaining the education needed to get these better jobs begin long before college. Low-income children of color often attend the worst schools and lack the quality teachers, curricula, classrooms, and extracurricular supports that help middle-class children succeed. By the fourth grade, 83 percent of poor children fail to reach proficiency in reading, and 78 percent are not proficient in math. Rates are even worse for poor children who are African American, Latino, or Native American.²¹ High-school dropout remains a serious challenge: Six of every 10 black, Latino, and Native American high-school students graduate, compared to eight in 10 white students.²²

There are Wide Disparities in Educational Attainment

Population Ages 25-64 by Race/Ethnicity/Nativity, 2009



Source: PolicyLink/PERE analysis of IPUMS 2009 American Community Survey data.

Given demographic trends and continued disparities, the groups that have lower rates of education and literacy will continue to become a larger segment of the American workforce. If the educational outcomes for these groups are not changed, illiteracy levels and skills gaps will increase at the very time employers are seeking higher education and skill levels. The current prognosis is bleak: By 2020, the share of adults with some advanced education is projected to decline in all but six states, while there will be 5.9 million more dropouts than there are jobs for people without a high-school education.²³ The Educational Testing Service calls this a “perfect storm” of demographic, labor market, and educational trends that threatens the American dream.

Inequality Is Hindering Growth

As inequality has reached pitch levels, economists have been analyzing what it means for economic growth and competitiveness. More and more, they are finding that inequality is not bad for just those at the bottom; it also places *everyone’s* economic future at risk.

Traditionally, economists thought that some amount of inequality was beneficial for economic growth; the theory was that inequality created incentives that drove people to work harder and put more income in the hands of job-creating investors.²⁴ But this theory is now being challenged—and not only by those traditionally concerned about poverty, inclusion, and fairness. For example, Federal Reserve Governor Sarah Bloom Raskin recently stated: “This inequality is destabilizing and undermines the ability of the economy to grow sustainably and efficiently.”²⁵

A growing body of research argues that inequality is harmful to economic growth and greater equality brings about more robust growth.²⁶ A recent study by economists at the International Monetary Fund, for example, found that countries with more equality had significantly longer periods of growth: Every 10 percent decrease in inequality increased the length of a country’s growth spell by 50 percent. They conclude that reduced inequality and sustained economic growth are “two sides of the same coin.”²⁷

Studies in the United States also find that greater economic and racial inclusion, particularly at the level of the metropolitan regions, corresponds with stronger growth. In the 1990s, the same regions

that became more equitable (with reductions in income disparities, concentrated poverty, or racial segregation) experienced greater growth (measured by increases in per capita income).²⁸ And while some argue that struggling regions cannot think about inclusion until growth has resumed, another study found quite the opposite: The relationship between equity and growth was even stronger in economically distressed regions like Detroit and Cleveland than in “strong market” regions.²⁹

Along the same lines, a paper later published by the Federal Reserve Bank of Cleveland analyzed the growth trajectories of 118 regions during the 1994–2004 period and found that measures of both racial inclusion and income equality were positively associated with a host of economic growth measures, including employment, output, productivity, and per capita income.³⁰ The study was commissioned by Cleveland’s Fund for Our Economic Future, a philanthropic collaborative focused on regional economic competitiveness. As a result, the Fund has been tracking equity indicators alongside traditional competitiveness indicators such as business growth and talent development.

Economists have not yet agreed on exactly why there is a mutually beneficial relationship between equity and growth. One theory is that more equal societies make broader investments, particularly in public education. Another is that such societies have developed policies to share gains or pains, reducing the political polarization that can stand in the way of economic progress. An even simpler theory is that such societies have realized that treating people right boosts productivity. In any case, the idea is catching on that doing good and doing well can go together.

The next growth model—and the policies set up to guide it—must address this country’s growing inequities, including its long-standing racial inequities. These racial disparities in educational outcomes, income, wealth, and employment conspire to drag down the economy and hold back its potential.

The economic imperative to address race is especially critical given the nation’s changing demographics. The same groups that have been most left behind are growing in number and population share. As this trend continues, the impact of disparities will grow, affecting the entire population. The nation’s legacy of racial exclusion must no longer hold us back from securing America’s tomorrow.

The Nation's Demographic Transformation

From the megalopolises of New York City and Los Angeles, to rising southern metros like Dallas and Charlotte, to small-town Pennsylvania, and just about everywhere in between: America is undergoing a demographic transformation that is more rapid and widespread than anyone previously realized. And it is this increasingly diverse population that will lead us into the next economy.

Becoming a World Nation

Long a predominantly white society, with a significant black minority and pockets of immigration largely in big gateway cities, America is becoming a true world nation that is increasingly multiracial and multicultural. People of color are rapidly becoming the majority of the population. Today's 30-year-olds will see this seismic shift in the national racial

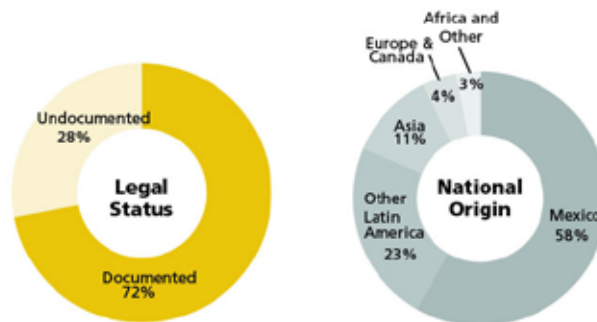
makeup within their lifetimes. About the time they were born, 80 percent of Americans were white. But by the year 2042, just as they may be turning their attention to retirement, less than half of the population will be white: America will be a majority people-of-color nation.

In the past decade, almost all of the net U.S. population growth—92 percent—came from people of color. Latinos largely drove that increase. While immigration continues to play a role, the majority of growth in the Latino population now comes from new births by Latino residents.³² Many places would have lost population were it not for their growing diverse populations. Among the largest 100 metropolitan regions, the white population declined in two of every five of them, but the Latino population increased in all of them, and the Asian population increased in all but a handful of them.³³

The Facts about Undocumented Immigrants

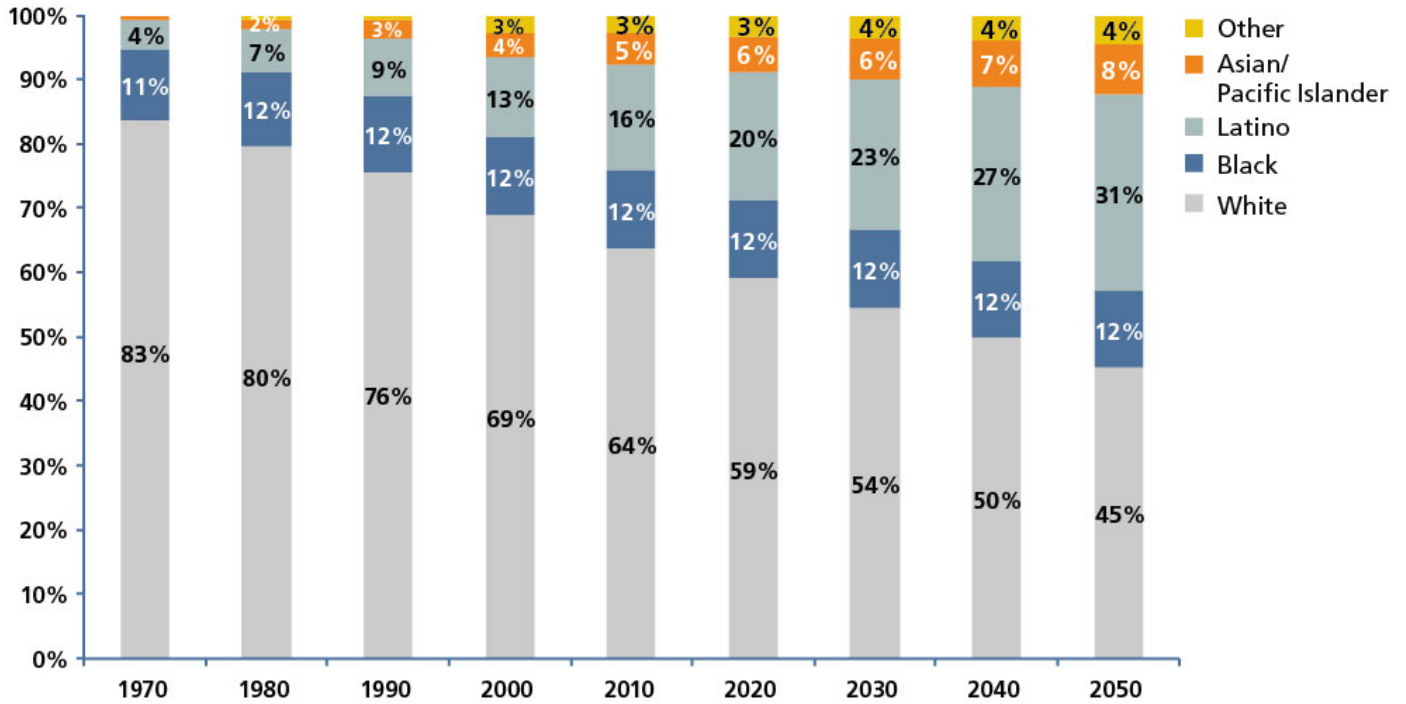
Contrary to popular misperception, the vast majority (72 percent) of the 40.2 million immigrants in the United States have legal status. And while the majority of undocumented immigrants (58 percent) are from Mexico, four in 10 come from other countries.³¹

Legal Status of U.S. Immigrants and National Origin of Undocumented Immigrants, 2010



Source: Jeffrey Passel and D'Vera Cohn, "Unauthorized Immigrant Population: National and State Trends, 2010" (2011).

America will be a Majority People-of-Color Nation by 2042



Source: Statistical Abstract of the United States (1970 and 1980); U.S. Census Bureau, decennial censuses (1990 STF3, 2000 SF3, and 2010 SF1); U.S. Census Bureau Population Projections, 2008 (2020-2050), adjusted using the results of the 2010 Census.

Growing Generational Gap

Youth are at the forefront of this demographic transition. As of the 2010 Census, just under half of the babies under age one were nonwhite, and demographers predict that by the end of this decade, the majority of youth under age 18 will be people of color.³⁴ But as the youth population becomes more multiracial and multicultural, there is a growing demographic divergence between the young and the old. Only 20 percent of today's seniors are people of color. Yet among today's youth, 46 percent are people of color.

This schism—the racial generation gap—has grown significantly over the past several decades. There is now a 26 percentage point difference in the share of youth who are of color and the share of seniors who are of color. The racial generation gap has more than doubled since 1975. During this period, there has also been a retreat in the public investments that support the next generation.

All societies rely on their elders to make decisions that set up their youth to succeed. But too many of today's elders and decision makers do not see themselves reflected in the faces of the next generation, and they are not investing in the same educational systems and community infrastructure that enabled their own success. Indeed, the states with the largest racial differences between their youth and senior populations tend to make the smallest investments in their educational systems.

Case in point: In 2008, Arizona and Nevada had the largest racial generation gaps among all 50 states, and they were among the lowest spenders in terms of public school expenditures per pupil, ranking 49th and 44th, respectively.³⁵

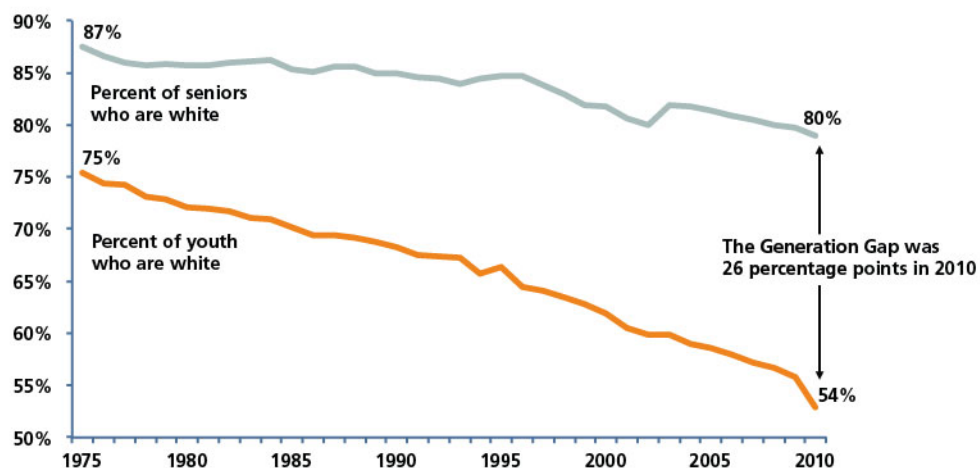
America's long-standing racial gap has become a generational gap—and it places the future of all youth at risk. When infrastructure crumbles, people of color in older cities and suburbs may hit the first potholes, but everyone bears a burden. When community college funding is cut, young people of color may be on the front lines, but alongside them are white youth also hoping for a better life. If America does not make investments that create the conditions for the next generation to prosper, all children will be at risk—regardless of their race.

Diversity Is Increasing Everywhere

While certain states and regions are leading the pack and already have people-of-color majorities, demographic shifts reach far and wide. Even places that have not traditionally been home to many people of color and that might still be predominantly white are experiencing dramatic changes in their racial and ethnic profiles.

People of color are already the majority in four states (California, Hawaii, New Mexico, and Texas), in the District of Columbia, in 49 metros, and in 311 counties. Another nine states (Arizona, Florida, Georgia, Louisiana, Maryland, Mississippi, Nevada,

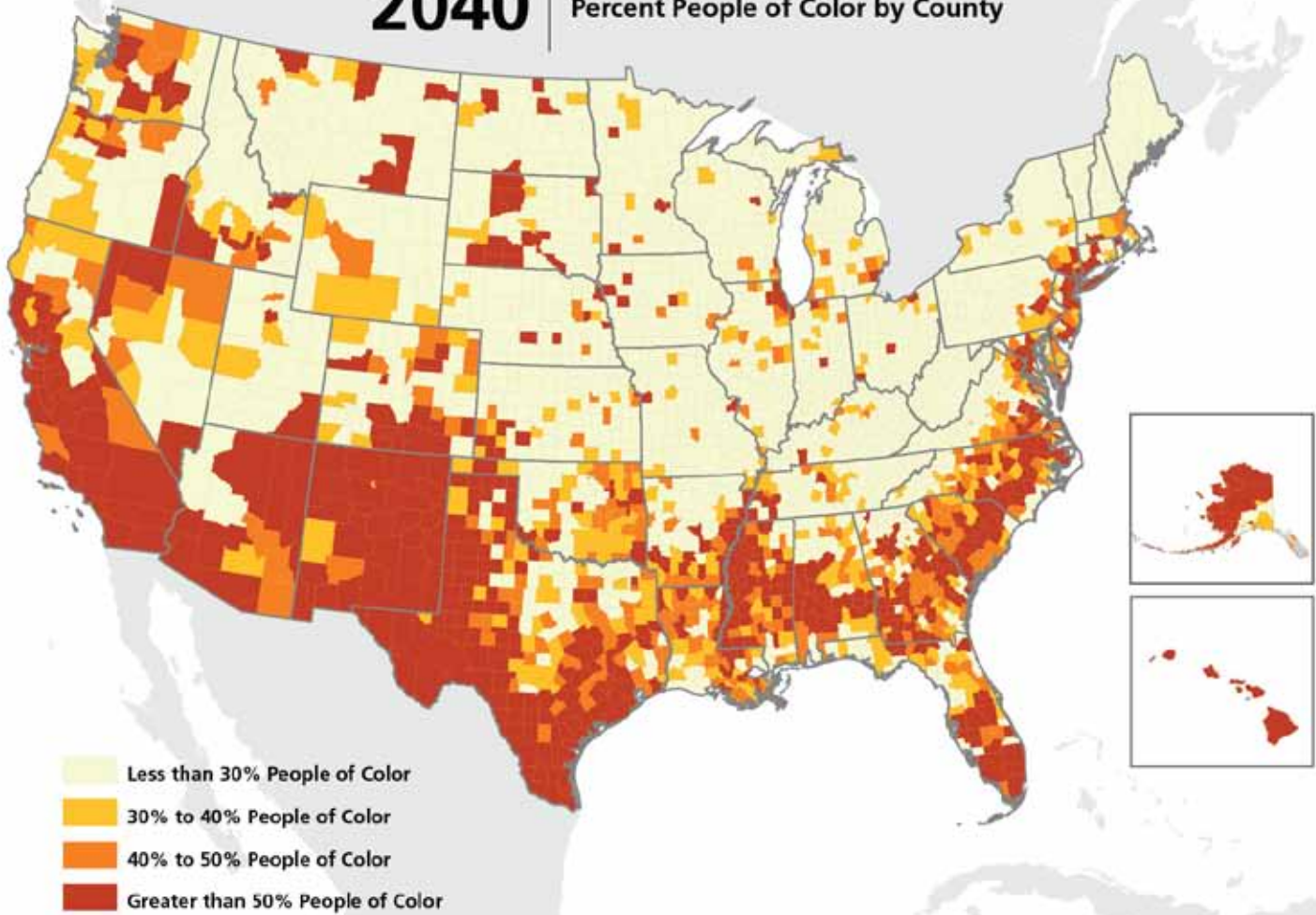
There is a Growing Racial Generation Gap in the U.S.



PolicyLink/PERE analysis of data from the IPUMS CPS March Supplement and the 2010 Census SF1.

2040

Percent People of Color by County



Sources: Woods & Poole Economics projections data (adjusted using the 2010 Census), Census TIGER/Line, NHGIS, and ESRI.

New Jersey, and New York), 40 metros, and 241 counties are at the demographic tipping point and now have 40 to 50 percent nonwhite residents. By 2040, 13 states, 102 metros, and 602 counties are projected to be majority people of color.

And as the map on the next page illustrates, people of color will continue to contribute most of the country's population growth in the coming decades. This is true in all types of communities—from traditionally diverse urban areas to suburbs and rural areas.

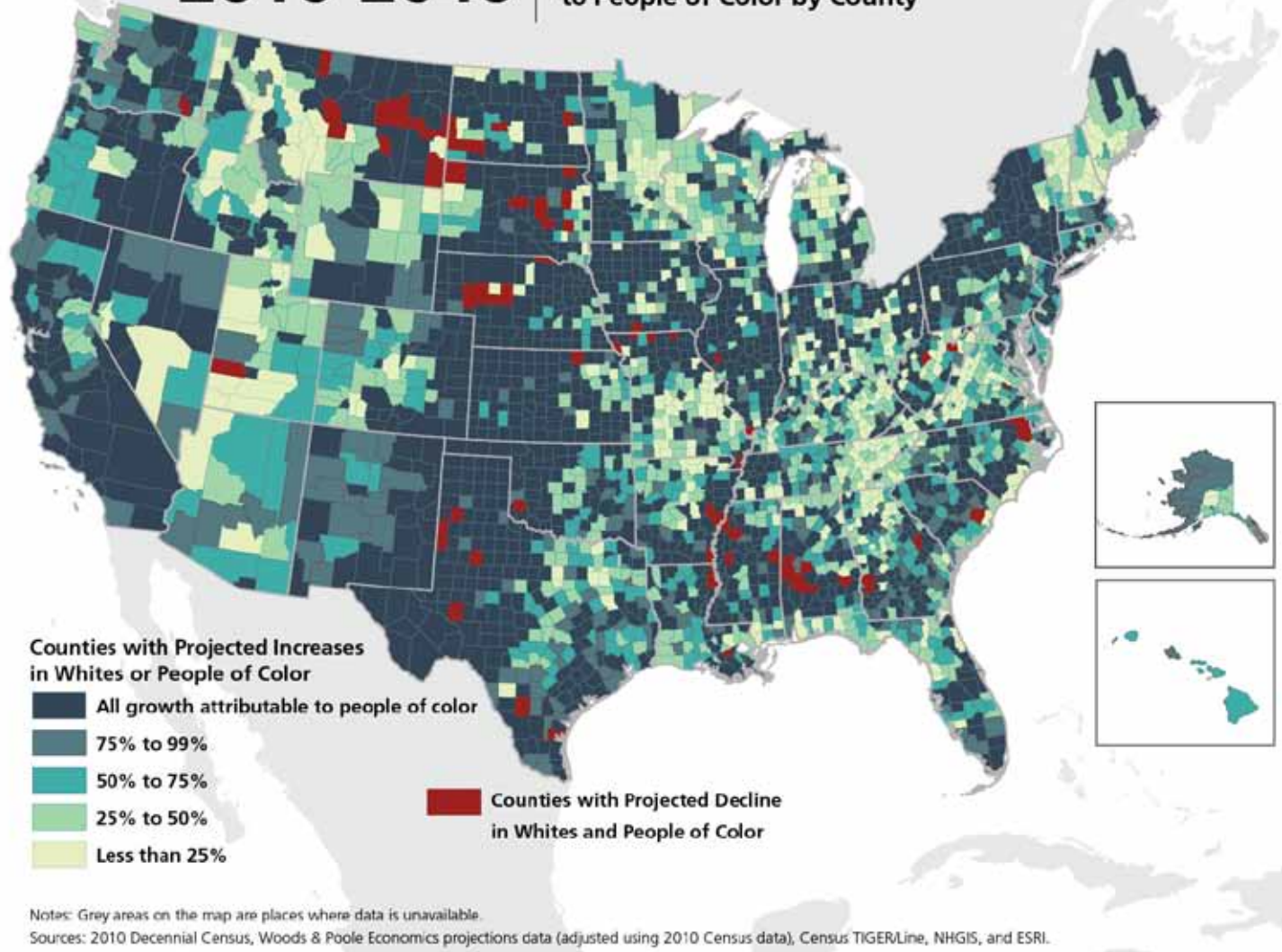
Suburban Shifts. The suburbs are growing more diverse, both demographically and economically. More black, Latino, Asian, foreign-born, and poor people now live in the suburbs of the largest 100 metropolitan regions than in the cities, marking a historic shift.³⁶ Fewer and fewer suburbs remain predominantly white, and the demographic profile of the suburbs increasingly mirrors that of the nation

as a whole. Many immigrants are either moving from traditional gateway cities to the suburbs, or they are bypassing cities altogether and moving directly to suburbs. Some examples: Dominicans, Puerto Ricans, and Central Americans are moving from New York City to Allentown, Reading, and other towns in Pennsylvania's Lehigh Valley. Since the 1990s, more immigrants (from Mexico, Poland, India, and elsewhere) have headed straight to the suburbs of Chicago, rather than to the city itself.³⁷

Rural Shifts. Immigrants are increasingly taking up residence in rural areas located outside of the traditional destination states, often following job opportunities. Four in ten rural Latino immigrants now live in the new rural destination states of Florida, Georgia, Idaho, Kansas, Nebraska, North Carolina, Oregon, and Washington, typically finding work in manufacturing, meat-packing, or other industries.³⁸ Even in states like Iowa, where Latinos are just 5 percent of the total population,

2010-2040

Share of Population Growth Attributable to People of Color by County



people of color outnumber whites in some rural communities. More than half of the 3,700 residents of West Liberty in eastern Iowa are Latino, for example. Many are Mexican immigrants who work at West Liberty Foods, a turkey processing plant that employs about 850 people.³⁹

Urban Shifts. Increasing diversity also brings new complexities to already-complex race relations. Interethnic tensions can arise when new groups move into established communities of color, and these tensions are often related to competition over scarce jobs, resources, and opportunities. Another source of tension is the fear that new groups will dilute hard-won political power and representation. A particular issue is the movement of Latinos and immigrants into historically African American neighborhoods—a pattern that can lead to vitality but also to a sense of loss and unease.

Interethnic conflict in urban America is real, but those closest to the ground in changing neighborhoods often say the reality is more complex than its portrayal by the media. The camera too often shows only the bad news, political squabbles, and schoolyard fights. Missing are the daily accommodations, negotiations, and coalitions formed to improve community schools, housing, and environments. The real lesson from all this is that working together will require new skills at coalition building across multiple dimensions of difference.

Diversity Is an Economic Opportunity

America's transformation into a world nation inside its borders can help everyone succeed in a global economy driven by innovation, adaptability, and connectivity.

From Fear to Hope

Rapid demographic change inspires a mix of reactions, from fear and anxiety, to indifference or ambivalence, to hope and optimism.

The spate of harsh anti-immigrant laws over the past several years attests to the fear that can arise when communities face a rapid influx of newcomers from distant places. The Migration Policy Institute found that the growth rate of the immigrant population was the biggest predictor of whether a locality considered restrictive immigration legislation.⁴⁰ But a recent survey conducted by the Applied Research Center suggests that it could be a small number of vocal pessimists who ignite fiery public debates about racial change. Most of the 2,700 survey respondents did not have strong feelings one way or the other about changing demographics, but the pessimists were the most likely to express their opinions.⁴¹ These survey results point to the need for a much more vocal and active majority.

There are also many promising examples of multiracial organizing and coalition building. In Prince William County, Virginia, white mothers and police officers joined forces with Latino immigrants in 2007 to successfully overturn a regulation requiring police officers to question people they had “probable cause” to think were undocumented immigrants. Activists in Portland, Maine—a predominantly white town that has seen an influx of immigrants in the past decade, particularly African refugees—came just a few points away from passing a law to allow non-citizens to vote in local elections in 2010.⁴²

Diversity is the seedbed that nurtures the innovation (the creation of new products, technologies, and processes) needed to grow the economy. When it comes to tackling difficult problems, diversity rules. A team’s multiplicity of perspectives actually matters more to its success than the overall talent of its members.⁴³ People of diverse racial, ethnic, and cultural backgrounds bring different ways of seeing problems and solutions to workplaces, boardrooms, classrooms, churches, community meetings, and other settings. The process of working through these differences in a team setting can foster new discoveries and new solutions.

Beyond the benefits of diverse perspectives, a globally connected population means many linkages to the global marketplace. A multilingual and multicultural population can help entrepreneurs, companies, and organizations communicate with, understand, and respond to potential customers, suppliers, and collaborators across the globe.

The growing multiracial population already contributes significantly to the domestic economy—and that contribution will only grow. Immigrant entrepreneurs often bring new life to places long abandoned by the public and private sectors—starting new businesses, supporting local businesses, contributing to the local tax base, and strengthening neighborhood housing

markets and commercial corridors. Immigrant-owned companies generated \$52 billion in revenue and employed more than 450,000 workers in 2005.⁴⁴ For these reasons, counties and states that pass harsh regulations aimed at undocumented immigrants end up suffering economically when their immigrant populations leave.⁴⁵

Growing Latino, Asian, African American, and other diverse communities are in the driver’s seat of new business creation and represent a significant new consumer base. Between 2002 and 2007, the number of businesses owned by blacks, Latinos, and Asians grew more than three times as fast as white-owned businesses, and revenues grew more than twice as fast.⁴⁶ Many businesses are clamoring to tap into the Latino market share. According to the Selig Center for Economic Growth, Latinos controlled \$1 trillion in purchasing power in 2010, and that’s expected to rise to \$1.5 trillion by 2015.⁴⁷

Just as equity has become essential to growth, so has diversity. Diversity builds interpersonal skills, creates markets, and fuels new business development. What was once seen as a drag on prosperity—how could so many different types of people work together to help move the economy in the same direction?—is actually a significant asset for the future.

HOW IS YOUR REGION CHANGING?

While demographic change is happening everywhere, the nature of this change differs from place to place. Some places have long been home to many different racial and ethnic groups, while others are just beginning to become more diverse. Some places are changing quickly; others, more slowly. And some places are seeing growth within many different groups, while others are mainly experiencing growth in their Latino populations.

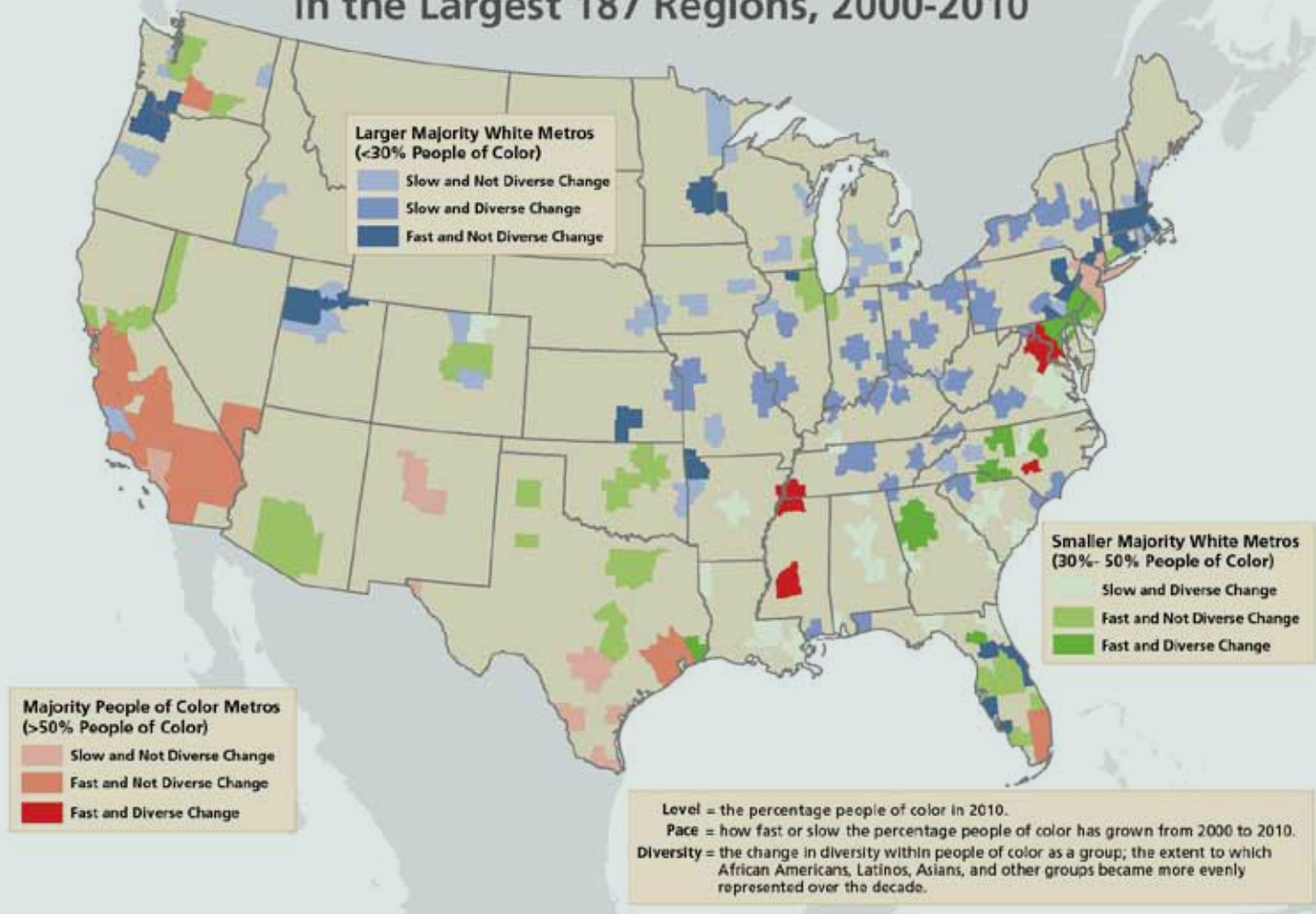
Understanding the specific dynamics of demographic change within regions can help communities develop effective policies and advocacy strategies. Examining what is happening within the people-of-color population is one important task. This paper has described “people of color” as a group to explain demographic shifts underway. But there is vast racial and ethnic diversity within the people-of-color population, along with widely different historical and contemporary experiences, attitudes, political behaviors, and cultures. It is also important to look at how change differs across the neighborhoods and communities within the region.

Metropolitan regions are a critical geography for promoting equity-driven growth. Regions are the key geographic unit in the global economy: Labor markets, housing markets, transportation networks, and industry clusters all operate at the regional level. And as regional equity advocates have long recognized, regions are also a crucial geography for addressing inequities by race, income, and place. It is at the regional level where community leaders can come together—face to face, race to race, place to place—to find ways to bridge these divides and chart a brighter future.

The map to the right illustrates demographic change in the largest 187 metropolitan regions along three dimensions of change:

1. **Level:** What share of the population is nonwhite in 2010? Is there still a large white majority? Are people of color already the majority? Or is it in between (30 to 50 percent people of color)?
2. **Pace:** How much did the share of people of color grow in the past decade? Was this change fast or slow compared to the average? For example, the Florida metros of Orlando and Tallahassee have similar people-of-color shares (47 and 42 percent, respectively), but Orlando is changing much more quickly: a 12 percentage point increase in people of color in the past decade, compared to a 4 point increase in Tallahassee.
3. **Diversity of the people-of-color population:** Is the people-of-color population becoming much more diverse, or is it staying about the same or even decreasing in diversity? The Baltimore and Phoenix regions provide a good illustration. These regions had the same share of people of color in 2000 (34 percent) and both are changing relatively quickly (6 to 7 percent increase in the share of people of color over the decade). However, Baltimore’s change was largely driven by Latinos and Asians, leading to a substantial increase in the diversity of a people-of-color population that was overwhelmingly black in 2000. Phoenix’s change was predominantly driven by Latinos (but with increases in blacks, Asians, and other groups as well), more closely mirroring its composition of people of color in 2000

Level, Pace, and Diversity of Demographic Change in the Largest 187 Regions, 2000-2010



and thereby leading to only a small increase in the diversity of people of color.

In addition to showing the characteristics of individual regions, the map reveals some broader historical and geographical patterns:

- Most metros in the Rust Belt—sweeping from the Midwest to upstate New York—are majority-white communities with significant black populations (many were destinations of southern blacks moving north for industrial jobs) that are slowly gaining shares of Latinos, Asians, and other groups.
- Metros in California and along the southern border tend to already be majority people of color and are quickly becoming more so (the more stable Texas border metros are an exception). Their people-of-color populations are predominantly Latino, but

with significant African American and Asian populations as well. Strong Latino growth in these regions is making their people-of-color populations less diverse overall.

The nature of demographic change has important implications for a community's economy, policy, politics, institutions, services, infrastructure, and culture. Rapid and diverse change might represent a shock for institutions and longtime residents, whereas slower and more gradual change might be absorbed more gracefully. Understanding which racial and ethnic groups are growing, and how rapidly, is critical for building the multiracial and multiethnic alliances and the leadership skills that are needed to advance equity within regions.

See the Appendix for more information and region-specific data.

The Way Forward: An Equity-Driven Growth Model

The nation's recent past may be marked by increasing inequality, but it is becoming clear that the traditional justification—that such inequality can promote growth—no longer holds water. Meanwhile, the persistence of racial disparities, alongside the fact that population growth is coming almost exclusively from people of color, gives new urgency to the need to broaden opportunity.

To succeed in the global economy, America needs a new growth model that leverages the nation's diversity as a competitive asset. An equity-driven growth model would help by tackling racial disparities in education and employment, lifting up those at the bottom of the income spectrum, growing the middle class, and providing upward mobility for all.

Ultimately, the private sector must take the lead in producing economic growth that is truly inclusive. But leaders in the public and community sectors need to set up the right framework of policies, investments, incentives, and strategies to guide that growth.

Admittedly, this is no small endeavor. Reversing the damage of decades will require an extensive rethinking and reconfiguring of the nation's economic priorities and policies. But every journey begins with a few solid steps, and there are many strategies that can be implemented almost immediately to jump-start an equity-driven growth model. Over the next year, PolicyLink and USC's Program for Environmental and Regional Equity (PERE), in collaboration with partners and colleagues, will continue to develop new, transformative ideas and policy proposals—from neighborhood job creation strategies to national economic policy—to implement an equity-driven growth model.

While a great blueprint is essential, it is nowhere near sufficient. It will also take extensive organizing, advocacy, and democratic participation to advance this policy agenda. Only a real social movement can bring about the social, cultural, political, and economic shifts needed to create an American economy that manifests the potential of its incredible people.

Place Matters

Decades of research have shown that where you live impacts your health and your life opportunities—including your ability to participate in the economy. For example, growing up in a high-poverty neighborhood increases the risk that a child born to middle-class parents will end up poor. The fact that African American families disproportionately live in high-poverty neighborhoods is also a major reason why black children have higher rates of downward mobility compared to white children.⁴⁸

In an equitable economy, a child's race, class, or zip code would no longer predict his or her health, success at school, or adult income.⁴⁹ Place-based strategies that make distressed neighborhoods more opportunity-rich (with high-quality housing, public transportation, thriving businesses, walkable and safe streets, services, retail, etc.) are integral to building an equity-driven growth model. New federal place-based initiatives such as the Neighborhood Revitalization Initiative, the Sustainable Communities Initiative, Choice Neighborhoods, and Promise Neighborhoods are helping dozens of communities implement place-based strategies to connect people to opportunity.

Building Blocks for an Equity-Driven Growth Model

Below, we highlight promising strategies within three key arenas: 1) rebuilding our public infrastructure; 2) growing new businesses and new jobs; and 3) preparing workers for the jobs of tomorrow.

These three areas are not the only arenas for action—change will be needed across the board—but they are important ones because they are so integral to the agenda to achieve economic growth *and* the agenda to achieve racial and economic inclusion. Infrastructure investment, new business development, and human capital development are all essential for growing the economy and increasing competitiveness.⁵⁰ And across the country, practitioners and advocates working for racial and economic inclusion have

implemented strategies that link low-income communities and people of color to good jobs and career pathways while strengthening their local and regional economies. Their innovations—and their wisdom—should inform a national strategy for growth and inclusion.

Rebuilding Our Public Infrastructure

High-quality public infrastructure—roads, transit lines, bridges, sidewalks, schools, parks, water and sewer systems, communications networks—is fundamental to economic vitality. Infrastructure connects workers to jobs and educational opportunities, increases business efficiency and productivity, revitalizes distressed neighborhoods, and fosters growth and competitiveness.

Equity-Driven Growth in Practice: Infrastructure

- In St. Louis, Metropolitan Congregations United and the Transportation Equity Network won a new equitable workforce policy on the \$500 million I-64 highway project. The Missouri Department of Transportation agreed to devote 30 percent of the workforce hours on the project to low-income apprentices, and 1/2 of 1 percent of the project budget (\$2.5 million) to job training. Kansas City, Michigan, Minnesota, and Wisconsin have all adopted similar workforce provisions, and the U.S. Department of Transportation funded a pilot project to implement the “Missouri Model” on large transportation projects in five other cities.⁵¹ Advocacy groups are working to incorporate a similar policy in the next multibillion-dollar federal transportation bill to improve access to transportation careers for low-income people, communities of color, and women.
- Portland’s Clean Energy Works pilot project to help 500 local homeowners finance and install energy efficiency upgrades was guided by a landmark community workforce agreement requiring that 80 percent of the jobs go to local residents; 30 percent of the trades and technical work hours go to historically underrepresented groups; and wages equal at least 180 percent of the state median.⁵² The pilot was successful, and a \$20 million award from the U.S. Department of Energy is now helping the program spread across Oregon to retrofit 6,000 homes and create 1,300 jobs by 2013. To date, more than half of the people hired through the program have been people of color.⁵³ The national Emerald Cities Collaborative is working in 10 cities across the country to take energy-efficient building retrofits and construction career pathways to scale.
- Through community workforce agreements, the Los Angeles Department of Public Works, Los Angeles Unified School District, and Los Angeles Community College District created more than 30,000 job opportunities for residents of low-income neighborhoods building and renovating the city’s schools, community colleges, police stations, and other infrastructure. The Department of Public Works’ agreement prioritized hiring from zip codes with the highest unemployment and poverty levels.⁵⁴
- In August 2011, Houston’s city council passed a Hire Houston First initiative to direct more of the city’s \$4 billion in annual spending to local businesses. City departments will now be able to contract with or buy goods from the second-highest bidding firms if they are from the Houston metro area and their prices are still competitive (within 3 percent for contracts over \$100,000).⁵⁵

But America's infrastructure is crumbling: In the past decade, the United States fell from 7th to 23rd in a ranking of infrastructure quality among 193 countries.⁵⁶ At the same time, rebuilding the nation's infrastructure is one of the most effective job creation strategies. A \$1 billion investment in infrastructure creates about 18,000 jobs, while the same size tax cut would generate 14,000 jobs—without creating any new public assets.⁵⁷ A majority of jobs in infrastructure are solid, middle-skill jobs in construction and manufacturing that provide excellent stepping-stones to the middle class.

In addition, public investment is required to build public infrastructure, which creates a strong policy mechanism—and a strong rationale—for making certain that those investments produce maximum social and environmental benefits. Infrastructure renewal also creates an opportunity to transition to the clean energy economy of the future—starting first by increasing energy efficiency and improving environments in low-income communities of color.

Ideas for advancing equity-driven growth through infrastructure investment include:

- **Increase overall investment in public infrastructure as a job creation and economic competitiveness strategy.** There is simply no better way to jump-start the economy while laying the groundwork for the future, and interest rates are so low there is also no better time to finance the improvements. Renewing America's infrastructure should be a number-one priority for the federal government.
- **Choose infrastructure projects and categories that maximize employment opportunities.** What and how we build matters in terms of job creation benefits: building public transportation gets you 31 percent more jobs per dollar than building roads and bridges; and repairing existing infrastructure creates 16 percent more jobs per dollar compared to new construction.⁵⁸
- **Target infrastructure jobs and projects to the people and communities most in need of employment opportunities.** Targeted hiring provisions and community workforce agreements (binding contracts that include targeted hiring and job

quality standards) can link unemployed and low-income workers from hard-hit communities to good jobs and lifelong careers rebuilding infrastructure.

- **Create opportunities for local and minority-owned business development along the infrastructure supply chain.**

Ensuring that infrastructure contracts go to local and minority-owned firms and that contractors buy their supplies locally will help businesses grow and increase the number of total jobs created through infrastructure investments.

Growing New Businesses and New Jobs

Small businesses employ half of all private-sector workers and create two out of every three jobs in this country.⁵⁹ They also incubate many of the new innovations that contribute to growth.⁶⁰

Small and very small businesses (also called microenterprises) are particularly vital when it comes to providing economic opportunities for low-income communities and communities of color. Businesses owned by people of color hire more people of color—making them important tools for reducing racial disparities in employment and economic success.⁶¹ These businesses can revitalize communities and bring tax revenues into the local economy. Being local can also give a business a competitive edge: Entrepreneurs who are from the community are often more tuned in to the tastes and preferences of diverse and changing populations, and have more flexibility to meet these needs compared to large national chains.

While there are many successful programs that help low-income people become entrepreneurs, the challenge is to achieve a greater scale—creating more start-ups and helping existing small businesses grow so that they generate more jobs for the people who need them most. The way to do this is to link entrepreneurs to larger-scale opportunities—larger markets, larger sources of capital, and larger economic development and growth strategies.

Ideas for advancing equity-driven growth through enterprise development include:

Equity-Driven Growth in Practice: Small Business Development

- The Pennsylvania Fresh Food Financing Initiative, launched in 2004, is an innovative public/private partnership that helps entrepreneurs develop grocery stores, farmers' markets, and other food retail options in low-income neighborhoods that lack grocery stores. A community development financial intermediary, The Reinvestment Fund, matched \$30 million in state economic stimulus dollars with more than three times that amount in private capital to create a pool of funds, and entrepreneurs can apply for one-time loans and grants. The results are impressive: 88 new or expanded food retailers throughout the state's urban and rural communities, and 5,000 full- and part-time jobs. California, Illinois, New Jersey, and New York State, along with New Orleans, have all launched similar fresh food financing models. And in 2010, the federal government launched the Healthy Food Financing Initiative to take the program to a national scale.⁶²
- Since 1993, the Neighborhood Development Center in St. Paul has collaborated with community-based organizations to help diverse residents start their own businesses. The center's 16-week course has been conducted in five languages and has targeted African American, Hmong, Latino, Native American, Oromo, and Somali communities. The center follows up with business start-up and expansion loans, ongoing business support and technical assistance, and low-cost commercial space through its seven business incubators (which are also revitalizing neighborhood commercial corridors). More than 4,000 residents—90 percent of them low-income people of color—have completed the training, and 20 percent of them have gone on to start a business. Five hundred graduates are currently operating businesses: sustaining 2,200 jobs and returning \$64 million to their communities in payroll, taxes, and rent each year.⁶³
- Cleveland's Evergreen Cooperatives is an ambitious, community-based enterprise development model that launches new employee-owned businesses (three to date: Evergreen Cooperative Laundry, Ohio Cooperative Solar, and Green City Growers Cooperative) to supply goods and services to several large anchor institutions in University Circle. The businesses have created dozens of good jobs with benefits and ownership opportunities for local residents, over half of whom have felony records. Richmond (California), Pittsburgh, and other communities are seeking to replicate the "Cleveland Model."

- **Leverage the purchasing power of large "anchor institutions"—universities, community colleges, hospitals, public utilities—to grow new businesses and jobs in and around high-poverty neighborhoods.**

These place-rooted institutions are often the largest employers in their regions, and some of the largest consumers of goods and services. Through strategic procurement and contracting strategies, anchors can redirect their spending power to help local enterprises launch and expand.

- **Connect regional economic development strategies to local workforce and community development efforts.** Many regions are implementing strategies to grow their "regional innovation clusters:" networks of firms, suppliers, researchers, investors, and economic development agencies that support innovation and growth within particular industries (biotechnology,

for example). Linking these cluster-focused efforts to "people-focused" employment, training, and business development strategies can maximize opportunities for the people and communities surrounding the cluster.

- **Create innovative financing mechanisms for small business development in underserved communities.** New models of public/private financing can help entrepreneurs overcome the major barrier of access to capital.

Preparing Workers for the Jobs of Tomorrow

Human capital was the key to America's success in the industrial era, and it will be even more critical to gaining a competitive edge in the 21st century. As the Brookings Institution has pointed out: "In the decades ahead, upgrading the education and skills of the diverse U.S. workforce is no longer just a matter of social equity. It is fundamentally

Equity-Driven Growth in Practice: Education and Workforce

- The Harlem Children’s Zone is a comprehensive cradle-to-college program that has helped more than 600 low-income children of color in Harlem enter college. Inspired by the Harlem Children’s Zone, the federal Promise Neighborhoods program is a bold new initiative to break the cycle of generational poverty by wrapping children in a pipeline of health, social, and educational supports from birth through college. Twenty-one Promise Neighborhood communities have received planning grants from the U.S. Department of Education, and additional planning grants plus the first implementation grants will be awarded in 2011.
- Recognizing the growing gap between the education levels of their regions’ youth (predominantly immigrants) and the workforce needs of their employers, the Chambers of Commerce in Los Angeles and Santa Ana both launched partnerships with their local school districts. The Santa Ana Chamber created a jointly administered high school that trains students for careers in six growth industries: automotive and transportation, engineering and construction, global business, health care, manufacturing, and new media. The Los Angeles Chamber has focused on exposing public school students to career opportunities through summer jobs and internships arranged with thousands of employer partners.
- After California’s largest utility company, PG&E, recognized that a wave of Baby Boomer retirements was creating a shortage of new employees, it teamed up with local community colleges to establish a pilot training program that prepares young people for entry-level utility jobs. Launched in 2008, the PG&E PowerPathway program has graduated 200 students; more than half are women or people of color. A majority of these graduates have taken utility jobs that pay between \$19 and \$29 per hour.⁶⁴

an issue of national competitiveness and national security.”⁶⁵ Tomorrow’s workers—and today’s—are the key to our future prosperity, but as a nation we must better equip them to succeed in an ever-changing, globalized, knowledge-based economy.

The education system must be retooled to ensure that all children can develop the reading, math, and critical thinking skills to become our next generation of innovators and leaders. This must begin from the cradle and last through college and career. The continuing challenge of low-performing public schools that have neither the resources nor the well-trained teachers that ensure children can learn and achieve at their full potential must be addressed. Given changing workforce demands, the workers of tomorrow need to be able to advance beyond a high school diploma. Quality college education needs to be affordable and accessible for all children, but alternative postsecondary education and training programs are also needed. The community college system is particularly important for providing low-income people and people of color with pathways to middle-skill jobs that pay family-supporting wages and offer opportunities for advancement and growth.

The federally funded workforce development system—which connects unemployed and

underemployed workers to new jobs and training opportunities and helps current workers build their skills and advance in their careers—also needs revamping to power the next economy. This system must work for the most vulnerable workers, who may need more support and training but whose employment will pay huge dividends—for these workers, their families, their communities, and society.

Ideas for advancing equity-driven growth through workforce training and education include:

- **Create cradle-to-career pipelines for vulnerable youth.** Reaching vulnerable children early in their lives is critical for helping them reach college and build careers. Early childhood education is one of the most cost-effective investments around, with a much bigger economic payoff than traditional economic development strategies (and a yearly “return on investment” of 15 to 17 percent).⁶⁶ But we cannot stop there: For low-income children of color to succeed, they need to have the same supports that middle-class children have throughout their childhood. Research shows that quality, balanced educational investments spread throughout the lives of vulnerable children reap the greatest rewards.⁶⁷

- **Strengthen the community college system.** Community colleges can succeed only if they have the resources to successfully serve low-income students and the capacity to link academic learning with job-related skills. To serve low-income students, they need to provide adequate student support services, financial aid, effective counseling, and remedial coursework. Relationships with industry and organized labor are critical for building a curriculum that prepares students for the changing needs of industry and business.
- **Implement sectoral workforce development and training strategies that connect workers to jobs in growing industries.** Since the 1980s, communities have been implementing sector strategies: industry-specific regional partnerships of employers, training and education providers, and community organizations that aim to keep the industry strong while providing good jobs with advancement opportunities for workers, particularly low-income workers. And they work: participants in sector programs in Boston, Milwaukee, and New York earned higher wages (by 18 percent, or about \$4,500), worked more consistently, and were more likely to work in jobs with benefits, than a control group.⁶⁸

It Takes a Movement

It will take a broad-based social movement to create an equity-driven growth model.

For “growth” and “equity” to come together, all will need to stretch outside of their comfort zones. Private-sector leaders need to embrace and prioritize equity concerns, and equity-oriented voices need to join traditional business and economic growth forums. Growth advocates will need to stop seeing equity as something that hopefully trickles down from their efforts to attract and grow businesses, and recognize that racial and economic inclusion will help them achieve their primary goals of growth and competitiveness. Equity advocates, who have traditionally focused on how the benefits of growth are divvied up, will need to concentrate more on generating job growth, and choose strategies that work with market forces to reach their equity goals.

Advancing an equity-driven growth model will require multigenerational, multiracial, multisector, and multi-

issue leadership. This diversity must be built at every level of change—from school boards to the national government—and it must be built from the ground up. Examples of such boundary-crossing abound:

- In New Orleans, the Workers Center for Racial Justice has brought together African American, Latino, and Asian American workers to pursue common interests in employment and community in the wake of Hurricane Katrina.
- In Richmond, California, African Americans and Asian immigrants are working together to limit the growth of the refineries that pollute their air and instead promote new green jobs.
- In Jacksonville, Florida, the Jacksonville Community Council convenes leaders from diverse constituencies to consider issues like race relations, services for ex-offenders, affordable housing, and future workforce needs.
- In the Twin Cities, community development and antipoverty leaders now sit on the governing boards of the region’s agencies that are deciding how to invest in the transportation, housing, park, and water systems.
- In Detroit, several of the 16 board members joining foundation executives to guide the New Economy Initiative’s \$100 million philanthropic investment in the region’s economic revival are entrepreneurs of color who are longtime advocates on behalf of their communities.

Leadership development programs are important for building the skills needed to reach across traditional boundaries. Urban Habitat’s Boards and Commissions Leadership Institute, for example, is an excellent model for training equity advocates to step into policy positions. The 80-hour, six-month-long program aims to build power by training diverse community leaders to effectively serve on the local and regional boards and commissions that decide on transportation, land use, housing, jobs, and climate change policies. When equity leaders come to the table, they not only bring important new expertise; they also begin to bridge the racial gap that exists between these institutions and the communities they represent.

For equity-driven growth to become the reality, leaders must prioritize, track, and measure racial and economic inclusion alongside traditional measures of economic growth. Equity advocates will also need to hold policymakers accountable for the

consequences of their policies, monitoring them for decisions that may—intentionally or unintentionally—push different racial groups away from each other and widen current economic and social divides. These advocates must challenge those who have steered the economy toward deregulation and inequality in the name of growth, leaving the nation with a wave of foreclosures and rising poverty.

The movement for an equitable economy must be based on a common understanding of our common future, and a shared understanding that America will be stronger if the divides of race, place, and generation are healed and if everyone approaches America's tomorrow together. The story America tells itself about where it's been and where it's heading needs to change. A new narrative must take hold about why inclusion matters for the U.S. economy as well as for our democracy and our moral constitution. Equity and diversity need to be seen as essential to economic prosperity.



Conclusion

America is changing. Its demography is shifting. Its economy is uncertain. Its political sphere is tainted, and seems to lack the common purpose that has helped it overcome past hurdles. But this crisis presents an opportunity, and the nation now has a tremendous opportunity to build the equity-driven growth model needed to secure the future.

Critics may ask: How can you pay attention to differences by race or income when the whole economic ship is sinking? The reality is that America is partly in this economic morass because it didn't pay enough attention to equity: Racial inequality and income inequality are actually the leaks causing the ship to sink. Racial and economic inclusion are also a key part of the solution.

Honest debates about how to move ahead will be critical; no one group has all the problems and no one leader has all the solutions. But what is clear is that the task of job creation and full employment—for all—requires the nation's full attention. Leaders from the public, private, and community sectors—as well as Americans at large—

need to move past a boxed-in, zero-sum view of the world. Everyone must begin looking for the “sweet spot” where communities and the nation get the most economic bang for the equity buck.

The United States of America has never been a perfect union. The founders fought for independence from England and codified slavery in the U.S. Constitution. This country began as a nation of immigrants and then passed legislation restricting new entrants. It built a middle class that was the envy of all the world and then let it wither and shrink. America is not a perfect country, but it is a perfecting country. It can do better—much better—and it must.

As the country nears its status as a people-of-color majority nation, all must act—*now*—to prepare for the future. Without targeted, meaningful investments in public schools, higher education, workforce development, and job creation—as well as in the infrastructure and public transportation that make access to each possible—everyone will be left behind. Equity is the superior growth model. It is the path to prosperity—for all.

Technical Appendix

Unless otherwise noted, all of the data analyses presented are the product of a collaborative effort by the authors and various staff members at PolicyLink and the USC Program for Environmental and Regional Equity (PERE), and cover the entire United States (excluding Puerto Rico). In the interest of brevity and flow, we have limited our description of various analyses in the main text and instead include them here for more technically inclined readers.

Below are a few general notes on race/ethnicity. Unless otherwise noted:

- “White” and “non-Hispanic White” are used interchangeably and refer to all people who identify racially as white and do not identify as being of Hispanic origin.
- “Latino” refers to all persons who identify as being of Hispanic origin, regardless of how the respondent might identify racially (in the most recent Census, 53 percent of Latinos listed white, 43 percent listed other race or multiracial, and the remainder self-identified as black, Native American, Asian or Pacific Islander).
- “Black” and “African American” are used interchangeably to refer to all people who identified as “Black or African American” in the Census and other data sources, exclusive of Latinos.
- “Asian” and “Asian/Pacific Islander” references individuals indicating these racial identifications, exclusive of Latinos.
- “Other” or “all Other” refers to all persons who are not included among the other groups shown in any particular comparison (i.e., the remainder population), and includes non-Latinos who identify racially as being Native American or Alaska Native, some other race alone, or multiracial.
- “People of color” describes the sum of all race/ethnic groups that are not white.

Mapping the Level, Pace, and Diversity of Demographic Change

The term “demographic change” can refer to many different sorts of shifts in the population. Our mapping of demographic change across large U.S. metropolitan

areas (e.g., metros or metro areas) specifically focuses on changes in the racial/ethnic composition of the population. The map on page 19 characterizes demographic change in major metropolitan areas in the United States based on three components of change: (1) level, (2) pace, and (3) diversity. The final classification of metro areas, along with selected measures of change, appears in Table 3.

We use the December 2003 metro area definitions published by the U.S. Office of Management and Budget (OMB)—the government entity responsible for publishing and updating such statistical areas—as our geographic unit of analysis. We chose this definition because 2003 was the first year a major revision to metro-area classifications was implemented: Core Based Statistical Areas (CBSAs) and their constituent metropolitan and micropolitan statistical areas (as well as metropolitan divisions) replaced the former Metropolitan Statistical Areas (MSAs) and Consolidated Metropolitan Statistical Areas (CMSAs), with the latter a grouping of two or more Primary Metropolitan Statistical Areas (PMSAs). More generally, we chose metropolitan areas because they are the broad scale at which people, jobs, infrastructure, and culture naturally cluster—and increasingly so as patterns of urbanization continue forth.

While other regional typologies have focused on the top 100 metro areas (for example, the Jobs and Housing Typology from The Urban Institute’s MetroTrends and the Brookings Institution’s metropolitan area typology), we sought to include more metros. Using recent information from the 2010 Census Redistricting File, we found a “natural break” in the data after the 187th largest metro area, where the population falls from 243,231 in Yakima, WA, to 234,906 in the Waco, TX, metro. The largest 187 metro areas accounted for about 75 percent of the total U.S. population in 2010.

We categorized the 187 metros according to the three measures of demographic change mentioned above. We began with the “level” of demographic change, which refers to the percentage people of color in 2010. Demographic change is a gradual process, and the best indicator of which regions have experienced similar demographic change in terms of the nationwide shift is simply the percentage people of color in 2010. While the nation as a whole is expected to be majority-minority by 2042 (although the date seems to be moving closer with each population update), a handful of states have already reached majority-minority status. In 2000, that included California, Hawaii, and New

Mexico; in 2010 Texas was added to the list (the District of Columbia and Puerto Rico are also majority-minority but are not on the list because they are not technically states). Yet as the nation becomes majority-minority, there will still be states that are majority non-Hispanic white and may remain so indefinitely. Thus, the level of demographic change is indicative of where a metro area is along the white/people-of-color spectrum, and may indicate which regions identify more with national attention around demographic change in the United States overall.

The percentage people of color across the top 187 metros ranges from 5.0 percent in Kingsport-Bristol-Bristol, TN-VA to 96.7 percent in Laredo, TX. We first grouped metros into three categories, with breaks determined using Jenks Natural Breaks—a commonly used formula in Geographic Information Systems (GIS) mapping—to find natural breaks in data. This process returned values of 27.88 and 49.97 percent as points to divide the metros into three groups, which we then rounded off to 30 and 50 to create three groups of metros: Larger Majority White (<30 percent people of color), Smaller Majority White (30 to 50 percent people of color), and Majority People of Color (> 50 percent people of color).

We further classified each of the three groups of metros by the “pace” and “diversity” of change that occurred between 2000 and 2010. The pace of change is the difference in the percentage people of color between 2000 and 2010. A high value is indicative of rapid change over the past 10 years, while a low value means slow change. It is notable that all of the top 187 metro areas in 2010 had increases in the percentage people of color over the past decade. Across the 187 metro areas, the pace of change ranges from a 1 percentage point increase in Charleston-North Charleston, SC, to a 12 percentage point increase in Las Vegas-Paradise, NV.

We measure pace of change in this way—rather than population growth for people of color—because it captures the extent to which the relative presence of people of color has become more pronounced in recent years rather than an increase in absolute numbers. Table 1 illustrates this more clearly, comparing the Stockton, CA, and Cedar Rapids, IA, metro areas between 2000 and 2010. While the number of people of color has grown more rapidly in Cedar Rapids, given that its share of the total population increased by only three percentage points (from 6.1 percent to 9.4 percent) over the decade, this seemingly rapid numerical demographic change may not be very noticeable to the average resident. On the other hand, despite lower numerical growth, the 11.5 percentage point increase for people of color in Stockton over the past decade may draw more attention. Of course, while many of these finer points of demographic change (e.g., the extent to which change is noticed and acknowledged) also depends on

other factors (e.g., patterns of residential segregation), in the interest of keeping to a parsimonious classification, we found the difference in the percentage people of color to be well-suited to capture the pace of change.

Table 1: Comparison of Absolute and Relative Change

	Stockton, CA	Cedar Rapids, IA
Total population, 2000	563,598	237,230
Total population, 2010	685,306	257,940
Growth, 2000-2010	21.6%	8.7%
People of color, 2000	296,596	14,473
People of color, 2010	439,387	24,245
Growth, 2000-2010	48.1%	67.5%
% People of color, 2000	52.6%	6.1%
% People of color, 2010	64.1%	9.4%
Difference, 2000-2010	11.5%	3.3%

Settling on a metric to describe the diversity of change was more challenging. We sought to understand how the composition of different racial/ethnic groups shifted *among* all people of color. Essentially, we sought to quantify the extent to which people of color as a whole became more or less diverse in each metro area between 2000 and 2010. While it might be more illustrative to describe how each racial/ethnic group (among people of color) increased or declined over the period, it would be too much information to effectively present in a single map. Instead we quantify and summarize those shifts by looking at the change in an index of the level of diversity among people of color. Given some number of mutually exclusive and exhaustive groups of color, the index has the highest value when people of color are evenly distributed across groups and the lowest value when all people of color fall in a single race/ethnic group. Under this framework, a region in which people of color were mostly black in 2000 that saw a large increase in Latinos by 2010 would be classified as having experienced diverse change, whereas a region in which people of color were mostly Latino in 2000 that saw a similarly large increase in Latinos would be classified as having not experienced diverse change.

After experimenting with other derivations of the concept of diverse change, including an index capturing the extent to which the *net increase* in people of color was diverse (ignoring the base year composition), and one based on the sum of the absolute differences between each racial/ethnic group’s share (among people of color) in base year and its share of the net increase in people of color (ignoring the size of the increase), these both had properties that were not consistent with what we were trying to capture. This is because the size of the increase and the particular

racial/ethnic composition of people of color in the base year matter in terms of how demographic change is perceived in a metro area. On the size issue, if people of color increase by only 0.1 percentage point, then even if those driving the increase are extremely diverse, the diversity of that change would likely go unnoticed. To understand the importance of base-year composition, consider region A in which people of color are 50 percent black and 50 percent Other in 2000 and region B in which they are 50 percent Asian/Pacific Islander and 50 percent Latino. If both regions saw a substantial net increase in people of color by 2010 that was 50 percent Asian/Pacific Islander and 50 percent Latino, then despite the diversity of the net increase itself being exactly the same in both regions, it would *appear* far more diverse in region A—and for good reason: The demographic change would result in an increase in the diversity of people of color as a whole in region A but no increase in region B.

Thus, the difference in an index of diversity of people of color between 2000 and 2010 seemed to be the best choice to measure the diversity of change because it both captures the magnitude of the shift (i.e., larger shifts in the racial/ethnic composition of people of color mean more diverse change) and takes the base-year composition into consideration (i.e., it is figured as an increase or decrease in diversity *relative* to the base year). While there are many different indices that measure diversity within a metro area, we used a common index known simply as the “diversity” or “entropy” score. The entropy score is calculated as follows:

$$E = \sum_{i=1}^n [P_i] \ln [1/P_i]$$

Where E is the entropy score for a metro area given n different racial/ethnic groups and P is the proportion of the total population made up of each group i (note: in cases where one of the four racial/ethnic groups had a population of zero, the log term on the right-hand side of the entropy equation was set to zero, such that no positive contribution is made to the regional diversity score by that group). A higher score indicates a more diverse metro area. The minimum score is zero (when all people fall into one group) and the maximum score depends on the number of groups considered. With four groups (as we enter), it is 1.386, and occurs if there is a perfectly even distribution of people across groups (with 25 percent in each group). We calculated the entropy score for people of color in 2000 and 2010, using the following four groups: black, Latino, Asian/Pacific Islander, and Other. We then took the difference in the entropy score for people of color between 2000 and 2010 ($E_{2010} - E_{2000}$) and used the result as our measure of the diversity of change.

With our measures of pace and diversity of change in place, the final step was to categorize the metro areas within each of the three aforementioned groups defined by the percentage people of color in 2010 (i.e., Larger Majority White, Smaller Majority White, and Majority People of Color) by pace and diversity. This was done by examining a scatterplot for each group of the two variables of interest, and grouping metros according to where they fell in the plot (e.g., low pace/low diversity, low pace/high diversity, high pace/low diversity, high pace/high diversity).

For each group of metros, we initially took a simple approach and drew two dividing lines—one for pace and one for diversity—that categorized metros as either “low” or “high” along each dimension. For pace, we drew the line at the average across all 187 metros (a 5.2 percentage point increase) while for diversity, we drew the line at the average for only the metros included in that particular group in terms of the percentage people of color in 2010 (see Table 2 for all average values; boldface values were used to draw dividing lines). We did this because there was considerably less variation in the measure of pace and more variation in diversity across the three groups of metros. On average, larger majority white metros saw a slower increase in the percentage people of color over the decade compared to majority people of color metros, but for each group, the overall average of a 5.2 percentage point increase cut the metro areas roughly in half. For diversity, the majority white metros (both smaller and larger) had higher average values than the majority people of color metros. In fact, among majority people of color metros, the average change in the entropy score was negative, indicating that demographic change over the decade has tended to decrease the level of diversity among people of color as a group.

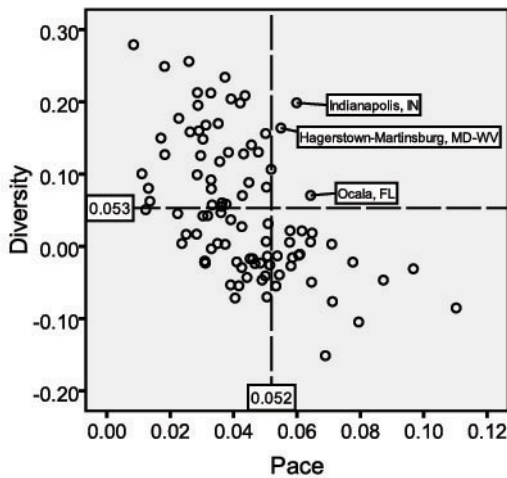
Table 2: Mean Values of Pace and Diversity

	Pace	Diversity
Larger Majority White (<30% people of color)	0.043	0.053
Smaller Majority White (30% to 50% people of color)	0.058	0.079
Majority People of Color (> 50% people of color)	0.069	-0.022
Total	0.052	0.048

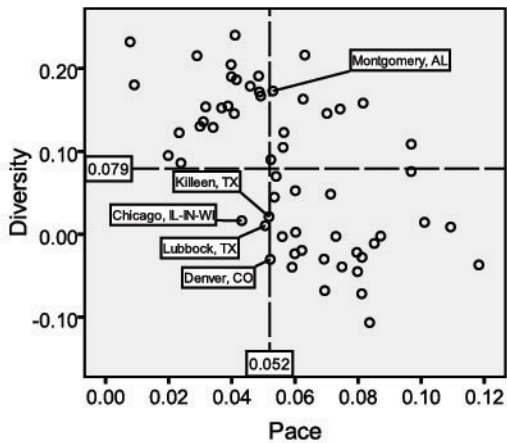
The three scatterplots that were used to categorize metros by pace and diversity are shown below. Metro areas are plotted according to their values for pace and diversity, and the dashed lines are drawn at the values of pace and diversity that were used (at least initially) to characterize

metros as having experienced either “fast” or “slow” and “diverse” or “not diverse” change between 2000 and 2010. Note that in each plot, there are four quadrants, or unique combinations of pace and diversity that are created by the dashed lines. In the following, they are referred to as quadrants I through IV moving counter-clockwise from the upper right quadrant. Metros in quadrant I are characterized by fast and diverse change, quadrant II by slow and diverse change, quadrant III by slow and not diverse change, and quadrant IV by fast and not diverse change.

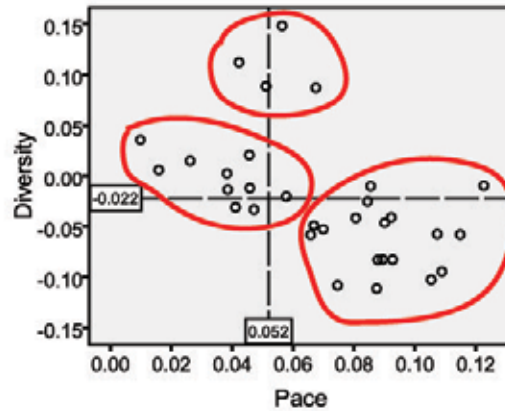
Larger Majority White Metros (<30% people of color)



Smaller Majority White Metros (30-50% people of color)



Majority People of Color Metros (>50% people of color)



A couple observations can be made by examining the plots. First, there is generally a negative relationship between pace and diversity; that is, a faster increase in the people of color share is associated with a decline (or slower increase) in the diversity of people of color. Closer examination of these metros indicates that this negative relationship is largely driven by increases in the Latino population—a racial/ethnic group that is both among the largest of the four groups of people of color examined and tends to be the fastest growing (on average), resulting in rapid increases in the percentage people of color but declining diversity among that group. Second (and related), is that metro areas are not evenly distributed across the four quadrants. For example, larger majority white metros are fairly evenly distributed across quadrants II through IV, but only three metros fall in the fast and diverse change category (quadrant I)—and even they are not squarely in quadrant I but rather close to the dividing lines. Similarly, among smaller majority white metros, there are a good number in quadrants I, II, and IV, but hardly any in quadrant III—again, falling near the dividing lines. Among majority people of color metros, the vast majority fall in quadrants II and IV, but for this group it appears that there is more natural “clustering” that is not well captured by the four quadrants. The indication that perhaps the quadrant approach is not best for this group as it would result in more heterogeneity within the defined categories than is the case for the first two groups of metros (hence the circles drawn around the three clusters of metros, which are explained below).

Based on these observations, we made several adjustments to the initial quadrant categorization, mostly reassigning metros in the sparsely populated quadrants to the nearest more populated quadrant. For the larger majority white metros, we reassigned Indianapolis, IN, and Hagerstown-Martinsburg, MD-WV to quadrant II, and Ocala, FL to quadrant IV. For smaller majority white metros we reassigned Killeen-Temple-Fort Hood, TX, Lubbock, TX, Denver-Aurora,

CO, and Chicago-Naperville-Joliet, IL-IN-WI, to quadrant IV, and, because it was substantially closer to its neighbors in quadrant II than its peers in quadrant I, we reassigned Montgomery, AL, to quadrant II. Finally, among majority people of color metros, we disregarded the quadrants altogether and employed a standard cluster analysis approach to arrive at the three groups of metros captured by the circles shown in that scatterplot. A cluster analysis groups observation into a predetermined number of categories (in this case, three) based on a given set of characteristics (in this case, pace and diversity), and groups observations such that the within-group variance of characteristics is minimized and between-group variance is maximized. In this case, the grouping was fairly obvious as a preliminary grouping done by simple visual inspection agreed perfectly with the results produced using statistical software (SPSS).

Adjustments Made to Demographic Projections

Three figures in the document present population projections by race/ethnicity: the graph on changing U.S. demographics (page 13) and the maps on pages 15 and 16 showing the percentage people of color in 2040 by county and the share of population growth attributable to people of color by county. The graph on changing U.S. demographics on page 13 is based on projections made by the U.S. Census Bureau (the 2008 National Population Projections). The Census Bureau projections are based on the results of the 2000 Census and include projected numbers of people by age, race, and Hispanic origin in the United States for each year from 2000 through 2050. The two maps are based on projections made by Woods & Poole Economics, Inc. The Woods & Poole projections include numbers of people by race and Hispanic origin at the county level from 2010 through 2040 in five-year increments, and are based on annual data from the Census Bureau's population estimates program from 2000 through 2009.

These projections were the most current at the time of writing this document, but due to the recent release of the 2010 Census and the fact that census data are the primary input for all such projections, they are likely to be updated in the near future. To factor the new census results into the projections, we made some simple adjustments.

All adjustments were made by comparing the percentage of the total population composed of each racial/ethnic group in the projected data for 2010 to the actual percentage reported by the 2010 Census. We subtracted the projected percentage from the actual percentage for each group to derive an adjustment factor, and carried this adjustment factor forward by adding it to the projected

percentage for each group in each projection year. A formula is shown for this adjustment procedure.

$$P_{adjit} = P_{it} + (P_{i2010} - P_{it})$$

Where P_{it} is the initial projection of the percentage racial/ethnic group i at time t , P_{adjit} is the adjusted projection for racial/ethnic group i at time t , and P_{i2010} is the actual percentage racial ethnic group i from the 2010 Census. For example, the Census Bureau's projections show the U.S. population to be 16.03 percent Latino in 2010, but the results of the 2010 Census found the percentage to be 16.35. The difference of 0.32 percentage points is added to the projected percentage Latino in each projection year, and a similar procedure is used to adjust the projections for each racial/ethnic group. Finally, for the county-level Woods & Poole data, the adjusted percentages of the population by race/ethnicity were multiplied by the projected total population (unadjusted) in each projection year to get adjusted estimates of the number of people by race/ethnicity, which were used to calculate the share of population growth attributable to people of color.

While there are several other approaches we could have taken to adjust the projections (e.g., adjusting based on the difference between projected numbers of people by race/ethnicity rather than percentages) we decided on this approach for two main reasons. First, because the sum of the adjustment factors across racial/ethnic groups must be equal to one, it ensures that the adjusted projections will add up to 100 percent in each projection year, side-stepping the need for iterative proportional fitting to make the numbers add up. Second, we wanted to be conservative in our adjustments. The 2010 Census results showed a faster decline in the non-Hispanic white population nationwide than was projected, by about one percentage point. Given that the projections were based on 2000 data, it would not be entirely unreasonable to expect that by 2020 the error in the projections would be closer to two percentage points. Thus by fixing the adjustment factor at the percentage point difference found for 2010, we are attempting to be conservative by not exaggerating the finding of more rapid demographic change than was expected in 2010.

To map the share of the population growth attributable to people of color between 2010 and 2040, we used the following formula:

$$\frac{(\text{people of color 2040} - \text{people of color 2010})}{(\text{total population 2040} - \text{total population 2010})}$$

We colored counties that are projected to experience a population decline in both non-Hispanic whites and people

of color in red to distinguish them from counties that are projected to see growth in either group. We then classified the remaining counties (those projected to see an increase in *either* the white *or* people-of-color population) in various shades of green according to the share of growth attributable to people of color. Thus, it is possible for a county that is projected to see an overall population decline to be colored green. In such cases, there is a numerical increase projected for people of color (whites), but it is smaller than the projected decline in whites (people of color), and all of the population growth is attributed to people of color (whites). Overall, about 23 percent of counties are projected to see an overall population decline, but only 3 percent are projected to see a decline in people of color while a full 48 percent are projected to see a decline in whites. Thus, the maximum percentage of population growth attributable to either group is 100 and the minimum is zero. This same approach was used to calculate the share of population growth attributable to people of color between 2000 and 2010 by metro area, shown in Table 3, and in that case “NA” indicates a decline in both people of color and non-Hispanic whites.

Analysis of Middle-Class Decline

The text refers to a decline in the share of households falling in the middle class for the past several decades (page 8). To analyze middle-class decline, we began with the household income distribution in 1967 and identified the middle 40 percent of households as “middle class”—households with income between the boundaries of \$22,167 and \$49,311 (in 1999 dollars). We then increased these boundaries over time at the same rate as real average household income growth, and identified the share of households falling in between the adjusted boundaries for each year as the size of the middle class. Thus, we are examining the share of households enjoying the same *relative* standard of living as the middle 40 percent of households in 1967. According to this characterization, by 2009 middle-class households had incomes between \$29,465 and \$65,548 (in 1999 dollars), and the share of all households falling in this range dropped to 34 percent from 40 percent over the period.

Job Growth by Wage Level

In order to depict job growth by wage level (page 9), we used annual data from the Quarterly Census of Employment and Wages (QCEW) from the U.S. Bureau of Labor Statistics (BLS), covering the years 1990 through 2010. The QCEW provides information on employment levels and average earnings for detailed industry subsectors. Using subsector wages, we essentially classified all subsectors into three groups by average annual wage (high, medium, and low) in the base year (1990), and then tracked aggregate changes in employment and wages for each of the groups

over time. Specifically, we examined the distribution of industry subsector employment (defined at the most detailed, 6-digit NAICS, level) by average annual wage in 1990, and identified two natural breaks in the distribution. Such breaks were found at \$31,000 and \$62,000 per year (in 2010 dollars), dividing the industry subsectors into three groups. Each subsector was kept in the same wage group to which it was assigned 1990, allowing for an analysis of job and wage growth over time. We should note that new NAICS categories were developed in 2007 to account for growth in information technology and administration and, because our classification is based on NAICS subsectors that existed in 1990, these industries (which accounted for less than one percent of employment in 2007 through 2010) were excluded from the analysis.

Racial Generation Gap and Public School Spending

On page 14 we make reference to a correlation found at the state level between what we refer to as the “racial generation gap” and public school spending per student, in which a larger generation gap is associated with lower spending. We would stress that in this case (as in any other), correlation does not mean causation and there are many factors that could explain the relationship found. Perhaps the most simplistic among them (and one that was easy enough to test!) is the basic variation in income levels by state, with the rationale being that richer/higher cost states may tend to spend more per student on public education (and, coincidentally, might also have lower generation gaps). To see whether this appeared to be the case, we examined the same relationship but adjusted (divided) spending per student by state-level per capita income. To our surprise, the negative relationship between the generation gap and public school spending became even more pronounced, yielding a Pearson’s *r* value (a measure of the strength of a statistical correlation) of 0.40 as compared to 0.16 for the unadjusted relationship. The indication is that differences in income exacerbate rather than explain the relatively lower average public schools investments in states with higher generation gaps, and while the correlation is not very strong and causation unclear, the relationship found remains unsettling.

Table 3: Selected Characteristics of Demographic Change for the Top 187 Metro Areas

	Total Population, 2010	Change Since 2000	Percentage Composition by Race/Ethnicity, 2010 (all groups are non-Hispanic except for Latinos)					People of Color, 2010 (%)	Increase Since 2000	Percent of Population Growth Attributable to People of Color (2000 to 2010)	Diversity of Change (2000 to 2010)
			White	Black	Latino	Asian / Pacific Islander	Other				
Larger Majority White Metros (<30% People of Color)											
<i>Slow and Not Diverse Change</i>											
Green Bay, WI	306,241	+8%	86	2	6	2	4	14	+5	75	-3
Omaha-Council Bluffs, NE-IA	865,350	+13%	79	8	9	2	2	21	+5	61	3
Madison, WI	568,593	+13%	84	4	5	4	2	16	+5	54	-1
San Luis Obispo-Paso Robles, CA	269,637	+9%	71	2	21	3	3	29	+5	83	-7
Fort Smith, AR-OK	298,592	+9%	76	3	8	2	10	24	+5	78	1
Provo-Orem, UT	526,810	+40%	84	0	11	2	2	16	+5	28	-4
Providence-New Bedford-Fall River, RI-MA	1,600,852	+1%	80	4	10	3	4	20	+5	100	-5
Des Moines, IA	569,633	+18%	84	5	7	3	2	16	+5	43	-2
Boise City-Nampa, ID	616,561	+33%	82	1	13	2	3	18	+5	32	-2
Manchester-Nashua, NH	400,721	+5%	88	2	5	3	2	12	+5	100	-2
Olympia, WA	252,264	+22%	79	3	7	6	6	21	+5	42	-2
Lancaster, PA	519,445	+10%	85	3	9	2	1	15	+4	58	-4
Davenport-Moline-Rock Island, IA-IL	379,690	+1%	82	7	8	2	2	18	+4	100	3
Lincoln, NE	302,157	+13%	85	3	6	3	3	15	+4	47	-3
Colorado Springs, CO	645,613	+20%	73	6	15	3	4	27	+4	48	-5
Boulder, CO	294,567	+9%	79	1	13	4	2	21	+4	65	-2
Ogden-Clearfield, UT	547,184	+24%	83	1	12	2	2	17	+4	34	-7
Lansing-East Lansing, MI	464,036	+4%	78	9	6	4	3	22	+4	100	4
Eugene-Springfield, OR	351,715	+9%	85	1	7	3	4	15	+4	59	-5
Grand Rapids-Wyoming, MI	774,160	+5%	79	8	8	2	2	21	+4	100	0
Asheville, NC	424,858	+15%	86	4	6	1	2	14	+4	38	5
Binghamton, NY	251,725	-0%	88	4	3	3	2	12	+3	100	0
Cedar Rapids, IA	257,940	+9%	91	3	2	2	2	9	+3	47	0
Kalamazoo-Portage, MI	326,589	+4%	81	9	5	2	3	19	+3	100	4
Spokane, WA	471,221	+13%	87	2	5	2	5	13	+3	38	-2
Bremerton-Silverdale, WA	251,133	+8%	79	3	6	6	6	21	+3	58	-2
Fort Collins-Loveland, CO	299,630	+19%	84	1	11	2	2	16	+3	32	-2
Hickory-Lenoir-Morganton, NC	365,497	+7%	83	7	6	3	2	17	+3	61	4
Holland-Grand Haven, MI	263,801	+11%	86	1	9	3	2	14	+3	41	2
Portland-South Portland-Biddeford, ME	514,098	+5%	93	2	2	2	2	7	+3	53	2
Springfield, MO	436,712	+19%	91	2	3	1	3	9	+2	21	0
Duluth, MN-WI	279,771	+2%	92	1	1	1	5	8	+2	100	5
Huntington-Ashland, WV-KY-OH	287,702	-0%	94	3	1	1	2	6	+1	100	5
<i>Slow and Diverse Change</i>											
Indianapolis, IN	1,756,241	+15%	75	15	6	2	2	25	+6	65	20
Hagerstown-Martinsburg, MD-WV	269,140	+21%	85	8	3	1	2	15	+5	41	16
Columbus, OH	1,836,536	+14%	76	15	4	3	3	24	+5	61	11
Albany-Schenectady-Troy, NY	870,716	+5%	83	7	4	3	3	17	+5	100	8
Nashville-Davidson-Murfreesboro, TN	1,589,934	+21%	74	15	7	2	2	26	+5	50	16
Lexington-Fayette, KY	472,099	+16%	79	11	6	2	2	21	+5	52	13
Harrisburg-Carlisle, PA	549,475	+8%	81	10	5	3	2	19	+5	77	14
Kansas City, MO-KS	2,035,334	+11%	74	12	8	2	3	26	+4	67	9
Greenville, SC	636,986	+14%	73	17	7	2	2	27	+4	58	21
Fort Wayne, IN	416,257	+7%	79	10	6	2	3	21	+4	85	13
South Bend-Mishawaka, IN-MI	319,224	+1%	78	11	7	2	3	22	+4	100	7
Louisville, KY-IN	1,283,566	+10%	79	14	4	2	2	21	+4	61	20
Spartanburg, SC	284,307	+12%	70	20	6	2	2	30	+4	63	20
Gulfport-Biloxi, MS	248,820	+1%	71	19	5	2	3	29	+4	100	13
Ann Arbor, MI	344,791	+7%	72	13	4	8	3	28	+4	83	6
Roanoke, VA	308,707	+7%	81	13	3	2	2	19	+4	72	23
Syracuse, NY	662,577	+2%	84	8	3	2	3	16	+4	100	6
Toledo, OH	651,429	-1%	77	13	6	1	2	23	+4	100	6
Pensacola-Ferry Pass-Brent, FL	448,991	+9%	73	17	5	3	4	27	+4	67	12
Peoria, IL	379,186	+3%	84	9	3	2	2	16	+4	100	17
Rochester, NY	1,054,323	+2%	78	11	6	3	2	22	+3	100	6
Utica-Rome, NY	299,397	-0%	87	5	4	2	2	13	+3	100	8
Erie, PA	280,566	-0%	87	7	3	1	2	13	+3	100	9
Cincinnati-Middletown, OH-KY-IN	2,130,151	+6%	82	12	3	2	2	18	+3	73	21
Knoxville, TN	698,030	+13%	87	6	3	1	2	13	+3	37	17
Akron, OH	703,200	+1%	82	12	2	2	2	18	+3	100	15
Buffalo-Niagara Falls, NY	1,135,509	-3%	80	12	4	2	2	20	+3	100	13
St. Louis, MO-IL	2,812,896	+4%	75	18	3	2	2	25	+3	94	16
Evansville, IN-KY	358,674	+5%	89	6	2	1	2	11	+3	73	20
Chattanooga, TN-GA	528,143	+11%	80	14	4	1	2	20	+3	47	21
Cleveland-Elyria-Mentor, OH	2,077,240	-3%	72	20	5	2	2	28	+3	100	10
Dayton, OH	841,502	-1%	79	15	2	2	2	21	+3	100	16
Myrtle Beach-Conway-North Myrtle Beach, SC	269,291	+37%	77	13	6	1	2	23	+3	30	26
Pittsburgh, PA	2,356,285	-3%	87	8	1	2	2	13	+2	100	18
Canton-Massillon, OH	404,422	-1%	88	7	2	1	2	12	+2	100	13
Lynchburg, VA	252,634	+11%	77	17	2	1	2	23	+2	40	25
Youngstown-Warren-Boardman, OH-PA	565,773	-6%	84	11	3	1	2	16	+2	100	15
Flint, MI	425,790	-2%	73	21	3	1	3	27	+1	100	6
Kingsport-Bristol-Bristol, TN-VA	309,544	+4%	95	2	1	1	1	5	+1	40	8
Charleston, WV	304,284	-2%	92	5	1	1	2	8	+1	100	10
Wilmington, NC	362,315	+32%	78	14	5	1	2	22	+1	25	28

Table 3 continued

	Total Population, 2010	Change Since 2000	Percentage Composition by Race/Ethnicity, 2010 (all groups are non-Hispanic except for Latinos)					People of Color, 2010 (%)	Increase Since 2000	Percent of Population Growth Attributable to People of Color (2000 to 2010)	Diversity of Change (2000 to 2010)
			White	Black	Latino	Asian / Pacific Islander	Other				
			Fast and Not Diverse Change								
Cape Coral-Fort Myers, FL	618,754	+40%	71	8	18	1	2	29	+11	56	-9
Fayetteville-Springdale-Rogers, AR-MO	463,204	+33%	76	2	15	3	4	24	+10	53	-3
Allentown-Bethlehem-Easton, PA-NJ	821,173	+11%	79	4	13	2	2	21	+9	100	-5
Reading, PA	411,442	+10%	77	4	16	1	1	23	+8	100	-10
Poughkeepsie-Newburgh-Middletown, NY	670,301	+8%	71	9	15	3	2	29	+8	100	-2
Salem, OR	390,738	+13%	71	1	22	2	4	29	+7	86	-8
Rockford, IL	349,431	+9%	73	10	12	2	2	27	+7	100	0
Scranton-Wilkes-Barre, PA	563,631	+1%	89	3	6	1	1	11	+7	100	-15
Deltona-Daytona Beach-Ormond Beach, FL	494,593	+12%	75	10	11	2	2	25	+6	81	2
Salt Lake City, UT	1,124,197	+16%	75	1	17	4	3	25	+6	65	-5
Ocala, FL	331,298	+28%	74	12	11	1	2	26	+6	49	7
Norwich-New London, CT	274,055	+6%	78	5	8	4	4	22	+6	100	1
Palm Bay-Melbourne-Titusville, FL	543,376	+14%	78	10	8	2	3	22	+6	66	2
Minneapolis-St. Paul-Bloomington, MN-WI	3,279,833	+10%	79	7	5	6	3	21	+6	80	-1
Sarasota-Bradenton-Venice, FL	702,281	+19%	80	6	11	1	2	20	+6	52	-1
Boston-Cambridge-Quincy, MA-NH	4,552,402	+4%	75	7	9	6	3	25	+6	100	-2
Wichita, KS	623,061	+9%	74	7	12	3	4	26	+6	90	-3
Hartford-West Hartford-East Hartford, CT	1,212,381	+6%	72	10	12	4	2	28	+6	100	2
Worcester, MA	798,552	+6%	81	4	9	4	2	19	+6	100	1
Springfield, MA	692,942	+2%	74	6	15	2	2	26	+5	100	-4
York-Hanover, PA	434,972	+14%	86	5	6	1	2	14	+5	52	-1
Portland-Vancouver-Beaverton, OR-WA	2,226,009	+15%	76	3	11	6	4	24	+5	58	-5
Smaller Majority White Metros (30% - 50% People of Color)											
Slow and Diverse Change											
Montgomery, AL	374,536	+8%	51	42	3	2	1	49	+5	100	17
Jacksonville, FL	1,345,596	+20%	66	21	7	3	3	34	+5	59	17
Durham, NC	504,357	+18%	55	27	11	4	2	45	+5	71	17
Little Rock-North Little Rock, AR	699,757	+15%	70	22	5	1	2	30	+5	64	19
Huntsville, AL	417,593	+22%	69	22	5	2	3	31	+5	52	18
Lafayette, LA	273,738	+14%	67	27	4	1	2	33	+4	62	19
Richmond, VA	1,258,251	+15%	60	29	5	3	2	40	+4	68	24
Baton Rouge, LA	802,484	+14%	58	35	3	2	1	42	+4	72	15
Columbia, SC	767,598	+19%	58	33	5	2	2	42	+4	63	19
Birmingham-Hoover, AL	1,128,047	+7%	65	28	4	1	1	35	+4	90	20
Virginia Beach-Norfolk-Newport News, VA-NC	1,671,683	+6%	57	31	5	4	3	43	+4	100	15
Tallahassee, FL	367,413	+15%	58	32	6	2	2	42	+4	67	15
Mobile, AL	412,992	+3%	59	34	2	2	2	41	+3	100	13
Augusta-Richmond County, GA-SC	556,877	+11%	57	35	4	2	2	43	+3	71	15
Shreveport-Bossier City, LA	398,604	+6%	55	39	3	1	2	45	+3	97	14
Columbus, GA-AL	294,865	+5%	50	40	6	2	3	50	+3	100	13
Savannah, GA	347,611	+19%	57	34	5	2	2	43	+3	58	22
Greeley, CO	252,825	+40%	68	1	28	1	2	32	+2	38	9
Clarksville, TN-KY	273,949	+18%	70	18	7	2	4	30	+2	43	12
Detroit-Warren-Livonia, MI	4,296,250	-4%	68	23	4	3	2	32	+2	100	9
New Orleans-Metairie-Kenner, LA	1,167,764	-11%	54	34	8	3	2	46	+1	NA	18
Charleston-North Charleston, SC	664,607	+21%	63	27	5	2	2	37	+1	40	23
Fast and Not Diverse Change											
Orlando-Kissimmee, FL	2,134,411	+30%	53	15	25	4	3	47	+12	86	-4
Port St. Lucie-Fort Pierce, FL	424,107	+33%	68	14	15	1	2	32	+11	66	1
Lakeland, FL	602,095	+24%	65	14	18	2	2	35	+10	77	1
Trenton-Ewing, NJ	366,513	+4%	55	19	15	9	2	45	+10	100	8
Dallas-Fort Worth-Arlington, TX	6,371,773	+23%	50	15	27	5	2	50	+9	87	0
Tampa-St. Petersburg-Clearwater, FL	2,783,243	+16%	68	11	16	3	2	32	+9	85	-1
Santa Rosa-Petaluma, CA	483,878	+6%	66	1	25	4	4	34	+8	100	-11
Naples-Marco Island, FL	321,520	+28%	66	6	26	1	1	34	+8	63	-3
Kennewick-Richland-Pasco, WA	253,340	+32%	65	1	29	2	3	35	+8	60	-7
Sacramento-Arden-Arcade-Roseville, CA	2,149,127	+20%	56	7	20	12	5	44	+8	85	-5
Seattle-Tacoma-Bellevue, WA	3,439,809	+13%	68	5	9	12	5	32	+8	93	-2
Amarillo, TX	249,881	+10%	64	6	25	3	2	36	+7	100	-4
New Haven-Milford, CT	862,477	+5%	68	12	15	3	2	32	+7	100	0
Phoenix-Mesa-Scottsdale, AZ	4,192,887	+29%	59	5	29	3	4	41	+7	66	5
Reno-Sparks, NV	425,417	+24%	66	2	22	6	4	34	+7	63	-7
Bridgeport-Stamford-Norwalk, CT	916,829	+4%	66	10	17	5	2	34	+7	100	-3
Tucson, AZ	980,263	+16%	55	3	35	3	4	45	+6	83	-2
Oklahoma City, OK	1,252,987	+14%	67	10	11	3	8	33	+6	74	0
Tulsa, OK	937,478	+9%	68	8	8	2	14	32	+6	99	5
Austin-Round Rock, TX	1,716,289	+37%	55	7	31	5	2	45	+6	61	-2
Santa Cruz-Watsonville, CA	262,382	+3%	60	1	32	4	3	40	+6	100	-4
Anchorage, AK	380,821	+19%	67	4	7	8	14	33	+6	62	0
Milwaukee-Waukesha-West Allis, WI	1,555,908	+4%	69	16	9	3	2	31	+5	100	7
Atlantic City, NJ	274,549	+9%	59	15	17	7	2	41	+5	100	4
Denver-Aurora, CO	2,543,482	+17%	66	5	22	4	3	34	+5	65	-3
Killeen-Temple-Fort Hood, TX	405,300	+23%	54	19	20	3	4	46	+5	69	2
Lubbock, TX	284,890	+14%	57	7	32	2	2	43	+5	79	1
Chicago-Naperville-Joliet, IL-IN-WI	9,461,105	+4%	55	17	21	6	2	45	+4	100	2

Table 3 continued

	Total Population, 2010	Change Since 2000	Percentage Composition by Race/Ethnicity, 2010 (all groups are non-Hispanic except for Latinos)					People of Color, 2010 (%)	Increase Since 2000	Percent of Population Growth Attributable to People of Color (2000 to 2010)	Diversity of Change (2000 to 2010)
			White	Black	Latino	Asian / Pacific Islander	Other				
Fast and Diverse Change											
Atlanta-Sandy Springs-Marietta, GA	5,268,860	+24%	51	32	10	5	2	49	+10	90	11
Charlotte-Gastonia-Concord, NC-SC	1,758,038	+32%	61	24	10	3	2	39	+8	64	16
Greensboro-High Point, NC	723,801	+12%	62	25	8	3	2	38	+7	97	15
Raleigh-Cary, NC	1,130,490	+42%	63	20	10	4	2	37	+7	53	15
Baltimore-Towson, MD	2,710,489	+6%	60	28	5	5	2	40	+6	100	22
Winston-Salem, NC	477,717	+13%	66	20	10	1	2	34	+6	81	16
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	5,965,343	+5%	65	20	8	5	2	35	+6	100	12
Gainesville, FL	264,275	+14%	65	19	8	5	3	35	+6	76	10
Beaumont-Port Arthur, TX	388,745	+1%	59	24	13	2	2	41	+5	100	9
Majority People of Color Metros (>50% People of Color)											
Slow and Not Diverse Change											
Albuquerque, NM	887,077	+22%	42	2	47	2	7	58	+6	85	-2
Corpus Christi, TX	428,185	+6%	36	3	58	2	1	64	+5	100	-3
New York-Northern New Jersey-Long Island, NY-NJ	18,897,109	+3%	49	16	23	10	2	51	+5	100	-1
San Antonio, TX	2,142,508	+25%	36	6	54	2	2	64	+5	82	2
Los Angeles-Long Beach-Santa Ana, CA	12,828,837	+4%	32	7	44	15	3	68	+4	100	-3
El Paso, TX	800,647	+18%	13	3	82	1	1	87	+4	100	-1
Brownsville-Harlingen, TX	406,220	+21%	11	0	88	1	0	89	+4	100	0
McAllen-Edinburg-Mission, TX	774,769	+36%	8	0	91	1	0	92	+3	99	1
Laredo, TX	250,304	+30%	3	0	96	1	0	97	+2	100	1
Honolulu, HI	953,207	+9%	19	2	8	52	19	81	+1	92	4
Fast and Not Diverse Change											
Las Vegas-Paradise, NV	1,951,269	+42%	48	10	29	9	4	52	+12	81	-1
Stockton, CA	685,306	+22%	36	7	39	14	4	64	+11	100	-6
Bakersfield, CA	839,631	+27%	39	5	49	4	3	61	+11	100	-9
Riverside-San Bernardino-Ontario, CA	4,224,851	+30%	37	7	47	6	3	63	+11	99	-6
Modesto, CA	514,453	+15%	47	3	42	5	3	53	+11	100	-10
Visalia-Porterville, CA	442,179	+20%	33	1	61	3	2	67	+9	100	-8
Miami-Fort Lauderdale-Miami Beach, FL	5,564,635	+11%	35	20	42	2	2	65	+9	100	-4
San Jose-Sunnyvale-Santa Clara, CA	1,836,911	+6%	35	2	28	31	3	65	+9	100	-5
Santa Barbara-Santa Maria, CA	423,895	+6%	48	2	43	5	3	52	+9	100	-8
Yakima, WA	243,231	+9%	48	1	45	1	6	52	+9	100	-8
Merced, CA	255,793	+21%	32	3	55	7	2	68	+9	100	-11
Houston-Sugar Land-Baytown, TX	5,946,800	+26%	40	17	35	7	2	60	+9	93	-1
Vallejo-Fairfield, CA	413,344	+5%	41	14	24	15	6	59	+8	100	-3
Oxnard-Thousand Oaks-Ventura, CA	823,318	+9%	49	2	40	7	3	51	+8	100	-4
Salinas, CA	415,057	+3%	33	3	55	6	3	67	+7	100	-11
Fresno, CA	930,450	+16%	33	5	50	9	3	67	+7	100	-5
San Francisco-Oakland-Fremont, CA	4,335,391	+5%	42	8	22	24	4	58	+7	100	-5
San Diego-Carlsbad-San Marcos, CA	3,095,313	+10%	48	5	32	11	4	52	+7	100	-6
Fast and Diverse Change											
Washington-Arlington-Alexandria, DC-VA-MD-WV	5,582,170	+16%	49	25	14	9	3	51	+7	93	9
Memphis, TN-MS-AR	1,316,100	+9%	46	45	5	2	1	54	+6	100	15
Fayetteville, NC	366,383	+9%	46	35	10	2	6	54	+5	100	9
Jackson, MS	539,057	+8%	48	48	2	1	1	52	+4	100	11

Notes

¹ David E. Hayes-Bautista and Gregory Rodriguez, “A Tale of Two Migrations, One White, One Brown,” <http://www.cesla.med.ucla.edu/v1/Documents/oped/3-17-96.htm>; University of Virginia Historical Census Browser, <http://mapserver.lib.virginia.edu/php/state.php>; Peter Schrag, *Paradise Lost: California’s Experience, America’s Future* (Berkeley and Los Angeles: University of California Press, 1998); and Henry Brady et al., *Return on Investment: Educational Choices and Demographic Change in California’s Future* (Berkeley: University of California Press, Berkeley, 2005), http://collegecampaign.org/nf/pdf/Return_On_Investment_Final_Report.pdf.

² Christian E. Weller et al., “The State of Communities of Color in the U.S. Economy: A Snapshot as We Enter 2011,” Center for American Progress, http://www.americanprogress.org/issues/2011/01/coc_snapshot.html.

³ Bureau of Labor Statistics, August 2011.

⁴ Laura D’Andrea Tyson, “Investment Deficit, Fiscal Deficit,” *The New York Times*, September 15, 2001, <http://economix.blogs.nytimes.com/2011/07/29/jobs-deficit-investment-deficit-fiscal-deficit/>.

⁵ Economic Policy Institute analysis of data from the U.S. Bureau of Labor Statistics (BLS), Current Population Survey (CPS). Data available for download at <http://www.stateofworkingamerica.org>. We utilize a slightly different definition of underemployment than EPI; EPI includes the unemployed in their measure of underemployment but that is different than normal BLS practice.

⁶ Louis J. Jacobson, Robert L. LaLonde, and Daniel E. Sullivan, “Introduction,” in *The Costs of Worker Dislocation* (Kalamazoo, MI: W. E. Upjohn Institute for Employment Research, 1993), http://research.upjohn.org/cgi/viewcontent.cgi?article=1088&context=up_bookchapters&seidir=1#search=%22Costs%20Worker%20Dislocation%2C%201993%22.

⁷ Heidi Shierholz and Lawrence Mishel, *Sustained, High Joblessness Causes Lasting Damage to Wages, Benefits, Income, and Wealth* (Washington, DC: Economic Policy Institute, 2011), http://w3.epi-data.org/temp2011/BriefingPaper324_FINAL%20%283%29.pdf.

⁸ Roland Fryer, Jr, Devah Pager, and Joerg Spenkuch, “Racial Disparities in Job Finding and Offered Wages,” NBER Working Paper No. 17462, 2011. <http://papers.nber.org/papers/w17462>. Marianne Bertrand and Sendhil Mullainathan, “Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination,” *American Economic Review*, 94 (2004), 991-1013.

⁹ Shierholz and Mishel, *Sustained, High Joblessness*, 2011, page 15. The unemployment rates are a 12-month average for the period between August 2010 and July 2011.

¹⁰ Alexander Hertel-Fernandez and Kathryn Edwards, *The Kids Aren’t*

Alright: A Labor Market Analysis of Young Workers (Washington, DC: Economic Policy Institute, 2010).

¹¹ Lisa Kahn, “The Long-Term Labor Market Consequences of Graduating from College in a Bad Economy,” *Labour Economics* 17 (2010): 1–47, http://mba.yale.edu/faculty/pdf/kahn_longtermlabor.pdf. This study examined the experiences of white male college graduates; we would expect that the negative labor market impacts of entering the workforce during a recession would be similar or worse.

¹² PolicyLink/PERE analysis of Integrated Public Use Microdata Series, Current Population Survey, March Supplement, 1988-2010.

¹³ Andrew Sum et al., *Still Young, Idle, and Jobless: The Continued Failure of the Nation’s Teens to Benefit from Renewed Job Growth* (Boston: Center for Labor Market Studies, Northeastern University, 2006).

¹⁴ Thomas Piketty and Emmanuel Saez, *Striking It Richer: The Evolution of Top Incomes in the United States* (Updated with 2008 Estimates), July 17, 2010.

¹⁵ Economic Policy Institute, “The State of Working America,” <http://www.stateofworkingamerica.org/>.

¹⁶ Pew Research Center, “Wealth Gaps Rise to Record Highs Between Whites, Blacks, and Hispanics,” <http://pewresearch.org/pubs/2069/housing-bubble-subprime-mortgages-hispanics-blacks-household-wealth-disparity>; Gruenstein Bocian et al., *Foreclosures by Race and Ethnicity: The Demographics of a Crisis* (Washington, DC: Center for Responsible Lending, 2001), <http://www.responsiblelending.org/mortgage-lending/research-analysis/foreclosures-by-race-and-ethnicity.pdf>.

¹⁷ PolicyLink/PERE analysis of middle-class decline between 1967 and 2009 using data from the Integrated Public Use Microdata Series (IPUMS) Current Population Survey (CPS) March Supplement. See Technical Appendix for additional information about this analysis.

¹⁸ Ron Haskins, Julia Isaacs, and Isabel Sawhill, *Getting Ahead or Losing Ground: Economic Mobility in America* (Washington, DC: Brookings Institution, 2008). Analysis of Panel Study of Income Dynamics data. Comparable data are not available for racial/ethnic groups other than Caucasian and African American.

¹⁹ David Autor, “The Polarization of Job Opportunities in the U.S Job Market: Implications for Employment and Earnings,” <http://econ-www.mit.edu/files/5554>; Claudia Goldin and Lawrence Katz, “Long-Run Changes in the Wage Structure: Narrowing, Widening, Polarizing,” http://www.economics.harvard.edu/faculty/goldin/files/GoldinKatz_Brookings.pdf.

²⁰ Anthony P. Carnevale, Nicole Smith, and Jeff Strohl, *Help Wanted:*

Projections of Job Requirements and Skills through 2018, (Washington, DC: Georgetown University, 2010), <http://cew.georgetown.edu/jobs2018/>.

²¹ National Assessment of Educational Progress, www.nces.ed.gov.

²² Robert Balfanz et al., *Building a Grad Nation: Progress and Challenge in Ending the High School Dropout Epidemic*, (Washington, D.C.: America's Promise Alliance, 2010).

²³ Patrick Kelly, *As America Becomes More Diverse: The Impact of State Higher Education Inequality*, (Boulder, CO: National Center for Higher Education Management Systems, 2005). James Manyika et al., *An Economy that Works: Job Creation and America's Future*, The McKinsey Global Institute, 2011, http://www.mckinsey.com/mgi/publications/us_jobs/pdfs/MGI_us_jobs_full_report.pdf.

²⁴ Simon Kuznets, "Economic Growth and Income Inequality," *American Economic Review* 45(1) (1955): 1–28; Gary S. Fields, *Distribution and Development: A New Look at the Developing World* (Russell Sage Foundation, New York, and The MIT Press, Cambridge, MA, and London, 2001); Arthur M. Okun, *Equality and Efficiency: The Big Tradeoff* (Washington, DC: Brookings Institution, 1975). See Sarah Treuhaft and David Madland, *Prosperity 2050: Is Equity a Superior Growth Model?* (Washington, D.C., Center for American Progress, 2011) for a longer discussion about the history of economic thought on the relationship between growth and equity.

²⁵ NPR, "As Income Gap Balloons, Is It Holding Back Growth?," <http://www.npr.org/2011/07/10/137744694/as-income-gap-balloons-is-it-holding-back-growth>.

²⁶ Phillipe Aghion, Eve Caroli, and Cecilia Garcia-Penalosa, "Inequality and Economic Growth: The Perspective of the New Growth Theories," *Journal of Economic Literature* 37 (4) (1999): 1615–1660; Alberto Alesina and Dani Rodrik, "Distributive Politics and Economic Growth," *The Quarterly Journal of Economics* 109 (2) (1994): 465–490; William Easterly, "The Middle Class Consensus and Economic Development," *Journal of Economic Growth* 6 (4) (2001): 317–335; Ugo Panizza, "Income Inequality and Economic Growth: Evidence from American Data," *Journal of Economic Growth* 7(1) (2002): 25–41.

²⁷ Andrew G. Berg and Jonathan D. Ostry, "Inequality and Unsustainable Growth: Two Sides of the Same Coin?," International Monetary Fund Staff Discussion Note, April 8, 2011. Inequality was measured by the Gini coefficient.

²⁸ Manuel Pastor, "Cohesion and Competitiveness: Business Leadership for Regional Growth and Social Equity," OECD Territorial Reviews, *Competitive Cities in the Global Economy, Organisation For Economic Co-Operation And Development* (OECD), 2006.

²⁹ Manuel Pastor and Chris Benner, *Been Down So Long: Weak-Market Cities and Regional Equity Retooling for Growth* (New York: American Assembly and Columbia University, 2008).

³⁰ Randall Eberts, George Erickcek, and Jack Kleinhenz, *Dashboard Indicators for the Northeast Ohio Economy: Prepared for the Fund for*

Our Economic Future, (Federal Reserve Bank of Cleveland: April 2006), <http://www.clevelandfed.org/Research/workpaper/2006/wp06-05.pdf>.

³¹ Pew Hispanic Center, "Unauthorized Immigrant Population: National and State Trends, 2010," <http://pewhispanic.org/files/reports/133.pdf>.

³² Kenneth M. Johnson and Daniel T. Lichter, "Growing Diversity Among America's Children and Youth: Spatial and Temporal Dimensions," *Population and Development Review* 36(1) (2010): 151–76, http://www.carseyinstitute.unh.edu/docs/Johnson_Growing_Diversity_Mar2010.pdf; Pew Hispanic Center, "The Mexican-American Boom: Births Take Over Immigration," <http://pewhispanic.org/files/reports/144.pdf>.

³³ William Frey, *Melting Pot Cities and Suburbs: Racial and Ethnic Change in Metro America in the 2000s, 2010 Census* (Washington, DC: Brookings Institution, 2011), http://www.brookings.edu/papers/2011/0504_census_ethnicity_frey.aspx.

³⁴ William Frey, Brookings Institution, quoted in Sabrina Tavernise, "Numbers of Children of Whites Falling Fast," *New York Times*, April 6, 2011, <http://www.nytimes.com/2011/04/06/us/06census.html>.

³⁵ The reported rankings and relationship are based on PolicyLink/PERE analysis of data from the U.S. Census Bureau (2008 Annual Survey of Local Government Finances for data on public school spending and the 2008 American Community Survey for the generation gap).

³⁶ Frey, *Melting Pot Cities and Suburbs*.

³⁷ Jillian Anthony and Shayna Meliker, "New Hispanic majority transforms culture of Pa. region," *USA Today*, June 28, 2011; Interfaith Housing Center of the Northern Suburbs, "Open To All? Different Cultures, Same Communities," http://www.uic.edu/cuppa/voorheesctr/Publications/Open_to_All.pdf.

³⁸ Heather Koball et al., *Integrating Latino Immigrants in New Rural Destinations*, (Washington, DC: Mathematica Policy Research, 2008).

³⁹ James Kelleher, "Hope Outweighs Fear in Iowa Town Immigrants Transformed," *Reuters*, July 20, 2011, <http://www.reuters.com/article/2011/07/20/us-iowa-hispanic-town-idUSTRE76J6J120110720>

⁴⁰ Kevin O'Neil, "Hazleton and Beyond: Why Communities Try to Restrict Immigration," *Migration Information Source*, <http://www.migrationinformation.org/Feature/display.cfm?ID=805>.

⁴¹ Dom Apollon, "Colorlines.com Survey: A People of Color Majority? Men? So What?," *Colorlines*, http://colorlines.com/archives/2011/08/colorlines_poll_a_people_of_color_majority_in_the_us_men_so_what.html.

⁴² Elise Foley, "Bucking Anti-Immigrant Trend, Some Communities Push for Non-Citizen Voting," *The Washington Independent*, September 10, 2010, <http://washingtonindependent.com/101358/bucking-anti-immigrant-trend-some-communities-push-for-non-citizen-voting>; "Portland, Maine, Rejects Non-Citizen Voting," *CNSNEWS.com*, <http://www.cnsnews.com/news/article/portland-maine-rejects-noncitizen-voting>.

- ⁴³ Scott Page, *The Difference: How the Power of Diversity Creates Better Groups, Firms, Schools, and Societies*, (Princeton, NJ: Princeton University Press, 2007).
- ⁴⁴ Vivek Wadhwa et al., *Education, Entrepreneurship and Immigration: America's New Immigrant Entrepreneurs, Part II*, 2007, http://www.kauffman.org/uploadedfiles/entrep_immigrants_2_61207.pdf.
- ⁴⁵ Marshal Fitz and Angela Maria Kelley, *Stop the Conference: The Economic and Fiscal Consequences of Conference Cancellations Due to Arizona's S.B. 1070*, (Washington, DC: Center for American Progress, 2010), http://www.americanprogress.org/issues/2010/11/az_tourism.html; Kelleher, "Hope Outweighs Fear," 2011.
- ⁴⁶ PolicyLink/PERE analysis of data from the U.S. Census Bureau's Survey of Business Owners, 2002 and 2007, available at: <http://www.census.gov/econ/sbo/>. Data on white business owners are inclusive of Hispanics.
- ⁴⁷ "Despite recession, Hispanic and Asian buying power expected to surge in U.S., according to annual UGA Selig Center Multicultural Economy study," November 4, 2010, <http://www.terry.uga.edu/news/releases/2010/minority-buying-power-report.html>.
- ⁴⁸ Patrick Sharkley, *Neighborhoods and the Black-White Mobility Gap* (Washington, DC: Economic Mobility Project, An Initiative of The Pew Charitable Trusts, 2009), http://www.economicmobility.org/assets/pdfs/PEW_NEIGHBORHOODS.pdf.
- ⁴⁹ Judith Bell and Mary Lee, *Why Place & Race Matter: Impacting Health through a Focus on Race and Place* (Oakland, CA: PolicyLink, 2011), http://www.policylink.org/site/c.lkIXLbMNjRE/b.6728307/k.58F8/Why_Place___Race_Matter.htm.
- ⁵⁰ Manyika et al., 2011; Martin Baily and Matthew Slaughter, *Strengthening U.S. Competitiveness in the Global Economy*, (Washington, DC: Private Equity Council, 2008); Martin Baily et al., *Growth through Innovation: Building a Long-Term Strategy for Growth through Innovation* (Washington, DC: Brookings Institution, 2011).
- ⁵¹ "Green Construction Careers," Transportation Equity Network, http://www.transportationequity.org/index.php?option=com_content&view=article&id=326&Itemid=203.
- ⁵² "Clean Energy Works Portland: A National Model for Energy-Efficiency Retrofits," Green For All, <http://www.greenforall.org/what-we-do/cities-initiative/portland/clean-energy-works-portland>.
- ⁵³ "Coalitions to Create Jobs," Northwest Area Foundation, <http://www.nwaf.org/ProgramStory/Coalitions%20to%20Create%20Jobs>.
- ⁵⁴ Sebrina Owens-Wilson, "Constructing Building and Building Careers: How Local Governments in Los Angeles Are Creating Real Career Pathways for Local Residents" (Washington, DC: The Partnership for Working Families, 2010), <http://www.communitybenefits.org/downloads/1110%20PWF%20LA%20Constructing%20Careers.f.pdf>.
- ⁵⁵ Chris Moran, "Houston Businesses Get Edge in Bids for City Contracts," *Houston Chronicle*, September 1, 2011, <http://www.chron.com/news/houston-texas/article/Houston-businesses-get-edge-in-city-bidding-2150183.php>.
- ⁵⁶ World Economic Forum, *Global Competitiveness Report*, 2010–2011, <http://gcr.weforum.org/gcr2011/>.
- ⁵⁷ James Heintz et al., "How Infrastructure Investments Support the U.S. Economy: Employment, Productivity and Growth," Political Economy Research Institute and Alliance for American Manufacturing, 2009, http://www.americanmanufacturing.org/files/peri_aam_finaljan16_new.pdf.
- ⁵⁸ Arthur C. Nelson et al., *The Best Stimulus for the Money: Briefing Papers on the Economics of Transportation Spending*, University of Utah's Metropolitan Research Center and Smart Growth America, 2009, <http://www.smartgrowthamerica.org/documents/thebeststimulus.pdf>.
- ⁵⁹ "FAQ," U.S. Small Business Administration, <http://web.sba.gov/faqs/faqindex.cfm?arealD=24>.
- ⁶⁰ "The New American Revolution: The Role and Impact of Small Firms" (Washington, DC: U.S. Small Business Administration, Office of Economic Research, 1998).
- ⁶¹ Robert Fairlie and Alicia Robb, *Race and Entrepreneurial Success: Black-, Asian-, and White-Owned Businesses in the United States* (Cambridge, MA: Massachusetts Institute of Technology, 2008).
- ⁶² Rebecca Flournoy, *Healthy Food, Healthy Communities* (Oakland, CA: PolicyLink, 2011), <http://www.policylink.org/site/apps/nlnet/content2.aspx?c=lkIXLbMNjRE&b=5136581&ct=10958405>.
- ⁶³ Personal Communication, Mihailo Temali, September 25, 2011.
- ⁶⁴ Victor Rubin et al., *Pathways Out of Poverty for Vulnerable Californians: Policies that Prepare the Workforce for Middle-Skill Infrastructure Jobs* (Oakland, CA: PolicyLink, 2010), http://www.policylink.org/atf/cf/%7B97c6d565-bb43-406d-a6d5-eca3bbf35af0%7D/PATHWAYS_WEB.PDF.
- ⁶⁵ Baily et al., *Growth through Innovation*.
- ⁶⁶ Timothy Bartik, *Investing in Kids: Early Childhood Programs and Local Economic Development* (Kalamazoo, MI: W. E. Upjohn Institute for Employment Research, 2011); Rob Grunewald and Art Rolnick, "Early Childhood Development: Economic Development with a High Public Return," March 1, 2003, http://www.minneapolisfed.org/publications_papers/pub_display.cfm?id=3832.
- ⁶⁷ America's Promise Alliance, "Every Child Every Promise," 2006, http://www.childtrends.org/Files/Child_Trends-2006_12_1_ES_America'sPromise.pdf.
- ⁶⁸ Sheila Maguire et al., *Tuning in to Local Labor Markets: Findings from the Sectoral Employment Impact Study*, http://www.ppv.org/ppv/publications/assets/325_publication.pdf.

Authors' Biographies

Sarah Treuhaft is an associate director at PolicyLink. She collaborates with local and national partners on research and action projects and authors policy briefs and reports to advance the organization's equity mission. She is the coordinator of the PolicyLink/PERE partnership.

Angela Glover Blackwell is the founder and CEO of PolicyLink. Since founding the organization in 1999, she has continued to drive its mission of advancing economic and social equity by bringing the wisdom, voice, and experience of low-income people and people of color into policymaking processes. Blackwell is co-author of *Uncommon Common Ground: Race and America's Future* (W.W. Norton, 2010).

Manuel Pastor is a professor of American Studies & Ethnicity at the University of Southern California (USC) where he directs the Program for Environmental and Regional Equity (PERE). Pastor is co-author of *Uncommon Common Ground: Race and America's Future* (W.W. Norton, 2010) and the forthcoming *Just Growth: Inclusion and Prosperity in America's Metropolitan Regions* (Routledge, 2012).



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 212 730-2911

<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>