

2018



W.K.
KELLOGG
FOUNDATION®

GROWTH
PRODUCTIVITY
REVENUES
OUTPUT

THE BUSINESS CASE FOR RACIAL EQUITY

NEW ORLEANS AND LOUISIANA

TALENT
POTENTIAL
SOCIAL JUSTICE
OPPORTUNITY

ANI TURNER

BETH BEAUDIN-SEILER

▲ ALTARUM

A STRATEGY FOR GROWTH

Foreword

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

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

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

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

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

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

La June Montgomery Tabron

President and CEO, W.K. Kellogg Foundation

THE SOCIAL AND ECONOMIC BENEFITS GAINED BY ADVANCING RACIAL EQUITY IN NEW ORLEANS AND LOUISIANA ARE SIGNIFICANT AND DIRECTLY SUPPORT ECONOMIC DEVELOPMENT PLANS FOR THE CITY AND THE STATE.

A SIGNIFICANT ECONOMIC AND SOCIAL GAIN FOR NEW ORLEANS AND LOUISIANA

By 2050, Metro New Orleans stands to realize a \$43 billion gain in economic output by closing the racial equity gap. “Closing the gap” means lessening, and ultimately eliminating, disparities and opportunity differentials that limit the human potential and economic contributions of people of color.

This report makes a compelling economic argument for the social justice imperative of racial equity. Beyond an increase in economic output, advancing racial equity can translate into meaningful increases in consumer spending and tax revenues and decreases in social-services spending and health-related costs, benefiting both New Orleans and the state of Louisiana. For example, in consumer spending alone, closing the racial equity gap in Metro New Orleans would generate an additional \$700 million in spending on food, \$1.9 billion on housing, \$200 million on apparel, \$1 billion on transportation, and \$300 million on entertainment each year. An additional \$560 million would be generated in state and local tax revenues.

The potential economic and social gains are significant. By 2050, more than half the population, workforce, and consumers in the eight-county Metro New Orleans area will be people of color. To create the qualified workforce and economic climate that will position New Orleans for the future, businesses and policymakers must look to the potential of all New Orleanians and take deliberate, realistic, and proven measures to enable the full participation of all.

The purpose of this report is to highlight the business case for racial equity, stressing its importance as both an imperative for social justice and a strategy for New Orleans’ — and Louisiana’s — economic development and growth. Advancing racial equity requires the work of many stakeholders, and we hope that the information in this report will be meaningful, useful, and actionable for leaders, change agents, and influencers within the city’s and state’s businesses, communities, and institutions.

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

MEETING NEW ORLEANS' CHALLENGES

The people of New Orleans have worked to overcome extraordinary challenges in recent years, from Hurricane Katrina in 2005, to the Great Recession, to the BP Deepwater Horizon oil spill in 2010. Billions of dollars in disaster relief, insurance, and restitution helped to rebuild housing, hospitals and clinics, transportation, and coastal management infrastructure. While some reduction in population and capacity linger, the city has largely been revitalized and entrepreneurial activity is increasing.¹

As New Orleans celebrates its 300th anniversary in 2018, local leaders are working to build on this activity and position the region for long-term economic growth. ProsperityNOLA, the city's comprehensive economic development plan, seeks to expand on the current employment base of tourism, transportation, and the energy sector by promoting new industry clusters such as advanced

NEW ORLEANS BUSINESS LEADERS REPORT THAT RECRUITMENT AND RETENTION OF A QUALIFIED WORKFORCE IS THE SINGLE MOST IMPORTANT ISSUE FOR ECONOMIC SUSTAINABILITY AND EXPANSION.

manufacturing, water management, and creative digital media — industries that will support higher-wage jobs.² Because Metro New Orleans generates nearly one-third of Louisiana's economic output, meeting these goals will be important to the state's economic future as well.³

Business leaders in New Orleans report that a qualified workforce is the most important issue in planning for economic sustainability and expansion.⁴ Enabling the full economic potential of all New Orleanians will be critical to maintaining recent progress, overcoming the historical challenges of poverty and crime, and achieving the city's vision for a future of shared prosperity.

THE NEW WORKFORCE MAJORITY IN NEW ORLEANS AND LOUISIANA

People of color will soon represent the majority of the Metro New Orleans population, workforce, and consumers.⁵

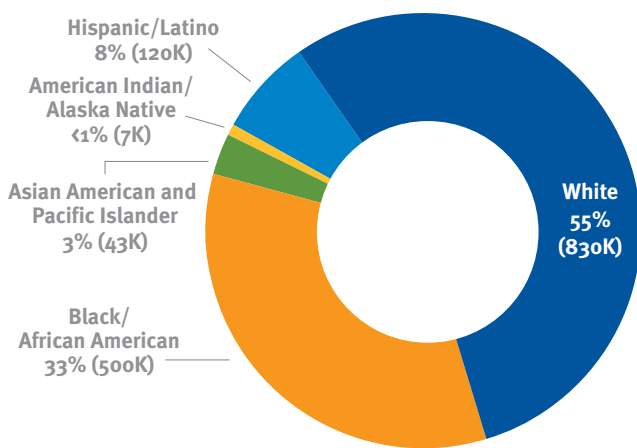
Currently, 45% of Metro New Orleanians are people of color. By 2050, this share will increase to 54%, with the Black share growing from 33% to 35% and the Hispanic/Latino share nearly doubling, from 8% to 15%. Similarly, the working age population (age 18 to 64) will shift from 45% to 56% people of color.⁶

Nearly a third of the Metro area population lives in the city of New Orleans alone (Orleans Parish), and already 70% of this group are people of color, including 60% Black, 5% Hispanic/Latino, and 3% Asian American, predominantly Vietnamese.

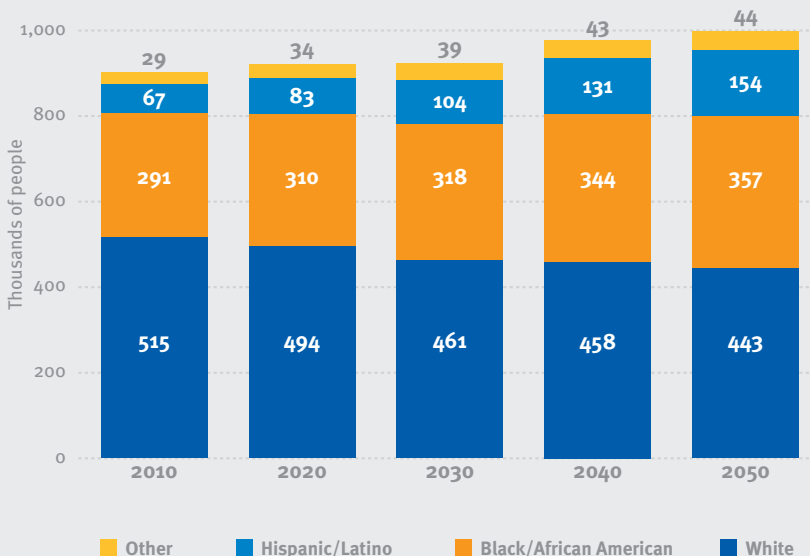
Metro New Orleans is also aging. Over the next two decades, those age 65 and older will grow from one in seven people to one in five.

At the state level, Louisiana is projected to add 1 million people by 2050, more than half Black and about one-quarter Hispanic/Latino. The working age population will grow by nearly 400,000 people and shift from one-third to one-half persons of color.

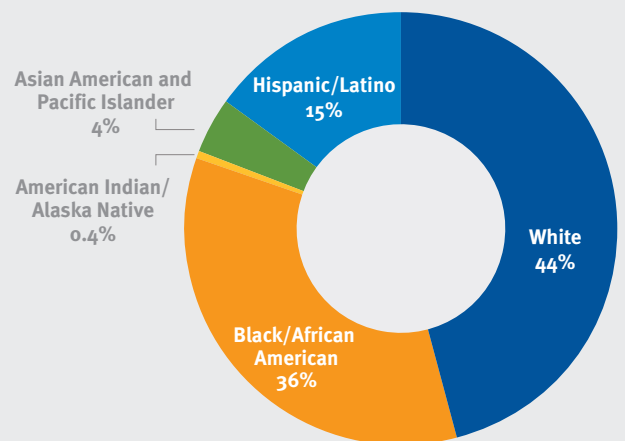
Current Composition of Metro New Orleans Population



Metro New Orleans Working Age Population



2050 Working Age Population in Metro New Orleans



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

A DISTINCT AND INTEGRATED STRATEGY

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

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

There is much overlap between inequities associated with race and other dimensions. Many of the strategies for addressing racial equity will not be race-specific, and will improve outcomes for all people facing particular challenges. But the persistent racial disparities we see today did not happen by accident, nor can they be explained by differences in potential among people with different colors of skin or countries of origin. They arose from a long history of deliberate policies based on race, and have been perpetuated by biases that remain.⁷ Racism will need to be addressed directly to fully overcome them.

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

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

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

THE ECONOMIC *UPSIDE* OF RACIAL EQUITY FOR NEW ORLEANS AND LOUISIANA

ADVANCING RACIAL EQUITY

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

Reduce skills gap and improve the bottom line

A well-prepared, healthy, and diverse workforce is crucial to the success of New Orleans businesses. Raising levels of education, as well as updating the skills of current workers,⁸ will help meet business leaders' concerns about the ability of the workforce to meet the city's goals for economic diversification and growth.⁹ The diversity of the New Orleans workforce can itself be an asset if effectively leveraged to stimulate new approaches to problems and broaden understanding of potential new markets.¹⁰ Businesses with more diverse workforces have been shown to have more customers, higher revenues and profits, greater market share, less absenteeism and turnover, and a higher level of commitment by their employees to their organizations.¹¹

\$20 billion in greater economic output today

The combined effect of current disparities in health, education, incarceration, and employment opportunities is reflected in earnings. The average earnings of Black New Orleanians are about half those of their White age/sex counterparts (52%), and Hispanic/Latino earnings are about two-thirds of the White average (63%) — roughly \$22,000 for Blacks, \$27,000 for Hispanics/Latinos, and \$41,000 for Whites.¹² Closing these gaps would generate more than \$7 billion in additional earnings today. Where will these additional earnings come from? They will come from the economic growth that a more productive workforce brings to meet growing demand, and the growth that families of color themselves support with greater spending power and more financial security. Because this gain would be generated through greater productivity, it would translate to an additional \$20 billion in higher economic output, representing a 24% increase in New Orleans' economy and an 8% increase in Louisiana's Gross State Product (GSP). By 2050, given the expected growth in populations of color, the gain in inflation-adjusted earnings would be \$9.5 billion, a 30% increase. The corresponding gain in economic output would be \$43 billion, a projected 10% increase in Louisiana's GSP.¹³

BY 2050, METRO NEW ORLEANS STANDS TO REALIZE A \$43 BILLION GAIN IN ECONOMIC OUTPUT BY CLOSING THE RACIAL EQUITY GAP.



Billions in increased consumer spending power

Under current consumer spending patterns, closing the earnings gap would translate to more than \$5.5 billion in additional purchasing power, including \$700 million in food purchases per year, \$1.9 billion in housing, \$200 million in apparel and services, \$1 billion in automobiles and transportation, and \$300 million in entertainment spending today.¹⁴ By 2050, closing the earnings gap would represent an additional \$7.5 billion in purchasing power, including \$1 billion in food purchases, \$2.5 billion in housing, \$260 million in apparel, \$1.3 billion in transportation, and \$380 million in entertainment.

\$857 million gained per year by reducing health disparities

Healthier workers have fewer sick days, are more productive on the job, and have lower medical care costs. Beyond the toll in avoidable human suffering, we estimate that disparities in health in New Orleans today represent \$790 million in excess medical care costs and \$67 million in untapped productivity, for a total potential economic gain of \$857 million per year.¹⁵ Today's health disparities also mean that life expectancy varies significantly. We estimate that there are 150,000 lost life years associated with premature deaths.¹⁶ Using \$50,000 per life year (on the low end of valuations of a life year used in medical cost-effectiveness analyses), the

economic impact of these shortened life spans is \$7.5 billion.¹⁷ Eliminating health disparities by 2050 would reduce the need for \$1.4 billion in medical care costs, reduce lost productivity by \$100 million, and save 180,000 life years.

Substantial benefits for state and local governments

Greater earnings for people of color will generate more payroll, income, sales, and other tax revenues. A population with higher earnings also will require less public spending on programs supporting food, housing, medical care, and other essential needs. The current fiscal environment in Louisiana is challenging, as shortfalls in the state budget in recent years have left funding of necessary programs in jeopardy.¹⁸ Closing the earnings gap for people of color today would generate \$560 million in additional state and local tax revenues annually. By 2050, tax revenues would increase by \$720 million.¹⁹

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



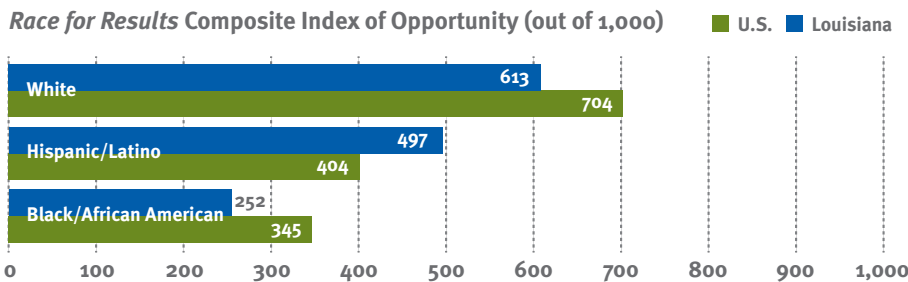
A PATH FORWARD: DOMAINS OF OPPORTUNITY

The forces that impact life outcomes are interconnecting and reinforcing.

Healthier, better-educated people tend to earn more and live in higher-

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

How do these forces impact the likelihood of success for children of different races and ethnicities in New Orleans today? By one measure, the odds of success for children of color are significantly lower than those for White children. The Annie E. Casey Foundation's *Race for Results Opportunity*



Index combines 12 predictors of future success, including birth weight, preschool participation, academic proficiency scores, graduation rates, and family poverty levels,

and creates a single composite score between 0 and 1,000 for each racial or ethnic group — the higher the score, the greater the likelihood of success.²⁰ In 2016, this index of opportunity for White children in Louisiana was 613 out of 1,000, while for Hispanic/Latino children it was 497 and for Black children it was 252, one-quarter of the full opportunity for success.²¹

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

HOUSING

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

\$82
THOUSAND

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

43%

of Black children in Louisiana
live in concentrated poverty
versus 6% of White children

1.5x

as many Whites as people
of color own homes in
Metro New Orleans

As of 2016, 72% of White, 67% of Asian American, 46% of Black, and 44% of Hispanic/Latino households in Metro New Orleans owned their own homes.

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

WHERE ARE WE NOW AND HOW DID WE GET HERE?

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

effects of living in a poor neighborhood become significant when 20% or more of families in that neighborhood are living in poverty.²² In New Orleans and in Louisiana, families of color are much more likely to live in these high-poverty neighborhoods. Across the state, 43% of Louisiana’s Black children, 16% of Hispanic/Latino children, and 12% of Asian American children live in concentrated poverty (where 30% or more of families are in poverty) compared to 6% of White children.²³

The concentration of families of color in high-poverty neighborhoods is not accidental. It is the result of decades of housing, lending, and education policies that explicitly discriminated by race. Two major federal government programs, the GI Bill and the Federal Housing Administration (FHA), helped millions of people achieve homeownership, an education, or financing to start a business — a share of the “American dream.” But these benefits were enjoyed almost entirely by White Americans.

In the decades after World War II, the majority of home loans in the U.S. were financed by the FHA. The FHA’s underwriting handbook explicitly endorsed the practice of “redlining,” which made home purchases in many non-White, largely urban neighborhoods (outlined in red on maps) ineligible for FHA-backed mortgages, even if the applicant was creditworthy. Financing for residential development depended on the racial composition of the neighborhood and was often denied for neighborhoods that were or might become racially integrated.²⁴

The GI Bill after World War II was not overtly discriminatory, but in practice during this time did not confer opportunity equally. Thousands of soldiers returning from war received education and loans for homes, businesses, and farms through the GI Bill, supporting the creation of a strong middle class. Yet Black veterans, who had likewise served

HOUSING

their country, were much less able to capitalize on these opportunities because of the barriers they faced to approval for home loans and admission to most colleges and universities.

Racially restrictive private-sector covenants also were used in the 20th century to maintain segregation. Contracts stated that homes could not be sold to non-White or Jewish buyers, even if the seller and buyer agreed to the transaction.²⁵ In 1946, the Supreme Court ruled that such covenants were not legally enforceable, but many areas continued to implement them.

Economic development and city planning decisions also played a role in perpetuating racial and economic segregation and disadvantage. For example, in New Orleans, the construction of Interstate 10 over Claiborne Avenue, rather than through the French Quarter, disrupted the business and social connections around the bustling main street of the historically Black Tremé neighborhood.²⁶

Discrimination in housing in various forms was not formally outlawed in the U.S. until the Fair Housing Act of 1968. It is worth noting that in 2016, New Orleans became one of the first 20 jurisdictions to update their Fair Housing Act, supporting officials in examining historic patterns of segregation, expanding housing choices, and fostering inclusive communities.²⁷

The unique historical experience of Native peoples in America also has led to higher rates of poverty and low opportunity. This history spans hundreds of years of forced segregation, loss of land and natural resources, oppression of language and culture, removal of children from Native homes, and underinvestment in housing, education, and basic infrastructure.²⁸ Nevertheless, Native peoples have preserved their cultures and their sovereignty for centuries and are slowly advancing progress in a period of increased self-determination.

While housing discrimination on the basis of race or ethnicity is no longer government policy, it continues in more subtle forms. The U.S. Department of Housing and Urban Development has been tracking discrimination in housing and rental markets since the 1970s. Well-qualified White and minority homeseekers are sent into the housing market in 28 metropolitan areas, and any differences in outcomes are tracked. Overt discrimination has decreased over time; in the most recent study (2012), all participants were equally likely to get an appointment and to see at least one housing option. However, Black, Hispanic/Latino, and Asian American homeseekers were systematically shown fewer homes and rental apartments than White participants, limiting their options.²⁹ In New Orleans, a similar audit of 50 advertised apartment complexes, multi-family residences, and single-family homes in low-poverty neighborhoods was conducted in 2014. In the audit, 44% of Black testers were treated less favorably than their White counterparts, either not getting a response at all, not being given a rental application, or being quoted less favorable terms.³⁰

In addition to creating and perpetuating residential segregation, the housing policies of much of the 20th century made the path to homeownership much easier for White families, and families of color have yet to catch up. In Metro New Orleans, 72% of White families own their own homes, compared to 46% of Black families, 44% of Hispanic/Latino families, and 67% of Asian American families.³¹ Even when incomes are comparable, people of color tend to own homes with lower values than those owned by Whites. Houses in neighborhoods with higher concentrations of people of color typically have lower home values and appreciate more slowly.

Given that housing equity makes up about two-thirds of the wealth of an average household, housing differences are the major reason that the

wealth gaps between racial and ethnic groups are even larger than the earnings gaps. Family net worth (assets minus debts) provides a cushion for economic hard times, greater financial stability, and the ability to save for retirement, invest in education, or gain financing for entrepreneurship. According to Census Bureau data, the median net worth of White households in Louisiana was \$92,000, compared to \$10,000 for households of color, a gap of \$82,000. More than one in four households of color (29%) in New Orleans had zero net worth, compared to 14% of White households.³² These gaps have been generations in the making and are unlikely to close without purposeful changes to housing, lending, and tax laws.³³

WHAT ARE EXAMPLES OF PROMISING STRATEGIES?

The strong impact that our surroundings have on our lives also means that simply moving to a better neighborhood can be life-changing. A new body of research led by economists at Stanford, Harvard, and Brown Universities has substantiated that when children from low-income families move to neighborhoods where there is more opportunity, they are more successful and have higher earnings later in life — and the younger they are when they move, the larger the effect.³⁴

Empower social mobility with housing vouchers

Mobility programs such as Moving to Opportunity offer vouchers for tenants of public housing to move to neighborhoods with less poverty. Studies of this program have shown that moving children to higher-opportunity neighborhoods has long-term benefits, including higher college attendance rates and higher earnings, particularly if children move before the age of 13.³⁵ Real estate and other businesses can have a big impact on the success of these types of voucher programs, since they require an adequate supply of affordable housing,

landlords willing to take the vouchers, and methods to connect families qualifying for vouchers with higher-opportunity neighborhoods.

Increase economic and racial integration through inclusionary zoning Inclusionary zoning requires a percentage of new housing developments to be set aside for low- or moderate-income housing to increase the availability of affordable housing. Nearly 500 jurisdictions around the country implement some type of inclusionary zoning practice, although there are none as yet in Louisiana.³⁶ Existing research suggests that inclusionary zoning increases economic and racial integration by incentivizing the creation of low-income housing outside high-poverty, low-opportunity neighborhoods. Businesses associated with residential development of homes and rental units can contribute by supporting this type of zoning and working to make it successful.

Improve the environment in existing communities through neighborhood revitalization Not everyone can move to a higher-opportunity neighborhood or to newly built, affordable housing. Improving conditions in current communities also is an important strategy to reduce the impact of housing inequities and expand opportunity. Businesses across the country are supporting neighborhood revitalization efforts that improve lives and enhance the value of those neighborhoods. As an example of private-sector investment, Goldman Sachs has invested more than \$300 million in neighborhood revitalization and other development initiatives in the city of New Orleans, building new housing units and providing education and capital to over 400 small businesses.³⁷ The Network for Economic Opportunity has been working to rejuvenate New Orleans through neighborhood revitalization and the development of anchor industries within the city that are committed to hiring and retaining a diverse workforce.³⁸

EDUCATION

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

**\$43
BILLION**

gain in GSP from closing the racial equity gap in New Orleans by 2050

87%

at-risk four-year-olds in Louisiana served through publicly funded preschool and Head Start

25%

children enrolled in private or parochial schools in New Orleans, one of the highest rates in the country

56%

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

In Louisiana, only 43% of Blacks and 37% of Native Americans have achieved some post-secondary education, compared to 56% of Whites.

WHILE GRADUATION RATES have been increasing in Louisiana and educational achievement gaps are gradually closing, educational attainment overall lags behind employer demand, constraining business and economic growth. In 2015, about 33% of White children in Louisiana in grade 8 were proficient in reading, compared to 12% of Black and 25% of Hispanic/Latino students. Closing educational achievement gaps can be one of the most beneficial strategies for producing economic, human, and social gains.

The educational achievement gap for children of color can be attributed to a host of socioeconomic and other factors — among them nutrition, exposure to books and language, teacher quality and stability, environmental stress, and expectations — but there is a strong evidence base of proven strategies that begin in early childhood and extend through post-secondary education that can accelerate progress.

WHERE ARE WE NOW AND HOW DID WE GET HERE?

It is easy to forget that when today's baby boomers were children, most schools in the U.S. were still segregated by race. The Jim Crow laws following Reconstruction were not overturned until the landmark 1954 U.S. Supreme Court decision in *Brown v. Board of Education of Topeka*, and it took decades of subsequent court rulings and civil rights actions to drive greater integration of schools and more equitable school funding.

Although children of color have made significant gains, persistent racial and ethnic gaps in readiness for school, educational achievement, and educational attainment remain.³⁹

Gaps begin even before children enter school. The Economic Policy Institute found that Black and Hispanic/Latino students (especially non-English learners) start kindergarten behind in math and reading, but that much of the effect can be explained by social class, suggesting that poverty and the associated circumstances are more important to school readiness than race itself.⁴⁰

Academic achievement gaps that begin in early childhood continue through primary and secondary education. In 2015, about 33% of White children in Louisiana in grade 8 were proficient in reading, compared to 12% of Black and 25% of Hispanic/Latino students.⁴¹ In grade 8 math, 27% of White children, 7% of Black children, and 19% of Hispanic/Latino children were proficient. In 2016, four-year high school graduation rates in Louisiana were 78% overall, 83% for Whites, 73% for Blacks, 73% for Hispanics/Latinos, and 89% for Asian Americans.⁴²

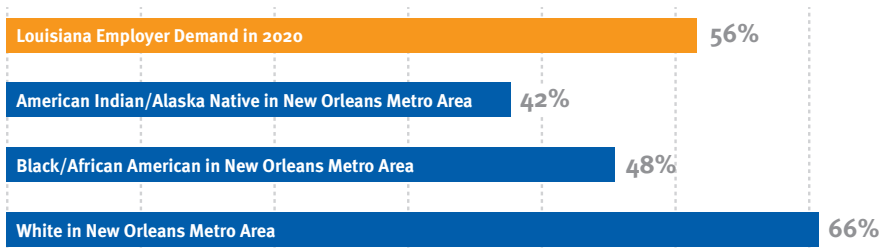
The segregation of children of color into higher-poverty neighborhoods affects many aspects of their lives, including education. Most children attend their neighborhood schools, and these schools vary in the level of resources, teacher quality and stability, classroom size, and facilities. Even when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

EDUCATION

According to the JustSouth Index published by Loyola University, more than one in five schools in Louisiana are segregated by race, meaning that more than 90% of students are of the same race and the school population is not representative of that of the county.⁴³ A possible contributor to school segregation in New Orleans is that one-quarter of children are enrolled in private or parochial schools, one of the highest rates in the country.⁴⁴ In the 1950s through the 1970s, many

color. Extensive research has disproven the notion that Black children misbehave more than White children, suggesting that unconscious bias on the part of teachers and administrators plays a role in the much greater tendency to suspend or expel students of color.⁴⁷ Studies have shown that teachers express greater concern about disruptive behaviors when exhibited by children of color, even in children as young as five.⁴⁸ In New Orleans, 85% of students in 2013–2014 were Black,⁴⁹ but 91% of students who were suspended and all of those who were expelled were Black.

Percent of Workforce with Some Post-Secondary Education



White and middle-class Black families left the New Orleans public schools for private schools or one of the extensive network of Catholic schools, leaving behind a predominantly high-needs population of students. By 2004–2005, the New Orleans public school population was 94% Black, while the overall population of New Orleans was only 66% Black.⁴⁵

Discipline practices in schools also can disproportionately affect the education of children of color. The past three decades have seen a significant increase across the U.S. in exclusionary discipline methods, such as suspensions or expulsions from school, and in referrals of students to law enforcement, even when misbehaviors are not dangerous or harmful to other students.⁴⁶ These types of punishments have been shown to be harmful to the educational achievement and life outcomes of affected students, and they are much more likely to be applied to students of

High school graduation alone improves opportunities, but 56% of all jobs in Louisiana will require some post-secondary education by 2020.⁵⁰ Only 48% of Blacks and 42% of Native Americans achieve this preparation in Metro New Orleans compared to 66% of Whites. At the state level, only 43% of Blacks and 37% of Native Americans have achieved some post-secondary education, compared to 56% of Whites.⁵¹

Increasing high school graduation rates and strengthening academic and financial paths to college or vocational training beyond high school for students of color will support a future workforce better aligned with employer needs.

WHAT ARE EXAMPLES OF PROMISING STRATEGIES?

Invest in quality early childhood interventions

Long-term evaluations of high-quality early childhood interventions, particularly those involving both children and their families, have demonstrated meaningful impacts on educational performance and other outcomes, providing benefits that accumulate over lifetimes and into future generations. Nobel Prize-winning economist James Heckman estimates that every

Closing the educational achievement gap for children in New Orleans and Louisiana can be one of the most beneficial strategies for producing economic, human, and social gains.

dollar spent on quality early childhood education returns \$13 over the long term.⁵² Through publicly funded preschool and Head Start, Louisiana is serving about 87% of at-risk four-year-olds.⁵³ A longitudinal analysis found that at-risk students who participated in the state's preschool program were less likely to repeat grades, more likely to score "basic or above" on eighth grade standardized tests, and less likely to be placed in special education.⁵⁴ The New Orleans Early Education Network is designing and implementing a systematic approach to improve the quality of all publicly funded early learning programs. The network is led by Agenda for Children, which, in partnership with the Urban League of Greater New Orleans, published a resource guide to promote licensed early learning centers, schools, and other community resources.⁵⁵

Make smart fiscal allocations to ensure equitable school funding Adequate school funding is critical to closing gaps in primary and secondary education. To be equitable, not only should school funding formulas be equalized between wealthier and poorer districts, but additional resources should be allocated to schools with higher needs, including those with high numbers of English language learners, children with special needs, or children living in areas of concentrated poverty. Louisiana's public school funding formula, the Minimum Foundation Program, allocates greater resources for higher-need populations, including at-risk and special needs children.

Reduce suspensions and expulsions by using restorative justice

Restorative justice is an approach to school discipline that moves away from punishments, especially in the form of suspensions and expulsions, in favor of requiring recognition of the harm caused by wrongdoing and taking

responsibility to put things right. The Center for Restorative Approaches in New Orleans facilitates the use of this approach and, as of early 2018, reports savings of more than 4,000 hours of instructional time due to reduced suspensions since 2015.

Create diverse and inclusive learning cultures using school system strategies

In addition to strategies targeting residential segregation, school districts and charter schools have policy levers that can increase school diversity. Drawing school attendance zone boundaries that consider socio-economic diversity, or shifting from geographic enrollment to a choice-based policy that promotes diversity, can be effective.⁵⁶ Factoring diversity into magnet school, charter school, or transfer admissions policies also can contribute.⁵⁷

Align education with job requirements by linking business and education partnerships

JP Morgan Chase and Bloomberg combined to give \$7.5 million to prepare high schoolers in New Orleans for jobs in health care and technology.⁵⁸ Aimed at students who might not be entering college, the grants will support YouthForce NOLA in providing paid internships for up to 1,200 students, collaborate with local public high schools to redesign curriculums to include more career-based courses, and provide certification for another 1,600 students in careers that will be in high demand.

HEALTH

GIVING ALL GROUPS THE SAME OPPORTUNITY FOR GOOD HEALTH WILL BE AN IMPORTANT COMPONENT OF BUILDING A HEALTHIER NEW ORLEANS AND LOUISIANA.

**\$857
MILLION**

total economic gain per year to New Orleans by eliminating health disparities

**\$67
MILLION**

untapped productivity due to health disparities in New Orleans today

**180
THOUSAND**

life years saved by eliminating health disparities in New Orleans

**\$7.5
BILLION**

economic impact of shortened life spans in New Orleans

**\$1.5
BILLION**

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

In Louisiana, 15.2% of Black babies are born with low birth weight compared to 8.1% of White babies. Similarly, 15.5% of Black babies are born pre-term compared to 10.5% of White babies.

HEALTH IS FUNDAMENTAL to quality of life and is an important measure of societal well-being. Despite spending more than any other country on health care, the U.S. ranks below other advanced countries in health and life expectancy, and there are wide disparities in health by race, ethnicity, and income. In New Orleans, health disparities that start at birth and continue into adulthood affect the lives of thousands of people of color and carry an annual economic burden estimated at \$790 million in excess medical care costs and \$67 million in untapped productivity. Achieving health equity will require eliminating gaps in access to health care, the quality of care, and, most importantly, the social and environmental determinants of health.

WHERE ARE WE NOW AND HOW DID WE GET HERE?

Differences in health start early in life. Researchers at Columbia University have shown that the circumstances around an infant in utero can impact the health and economic conditions of that person in adulthood.⁵⁹ Birth outcomes vary widely by race and ethnicity, creating opportunities to improve lifelong health and give children a better start. In Louisiana, 15.2% of Black babies are born with low

birth weight compared to 8.1% of White babies.⁶⁰ Similarly, 15.5% of Black babies are born pre-term compared to 10.5% of White babies. Research has shown associations between low birth weight and prematurity and poorer educational outcomes.

Health disparities by race and ethnicity continue into adulthood. Louisiana ranks first in the country in the adult obesity rate, at 36% overall, with Blacks at 43% and Whites at 32%.⁶¹ Diabetes rates in Louisiana also vary, at 15% for Blacks, 9% for Hispanics/Latinos, and 10% for Whites. Overall, 28% of Blacks, 19% of Whites, and 14% of Hispanics/Latinos report that they are in fair or poor health.⁶² The mortality rate for Blacks in their 20s is more than seven times that of Whites due to a Black homicide rate 7.6 times higher than that for Whites.⁶³

Closing gaps in health insurance coverage can contribute to closing gaps in health and improving financial security. Louisiana is the only Deep South state that expanded Medicaid, extending health care coverage to more than 450,000 people as of early 2018.⁶⁴

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

Like so many other life outcomes, health is influenced by one's neighborhood environment. Where a person lives can dramatically affect that person's chance of living a longer, healthier life. According to maps published by the Robert Wood Johnson Foundation's Commission to Build a Healthier America, the life expectancy of people living only miles apart can vary dramatically.⁶⁵ For example, residents of the Lakeview neighborhood of New

HEALTH

Orleans can expect to live to age 80, while those in the nearby Tremé neighborhood have a life expectancy of only 55 years. Children and adults of color are more likely to live in neighborhood conditions that contribute to poor health, including lower air and water quality, less access to healthy food, less opportunity for outdoor play and physical exercise, and greater exposure to the ongoing negative stresses of crime, violence, and financial instability.

WHAT ARE EXAMPLES OF PROMISING STRATEGIES?

Intervene early in prenatal care through home visiting programs Nurse-Family Partnership (NFP), operated by the Louisiana Office of Public Health, is a prenatal and early childhood intervention program designed to improve the health and social functioning of low-income first-time mothers and their babies. Home visits by specially trained public health nurses begin before the 28th week of pregnancy and continue through the child's second birthday. Across the country, NFP has a strong evidence base establishing its effectiveness in improving both short-term and long-term outcomes. For participating mothers, NFP has been found to increase workforce participation, decrease smoking rates during pregnancy, and decrease the use of public assistance. For the children born to these mothers, injuries, substance abuse, and crime have been reduced. Investments in this program have been estimated to generate net present value savings of \$18,000 per family.⁶⁶ In Louisiana, the program has resulted in several success stories featuring mothers and babies whose well-being were at risk.⁶⁷ The NFP agency located in New Orleans also serves Jefferson, St. Bernard, and

Plaquemines Parishes. Healthy Start is another program that provides services to residents of Orleans Parish who are pregnant or parenting children under the age of two.⁶⁸

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

The interconnectedness of the domains affecting life outcomes is especially strong for health. A recent review of strategies to address the social determinants of health found that the evidence supports the health benefits of interventions that address disparities in other domains, including education, housing, and community development. The National Collaborative for Health Equity, formerly Place Matters, builds community-based coalitions to identify and address the social, economic, and environmental conditions that are root causes of health inequities. Teams in 24 jurisdictions across 10 states and D.C., including Orleans Parish,⁶⁹ identify community concerns related to health and well-being, work to understand root causes, and build support for solutions. Businesses participate in broad coalitions within these communities that include public-sector, academic, and faith-based organizations working together to improve opportunities for good health.

Improve nutrition with the Supplemental Nutrition Assistance Program (SNAP) and innovative programs like Double Up Food Bucks

Double Up Food Bucks allows SNAP recipients to double their purchases of fresh, locally grown produce when shopping at participating farmers' markets and grocers. This enables participants to access more food at no extra cost and eat more locally grown, fresh fruits and vegetables while creating demand and circulating more money in local economies. The program was begun in Michigan

The social determinants of health are interconnected and reinforcing. Families of color are much more likely to live in neighborhoods of concentrated poverty, leading to poor health. To improve health outcomes, improve housing, education, employment, and medical care.

by Fair Food Network and has expanded to 18 states. Fair Food Network is currently providing technical assistance on a grocery incentive project in the 7th Ward of New Orleans led by the non-profit marketumbrella.org.

Increase access to primary and preventive care with school-based health centers The U.S. Community Preventive Services Task Force recommends implementing school-based health centers (SBHCs) in low-income communities to improve health and educational outcomes and reduce disparities.⁷⁰ Health issues affecting low-income children and children of color, including missing days of school because of illness, being hungry, and having unaddressed vision or hearing problems, affect not only long-term health outcomes but educational outcomes as well. Low-income children and children of color are less likely to have a reliable source of health care and dental care. SBHCs provide primary care, and may

also provide mental and oral health care, social services, and health education. These centers have been shown to improve health outcomes, including increasing vaccination rates, reducing asthma morbidity, and decreasing emergency department and hospital admissions. SBHCs also have been shown to improve educational outcomes, including school performance, grade promotion, and high school completion. In 2010, the GE Foundation gave the Louisiana Public Health Institute \$2 million to fund SBHCs in Orleans Parish schools. Evaluations have found that SBHCs improved health behaviors and access to care for New Orleans adolescents.

CRIMINAL JUSTICE

THE CYCLE OF INCARCERATION IN NEW ORLEANS AND LOUISIANA HAS STAGGERING AND PREVENTABLE ECONOMIC, SOCIETAL, AND HUMAN COSTS.

**\$100
MILLION**

estimated per-year reduction
in corrections spending if
Metro New Orleans Blacks
were incarcerated at the
same rate as Whites

**\$831
MILLION**

spent on state corrections
in 2015, 8.4% of general
fund dollars

\$10 to \$1

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

**>\$100
THOUSAND**

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

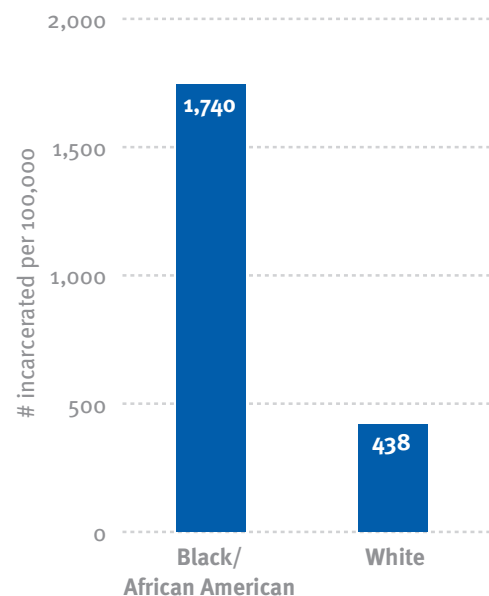
Whites make up 60% of the population in Louisiana and represent only 30% of the incarcerated population, while Blacks represent 32% of the population and 66% of the incarcerated population.

EQUAL JUSTICE under the law is an American ideal. Yet people of color are imprisoned at rates far exceeding their share of the population. They are more likely to be stopped, arrested, prosecuted, and incarcerated and receive longer sentences than their White counterparts. The cycle of incarceration and subsequent disadvantage takes a lifetime toll on children, families, and communities of color. It also imposes a significant economic burden on society. If incarceration rates for Blacks were the same as for Whites, the number of New Orleanians incarcerated would be cut roughly in half, translating to a reduction in corrections spending of \$100 million per year for the Metro New Orleans population. In recognition of the human and economic costs associated with high rates of incarceration, criminal justice reforms, including programs that focus on prevention, addiction, and workplace re-entry, are among the strategies being advanced to prevent incarceration and help returning individuals reintegrate successfully as productive members of their communities.

WHERE ARE WE NOW AND HOW DID WE GET HERE?

Louisiana has the highest incarceration rate in the country, and Blacks are incarcerated at four times the rate of Whites.⁷¹ Whites represent 60% of the Louisiana population and 30% of the incarcerated population, while Blacks represent 32% of the population and 66% of the incarcerated population. Louisiana also holds more people in local jails than any other state. While rates have fallen post-Katrina, Orleans Parish residents are jailed at rates of 350 per 100,000 for Whites and 1,226 per 100,000 for Blacks.⁷²

2015 Incarceration Rates, Louisiana



Louisiana spends \$831 million, or 3% of total state spending and 8.4% of general fund dollars, on corrections.⁷³ Reducing disparities in incarceration rates could significantly reduce this spending — a \$100 million reduction if Black rates were reduced to White rates for the Metro New Orleans population alone. Researchers at Washington University in St. Louis estimate that for every dollar saved in prison costs due to reduced incarceration, \$10 in overall societal costs are saved.⁷⁴

CRIMINAL JUSTICE

Not only are inmates out of the workforce for the time they are in prison, but former inmates face difficulty finding employment and housing when they re-enter the community. More than half of inmates are parents with children under the age of 18, and incarceration significantly impacts the economic resources and stability of their families. Research has shown that children with incarcerated parents are more likely to experience homelessness, drop out of school, develop learning disabilities, experience anxiety, stress, and depression, and suffer from physical health problems, all of which hinder educational and other outcomes.⁷⁵

WHAT ARE EXAMPLES OF PROMISING STRATEGIES?

Reduce correctional populations with research-based supervision and sentencing The Justice Reinvestment Task Force was created by the Louisiana legislature in 2016. With help from The Pew Charitable Trusts, this group aimed to reduce correctional populations and associated costs by focusing on serious and violent crimes, holding offenders accountable by implementing or expanding research-based supervision and sentencing practices, and reinvesting savings in strategies shown to decrease recidivism and improve re-entry outcomes. The 26 recommendations of the Task Force became a package of reform bills that was passed by the 2017 state legislature. The package is expected to reduce the prison population by 10% and save \$262 million over the next decade.⁷⁶

Reduce the jail population through bail reform In 2015, \$9.2 million in bail, fines, and fees was paid by New Orleans' mostly poor and Black residents to for-profit bail bond agents and government agencies.⁷⁷ On any given day, more than 500 people were in jail in New Orleans because they could not afford bail or because they were arrested for unpaid fines and fees. In 2017, the New Orleans

City Council took a step to address this issue by approving an ordinance that essentially ends money bail for most people charged with petty crimes.⁷⁸

Intervene early with juvenile offenders by providing education services Education is particularly critical for juvenile offenders, who have perhaps the greatest opportunity to change their life paths and often enter the criminal justice system behind academically. Researchers with the National Academy of Sciences reviewed modeling results on the costs and benefits of a range of juvenile justice interventions. Educational services were shown to offer the highest direct economic benefits, at more than \$100,000 per youth.⁷⁹ In New Orleans, the Youth Empowerment Project serves at-risk, court-involved, and out-of-school youth through multiple programs, including a Work and Learn Center for job skill development, a juvenile re-entry program, GED and literacy services, and mentoring. The Community Reintegration Program provides intensive, individualized case management and support to help youth make a successful transition back into the community.⁸⁰

Remove barriers from job applications with hiring practice reform Businesses can play a role in reducing the impact of mass incarceration by pursuing policies that offer opportunities to returning community members. For example, "ban the box" policies remove the question about conviction history from initial job applications so that job-seekers re-entering society have the opportunity to be considered for employment. In 2014, the city of New Orleans announced a new policy prohibiting city government applications from asking about criminal history. Since the majority of jobs in New Orleans are outside of local government, expansion of this policy to private businesses would have significant social and economic benefits. Regardless of public policies in their locations, most

Criminal justice reforms and programs focusing on prevention, addiction, and workplace re-entry can disrupt the cycle of incarceration.

businesses can adopt a ban the box policy, enabling returning citizens the opportunity to be considered for positions for which they are qualified. The Equal Employment Opportunity Commission offers guidance on best practices for using arrest and conviction information in hiring decisions.⁸¹

Engineer successful transitions with re-entry programs In addition to working to reduce the number of people incarcerated, there is a need to connect returning community members with employment and supportive services. As illustrated in the examples below, businesses can participate in such programs in partnership with other private or public-sector entities, or work directly to offer opportunities to former inmates as they reintegrate into the workforce.

- **The Louisiana Prisoner Reentry Initiative** is a public-private partnership piloted by the Louisiana Department of Corrections to reduce recidivism through improved case planning and strengthened re-entry programs implemented by transition specialists added to local prisons. Results include greater and more consistent communication between local prisons and the Department of Probation and Parole.⁸²
- **The re-entry court at the Louisiana State Penitentiary at Angola** uses donations from businesses across the state to train inmates in a variety of skilled professions.⁸³ Hydraulic lifts for automotive repair training, welding and cement finishing equipment, and ovens and kitchens for culinary services are all available for selected inmates to further their education and training.

Upon release, these inmates are placed with partnering businesses for stable employment. The requirements and obligations are strict and intense, but the hope is that providing mentorship, training, education, and a stable income will drastically lower the recidivism rate. With a rate of roughly 50% in the general Louisiana prison system, initial results have been promising: one parish court reports that of the 33 inmates who have gone through the program, only one has returned to the criminal justice system.

- **In 2014, the city of New Orleans** developed a re-entry strategy and pilot program as part of its comprehensive murder reduction strategy, NOLA for Life.⁸⁴ The city partners with the criminal justice system and business, civic, and faith-based communities to strengthen access to employment and address barriers and risk factors faced by formerly incarcerated individuals. The program has served more than 145 individuals to date, and the six-month recidivism rate for participants is 8%. The city's re-entry initiative creates a pipeline connecting the corrections system, job training programs, and wraparound services such as life skills training, mental health, and substance abuse programs.
- **Voice of the Experienced (VOTE)** is a grassroots organization founded and run by returning community members and dedicated to ending disenfranchisement and discrimination against people with convictions. Since 2013, VOTE has held job fairs specifically for formerly incarcerated people and their communities. Laitram LLC, a machinery manufacturer in New Orleans, attended these job fairs and has been on the leading edge in hiring previously incarcerated individuals.⁸⁵

EMPLOYMENT AND ENTREPRENEURSHIP

ENABLING THE FULL CREATIVE
AND ECONOMIC POTENTIAL OF
NEW ORLEANIANS BENEFITS
LOUISIANA ON MULTIPLE LEVELS.

**\$7
BILLION**

gain in New Orleans
earnings today

24%

increase in
New Orleans'
economy today

**\$5.5
BILLION**

additional
purchasing power
today

**\$9.5
BILLION**

projected gain
in earnings
by 2050

**\$720
MILLION**

projected increase
in state and local tax
revenues by 2050

Louisiana ranks 50th out of 51 for poverty; 49th for racial disparity;
48th for immigration exclusion; and 51st overall.

WHAT ONCE WERE predictions about the future of work are today's reality — automation, technology, and artificial intelligence are sweeping through the economy, changing almost every job and increasing the demand for highly skilled workers. In response, employers are “upskilling” their workforces, educational systems are transforming, and policymakers are discussing the need for a massive effort to prepare workers for quality jobs. Raising levels of education and narrowing skills gaps for populations of color, who will soon represent the majority of the Metro New Orleans workforce, will reduce unemployment and increase the state's competitiveness in attracting new businesses. Entrepreneurship is also a path to increased economic opportunity within communities of color. Reports indicate that entrepreneurs of color find unique challenges that limit the growth, scalability, and sustainability of their businesses, including access to favorable credit terms, funding, investors, and marketplace opportunities. On multiple levels, from innovation to jobs to financial security to developing resilient economies, cultivating job skills and entrepreneurship within communities of color makes strong economic sense.

WHERE ARE WE NOW AND HOW DID WE GET HERE?

People of color have higher unemployment rates, lower labor force participation, and lower earnings than their White counterparts, as well as lower odds of long-term success in small-business ownership. As of fall 2017, unemployment rates in Louisiana were 2.8 times higher for Blacks than for Whites, at 9.5% versus 3.3%.⁸⁶ Similarly, for Metro New Orleans, the average unemployment rate from 2011 through 2015 for workers of color was 11.2%, while the White rate was 5.8%.⁸⁷ Disparities in education and health play a role, as do higher rates of incarceration. A greater likelihood of living in a neighborhood of concentrated poverty also means fewer available jobs, less opportunity to gain job skills early, fewer contacts to provide mentorship or connections in a job search, and fewer role models to inspire career goals.

A study of Black and White men who graduated from the same vocational school and sought jobs in the same blue-collar market looked to explain why White applicants were more successful in finding jobs. The researchers found that the biggest difference between Black and White job-seekers was not educational performance, work ethic, or values, but access to contacts who could help in the job search and entry process.⁸⁸

The people of Louisiana experience a high degree of poverty and economic disparity compared to the rest of the country. According to the JustSouth Index published by Loyola University, Louisiana ranks 50th out of 51 for poverty (low minimum wage, low Earned Income Tax Credit, and low reach of housing and child care assistance), 49th for racial disparity (large gaps in earnings and unemployment), 48th for immigration exclusion, and 51st, or last, overall.⁸⁹ In New Orleans, the dominance of tourism as the largest employment industry, replacing the higher-paying port jobs of the 1990s, contributes to

EMPLOYMENT AND ENTREPRENEURSHIP

high levels of poverty and earnings disparities. Over a 10-year period, 8 out of 10 tourism workers in New Orleans were found to have remained in jobs that did not pay a living wage.⁹⁰

Systemic biases also remain as barriers to people of color in the labor market and as small-business owners. In a well-known University of Chicago study, when the same resume was submitted to job postings under different names, a callback for an interview was 50% more likely when the resume had a stereotypically White name instead of a stereotypically African American name.⁹¹ In a separate experiment, White, Black, and Hispanic/Latino participants with similar demographic characteristics and interpersonal skills were given equivalent resumes and sent in person to apply for hundreds of low-wage jobs. Black applicants were half as likely as equivalent White applicants to be called back or offered a job. Remarkably, both Black and Hispanic/Latino applicants with no criminal records had the same success rates as White applicants who reported being recently released from prison.⁹²

Disparities are seen in entrepreneurship as well. Businesses owned by people of color represent 27% of businesses in the New Orleans Metro area, yet receive only 2% of all revenues generated in the city.⁹³ There are several factors that contribute to gaps in small-business ownership and performance, including more limited access to capital to weather initial bumps and take advantage of opportunities to expand, and lack of access to needed business and management skills and experience. Less capital and collateral and lower credit scores may contribute to Black and Hispanic/Latino business owners being denied financing or being charged higher interest rates. But there is also persistent evidence that applicants of color are more likely to be denied loans, even when controlling for other characteristics.

Further, access to financial services varies; 18% of households of color in New Orleans are “unbanked,” with no checking or savings account, compared to only 3% of White households.⁹⁴

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

WHAT ARE EXAMPLES OF PROMISING STRATEGIES?

Create an equitable work environment through diversity and inclusion The Kellogg Foundation’s Truth, Racial Healing & Transformation (TRHT) implementation guidebook recommends that organizations ask the following questions to assess diversity and inclusiveness in recruitment, retention, responsibilities, and remuneration.⁹⁵

- **Recruitment and Hiring** How aggressively and through what means are people from a wide range of racial and ethnic backgrounds recruited? Does the recruitment strategy ensure a diverse applicant pool? Is the interview process fair to all applicants? Are the qualifications for the position well defined and clearly relevant to the job responsibilities? Do the interviewers have diverse backgrounds and perspectives and are they aware of the potentially dangerous manifestations of implicit bias?

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

- **Retention and Advancement** Is the atmosphere in the organization welcoming to all? Are staff tuned into and trained in cultural sensitivities for all cultures, irrespective of racial or ethnic background? Are performance evaluations clear and objective? Is there an equal opportunity for advancement? Are diverse backgrounds and perspectives valued equally?
- **Responsibilities** Are people entrusted with responsibilities without regard to racial or ethnic background? Are expectations similarly high for all?
- **Remuneration** Are people paid equally for equal work responsibilities? Among customers and clientele served by these organizations, the belief system may be manifested in how customers and clientele are treated and in the atmosphere that is created for those who are being served.

Reexamine all aspects of business operations from a racial equity perspective as outlined in *The Competitive Advantage of Racial Equity*

Research by FSG and PolicyLink provides specific examples of companies applying racial equity strategies to reconceive products and markets, redefine workforce development, and strengthen their competitive context. Companies such as PayPal, Gap Inc., and Symantec create value by advancing equity while improving business performance.⁹⁶

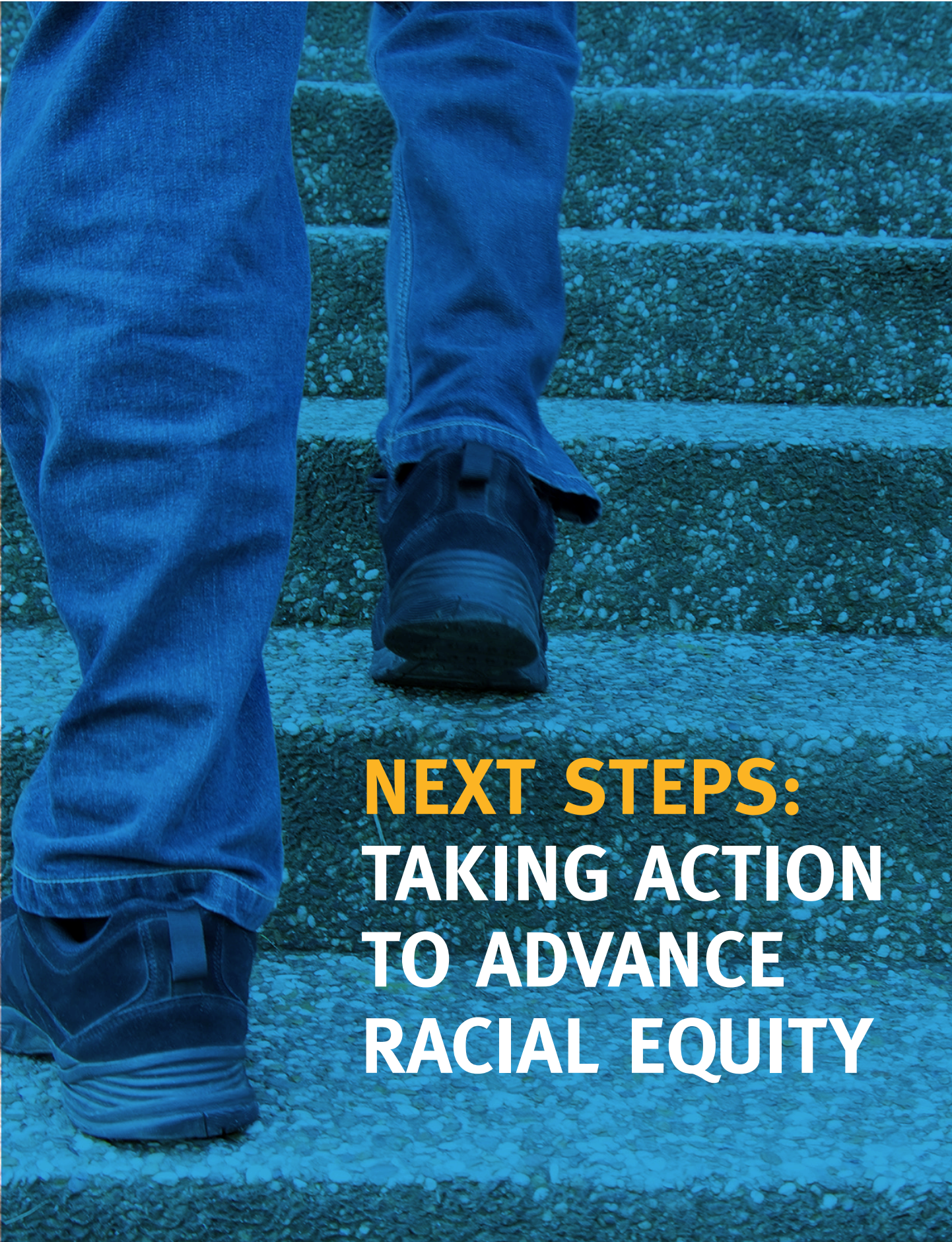
Invest in youth development by introducing on-the-job training

Café Reconcile was founded in 1996 with public funds and investments from business and culinary enterprises in New Orleans. Café Reconcile's workforce development program has successfully graduated more than 1,500 youth from a 12-week

program teaching basic independent living skills, interpersonal skills, and work skills, enabling them to successfully enter the workforce. In 2008, Liberty's Kitchen was founded on a similar model of youth development to provide disconnected youth with work and life skills.

Grow minority entrepreneurship by investing in new businesses

The 10,000 Small Businesses program, a partnership between the city of New Orleans and Goldman Sachs, offers business and management education, access to capital, and business support services to small businesses in the New Orleans area. Under this initiative, Goldman Sachs has committed \$20 million in lending capital to the region. Good Work Network targets minority-owned and women-owned businesses in New Orleans, fostering connections between business owners and local resources and providing technical assistance.⁹⁷ Camelback Ventures is another homegrown organization that provides coaching, capital, and connections to underrepresented entrepreneurs.⁹⁸ Finally, the city of New Orleans and partners are addressing the capital, opportunity, and capacity challenges to small minority businesses. The city reinvigorated a disadvantaged business enterprise program that doubled participation on city contracts and partnered with NewCorp to provide capital and technical assistance to small businesses, with a focus on small, minority, and women-owned businesses.⁹⁹



NEXT STEPS:
TAKING ACTION
TO ADVANCE
RACIAL EQUITY

New Orleans and Louisiana have the power to advance racial equity.

Within New Orleans and Louisiana, each of us has the power to advance racial equity. As business leaders,

policymakers, and individuals, we can influence the attitudes and actions around us. We can increase our participation in our communities, make our voices heard by our governments, and join in the broader discourse on race, inequality, and the economic future of our city, state, and country.

New Orleans' and Louisiana's businesses can evaluate internal practices in recruitment, hiring, retention, and advancement to identify and break down biases and shape work environments to promote diversity and inclusion. These practices can produce immediate gains in retention and employee satisfaction and engender new business solutions that come from combining different perspectives.¹⁰⁰ Businesses can also explore new products and markets that better meet the needs of people of color and that also make good business sense.

Private and public organizations can invest directly in New Orleans' and Louisiana's workforce and economic development efforts that target underrepresented groups. These investments create pipelines to good workers and better communities in which to live, work, do business, and attract more talent and investment.

Finally, individuals, community organizations, and business groups can lend political support to public policies that promote greater equity. Many of these policies, including early childhood investments, education, and sentencing reform, need not be targeted at specific racial and ethnic groups, but will benefit people of color as they help populations most at risk. For policies that are unlikely to be adopted at the state level, advocates can support the ability of cities such as New Orleans to implement them locally.

NEXT STEPS:

TAKING ACTION TO ADVANCE RACIAL EQUITY IN NEW ORLEANS AND LOUISIANA

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

- 1. Invest early to maximize lifelong health and educational achievement.** Proven strategies include home visiting programs such as Nurse-Family Partnership, which provides prenatal and early childhood care and counseling, and early childhood investments, including preschool and quality early child care.
- 2. Empower social mobility through programs such as the Moving to Opportunity housing voucher program.** The younger children are when they move to a better neighborhood, the greater the lifelong benefits.
- 3. Increase economic growth by supporting and complying with inclusionary zoning policies.** Greater availability of affordable housing and greater integration of income levels, races, and cultures will reduce opportunity gaps and strengthen communities. Purposeful school zoning also can better diversify schools by race and income.
- 4. Improve the environment in existing communities through neighborhood revitalization efforts.** Improving the physical environment and promoting new businesses in underserved neighborhoods can improve health, economic opportunity, and hope in the communities.
- 5. Support smart fiscal allocations to align resources with the highest need.** Examples of smart fiscal allocation include adopting policies that ensure equitable school funding, such as those successfully applied in Hawaii.
- 6. Keep children in school by implementing more effective school discipline policies, such as restorative justice.** Restorative justice — requiring taking responsibility and making restitution — has been shown to be an effective consequence of misbehavior, while reducing suspensions and expulsions disproportionately faced by children of color. Remaining in the classroom and in school improves academic performance and graduation rates.
- 7. Address root causes of health disparities with community coalitions.** Partnerships of public, private, academic, and faith-based organizations can work at a local level to identify and promote the social and environmental conditions for good health.

OVER THE NEXT FEW DECADES, THE WORKING AGE POPULATION IN LOUISIANA WILL INCREASE BY 400,000 PEOPLE AND SHIFT FROM ONE-THIRD TO ONE-HALF PEOPLE OF COLOR.

- 8. Change laws and policies governing nonviolent crime through evidence-based sentencing reform.** The high cost of incarceration for individuals, families, and taxpayers, and evidence that increased incarceration and longer sentences in most cases do not reduce crime, have led to bipartisan support for sensible sentencing reform.
- 9. Engineer successful transitions to society for returning citizens through re-entry programs.** Giving returning citizens the opportunity and support they need during this critical transition not only lowers recidivism, it expands the pipeline to productive and dedicated workers.
- 10. Better connect youth to job skills through career-focused education.** Across the country, employers are partnering with high schools, community colleges, and universities to support and influence training that will best meet employer needs and increase job opportunities.
- 11. Create economic opportunity through business development in low-opportunity areas.** High-poverty neighborhoods are less able to support local businesses, so job opportunities and experience are scarce, affecting current economic security and upward mobility.
- 12. Grow minority entrepreneurship through expanding access to capital and business expertise.** People of color and Whites start businesses at similar rates, but people of color need better access to capital and expertise to make their businesses thrive and grow.

In 2017, then-Mayor Mitch Landrieu and the city of New Orleans, in partnership with the Foundation for Louisiana, launched EquityNewOrleans to look for opportunities for city government to understand and demonstrate equity in city policies, programs, and service delivery. Business groups such as NOLABA (New Orleans Business Alliance) also recognize that the city and the state need the full economic, social, and creative contributions of all their people. ProsperityNOLA, the city's aspirational development plan, is "rooted in the belief that for New Orleans to be successful, all citizens must have an equal opportunity to participate in its economic growth."¹⁰¹

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

METHODS

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

Economic output and Gross State Product (GSP) estimates and projections to 2050 for Metro New Orleans and the state of Louisiana were taken from Woods & Poole Economics, 2016 Complete U.S. Demographic Database, based on U.S. Bureau of Economic Analysis data and Woods & Poole projections.

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

1. Population counts for Blacks, Hispanics/Latinos, Asian Americans, Native Americans, and Whites in Metro New Orleans were multiplied by their respective average earnings estimates from the PolicyLink/PERE National Equity Atlas (www.nationalequityatlas.org) and summed across all racial and ethnic categories to produce total current earnings.
2. The same population counts were multiplied by average “earnings under racial equity” for each racial and ethnic category from the PolicyLink/PERE National Equity Atlas to produce total current earnings under racial equity. PolicyLink/PERE compute earnings under racial equity by setting earnings for each category of persons of color by age and sex to the average earnings of their non-Hispanic/Latino White age/sex counterparts (see http://nationalequityatlas.org/sites/default/files/Data_and_Methods.pdf).

3. Total earnings were subtracted from total earnings under racial equity to estimate the potential gain in total earnings under racial equity.
4. For future years, the same computations were performed with projected population counts in each racial/ethnic category to compute total earnings with and without racial equity and the potential gain in earnings under racial equity.
5. Note that this earnings gap is not driven by a few very high-income White earners (“the 1%”). The data source used to measure earnings, the Census Bureau’s American Community Survey, tends to underrepresent very high incomes, as it includes employed and self-employed wages and salaries but not capital gains and other investment income. Previous Altarum analyses of the earnings gap using data and methods comparable to those used by PolicyLink/PERE computed estimates with and without the top 1% of earners, and found that the order of magnitude of the gap was similar.

The **potential gain in economic output** was estimated as follows.

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

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

The **estimated potential increase in state and local tax revenues** was computed as 7.6% of the potential increase in earnings, an estimate of the rate of taxes on earnings in Louisiana based on The Tax Foundation’s “State-Local Tax Burden Rankings FY 2012” (<https://taxfoundation.org/state-local-tax-burden-rankings-fy-2012/>).

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

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

DIRECT MEDICAL CARE COSTS, LOSS OF PRODUCTIVITY COSTS, AND COSTS OF PREMATURE DEATHS ATTRIBUTABLE TO HEALTH DISPARITIES IN NEW ORLEANS, 2014 (MILLIONS OF DOLLARS)

	Blacks/African Americans	Hispanics/Latinos	Asian Americans and Pacific Islanders	Total
Direct Medical Care Costs	395	381	14	790
Indirect Costs				
Lost work days	23	1	–	24
Lost work hours	–	4	–	4
Lost wages	15	24	–	39
Subtotal Indirect Cost	38	29	–	67
Total Direct and Indirect	433	410	14	857
Value of Lost Life Years	7,462	32	20	7,514
Grand Total	7,895	442	34	8,371

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

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