



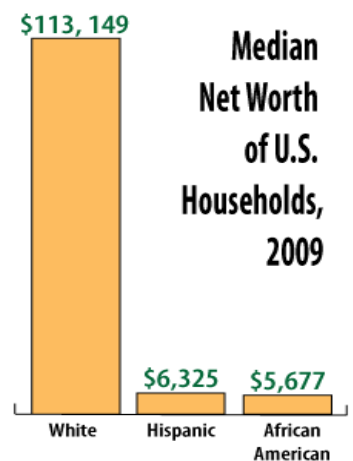
## CLOSING THE OPPORTUNITY GAP: BUILDING EQUITY IN OKLAHOMA

Oklahoma's prosperity depends on the financial success and economic achievement of the people who call it home. For a state that has always been rich in natural resources and entrepreneurial spirit, the future continues to look bright. Yet we've also inherited a legacy of discrimination that historically impeded economic opportunity for people of color and created a wealth deficit that persists today. Left unaddressed, this wealth deficit threatens Oklahoma's ability to achieve shared prosperity into the future.

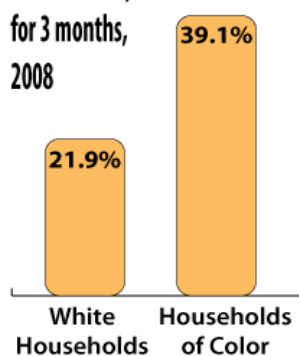
### Introduction

History is replete with examples of state-sanctioned efforts to appropriate wealth from people of color, the effects of which can still be seen today. When wealth is measured in terms of financial assets, i.e. a home or savings account, White households in the U.S. have nearly twenty times more wealth than Black households and eighteen times more wealth than Hispanic households. These are the largest gaps in racial wealth observed since the government began publishing data on net worth a quarter century ago.<sup>1</sup>

The racial wealth disparities in Oklahoma are consistent with the national trend. Two out of every five, or 39.1 percent, of the state's households of color are asset poor, nearly double the rate for White households. The asset poverty rate measures the percentage of households without sufficient assets to subsist at the poverty level for at least three months if their income was disrupted.



### Oklahoma Households Without Sufficient Net Worth to Subsist at the Poverty Level for 3 months, 2008



There is mounting evidence that assets – distinct from income – promote financial security, interrupt intergenerational poverty, and improve household health and quality of life.<sup>2</sup> Oklahoma is transforming from a state with a predominately white population, to one that is increasingly diverse. Children of color now comprise a majority of the population of children in 11 of the state's 77 counties, and 44 percent of all children in Oklahoma are racial and ethnic minorities.<sup>3</sup>

Oklahoma's changing demographics demand that equity move to the forefront of our economic development agenda. Equity can no longer be thought of as a social justice or minority concern; it's an economic imperative for Oklahoma's future. Persistent inequality is a structural impediment to development and a drag on economic growth. Diverse communities are inextricably linked by commerce, travel, and investment. An agenda that ignores equity will deliver shallow and uneven results.

This paper advances an equity agenda for Oklahoma's future, an agenda that acknowledges the racial wealth gap and income inequality as products of our collective history, culture, and policies. The first half assesses the state of the racial wealth gap and the many ways it manifests itself in our social and economic structures. The second half proposes solutions for closing the wealth gap and fostering equitable access to income, assets, and opportunity.

## THE STATE OF THE GAP: MEASURING DISPARITIES IN CORE ASSETS

Assets are the key to lasting prosperity; they enable individuals to earn, build wealth, and create financial security for themselves and their children. There are three core asset areas: foundational assets, generative assets, and regenerative assets. Foundational assets (health, education, and transportation) are prerequisites to securing employment that generates enough income to meet basic needs and beyond. Generative assets (employment, entrepreneurship, and income) refer to earned income and cash flows that equip a person to live, maintain financial security, and invest in a brighter future. Regenerative assets (savings, investment, and homeownership) are items of value that generate wealth independent of income earned through paid labor.

### FOUNDATIONAL ASSETS

The first core area of assets are foundational, which refer to assets that enable a person to learn and earn throughout their lives. Health, education, and transportation position workers to attain employment and generate income. Without any or all of these foundational assets, it's difficult to earn enough to make ends meet, or save enough to prepare for emergencies.

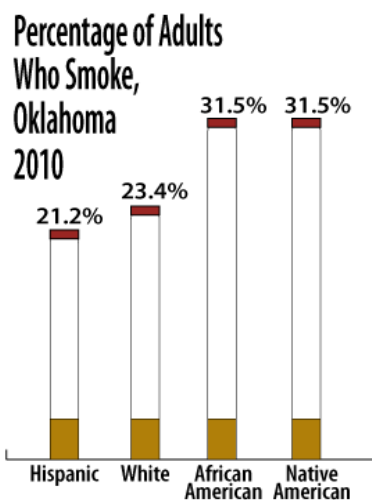
#### Health

Health is a person's most fundamental asset. Poor health decreases quality of life, inhibits employment, and drains income. Significant disparities exist in the health status and outcomes of low-income and minority Oklahomans.<sup>4</sup> Inequities largely arise from differences in population health and socioeconomic conditions that are systemic and avoidable.<sup>5</sup>

#### Childhood

There is mounting evidence that health in early childhood provides the physical, cognitive, and social-emotional foundation for lifelong health and well-being.<sup>6</sup> Racial and ethnic disparities in prenatal, early childhood, and youth health are evident across several key indicators summarized below. African Americans are especially vulnerable to poor health outcomes early in life, with the highest rates of preterm births, low birthweight, and children with special health care needs. They are also least likely to have accessed prenatal care and basic vaccinations.<sup>7</sup>

#### *Smoking, Obesity, and Chronic Disease*

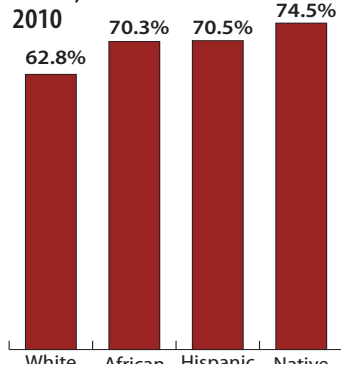


Oklahomans smoke cigarettes at a higher rate than the residents of almost any other state. Oklahoma ranked 3rd nationally in 2010 in cigarette usage among adults, with 23.7 percent of residents 18 or older reporting that they currently smoke every day or some days.<sup>8</sup> African Americans and American Indians smoke at higher rates than other Oklahomans (31.5 percent), followed by Hispanics (21.2 percent), and Whites (23.4 percent).<sup>9</sup> Oklahoma leads the nation in the share of its African-American residents who smoke.<sup>10</sup>

Oklahoma is also experiencing a rapid and alarming spike in the percentage of adults who are overweight or obese. Between 2000 and 2010, we moved from 32nd nationally in percentage of overweight or obese adults to 7th.<sup>11</sup> By 2018, the state is projected to have the highest obesity rate in the nation.<sup>12</sup>

American Indians have the highest percentage of overweight/obese adults (74.5 percent), followed by Hispanics/Latinos (70.5 percent), African-Americans (70.3 percent), and Whites (62.8 percent).<sup>13</sup> It's worth noting that the only group in Oklahoma with fewer overweight/obese adults than the national average for their population are African-Americans, with a national rate of 73.7 percent.

Percentage of overweight/obese adults, Oklahoma 2010



The incidence of cancer is rising rapidly among all Oklahomans. In just three years, the state rose from ranking 24th in cancer prevalence, to ranking 9th as of 2007.<sup>14</sup> However, African-Americans in the state are still more likely than both Whites and Hispanics to develop cancer and die from the disease. African American women are almost twice as likely to die from breast cancer as White women in Oklahoma.<sup>15</sup>

African Americans have the highest mortality rates from heart disease in Oklahoma (345.3 per 100,000), followed by Whites (293.1), American Indians (298.0), and Hispanics/Latinos (194.0).<sup>16</sup> They are also more than twice as likely to die from diabetes as White residents. Native Americans, however, have the highest prevalence of diabetes (15.1 percent), followed by African Americans (14.7 percent), residents of mixed race (13.6 percent), Hispanics/Latinos (9.7 percent), and Whites (9.4 percent).<sup>17</sup>

### Disparities in Access and Quality of Care

Treatment disparities contribute to higher death rates from cancer and cardiovascular disease. For instance, delayed breast cancer diagnosis among African American women contributes to their higher mortality rate. American Indian and African American Medicare patients were less likely than their White counterparts to receive discharge instructions for heart disease from Oklahoma hospitals (administration of aspirin, prescriptions for beta blockers and blood pressure medication, smoking cessation counseling).<sup>18</sup>

Disparities in health status and outcomes are perpetuated by disparities in access to quality affordable care. Hispanic residents have the highest uninsured rate (35 percent), followed by African-American (24 percent), and White (17 percent) residents.<sup>19</sup> Even insured residents face barriers to adequate care, including underinsurance, insufficient income, lack of transportation, low availability of primary care providers, and an inability to take time off from work to get preventative care or treatment.

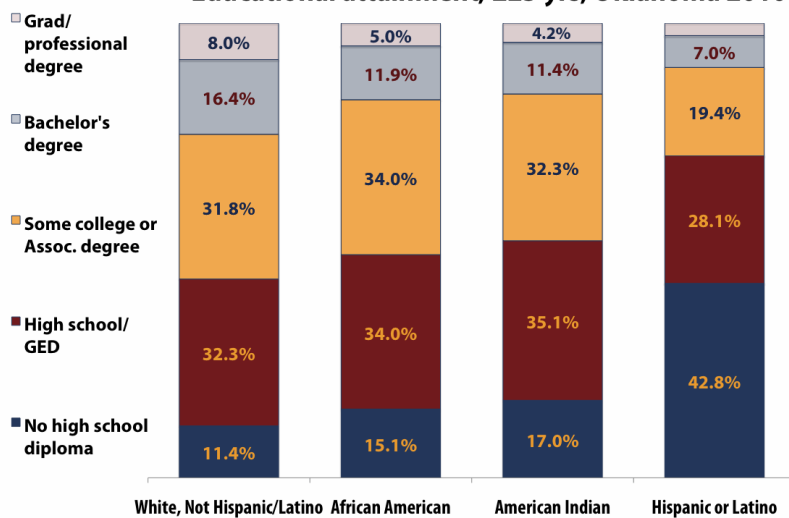
### Education

Education as an asset is fundamental to an individual's capacity to achieve financial security in their lifetime. There is a strong correlation between educational attainment and income.<sup>20</sup> Countless studies also correlate educational achievement with a host of social goods, like political and civic engagement, lower crime and incarceration rates, and higher intergenerational educational attainment.<sup>21</sup>

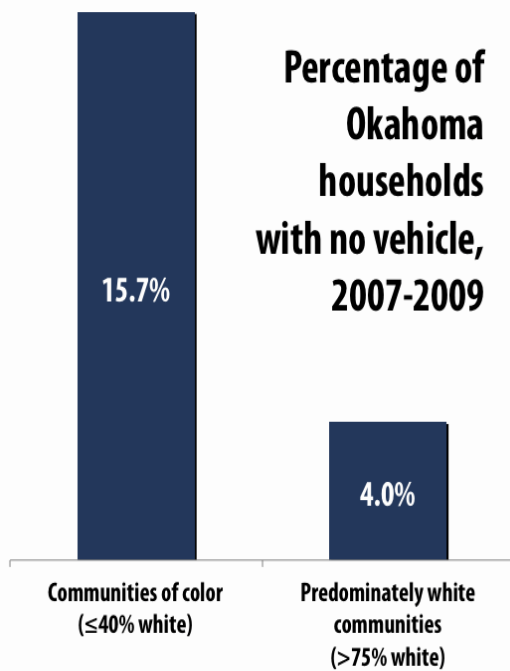
The racial wealth gap is partially rooted in early gaps in educational attainment, which spill over to create income disparities and eventually wealth disparities.

For the population 25 years and over, White Oklahomans are more likely than the rest of the population to graduate from high school, college, and graduate and professional schools. The gap in educational attainment is particularly pronounced for Hispanic/Latino residents in Oklahoma, where 42.8 percent of adults do not have a high school diploma or GED, compared to 14.2 percent of all Oklahomans.<sup>22</sup>

Educational attainment, ≥25 yrs, Oklahoma 2010



## Transportation



Transportation is a foundational asset because lack of reliable transportation can inhibit access to stable employment. Without a vehicle, finding and keeping a job is more challenging. There is a wealth of empirical evidence suggesting that car ownership boosts employment and earnings.<sup>23</sup>

Cars expand employment opportunities by enabling workers to consider employment far from bus stops and with flexible scheduling (late night, holiday or overtime shifts). Oklahoma's metropolitan centers lack comprehensive public transportation and navigating rural areas without a car is a significant obstacle to employment.

Native Americans are nearly twice as likely as Whites to have no vehicle (8.5 percent) and African Americans are over three times as likely to be without a car (14.1 percent).<sup>24</sup> Consequently, more African-Americans in Oklahoma report walking or using public transportation to get to work (5.2 percent), followed by Hispanics/Latinos (2.9 percent), American Indians (2.3 percent), and Whites (2.0 percent).<sup>25</sup>

## GENERATIVE ASSETS

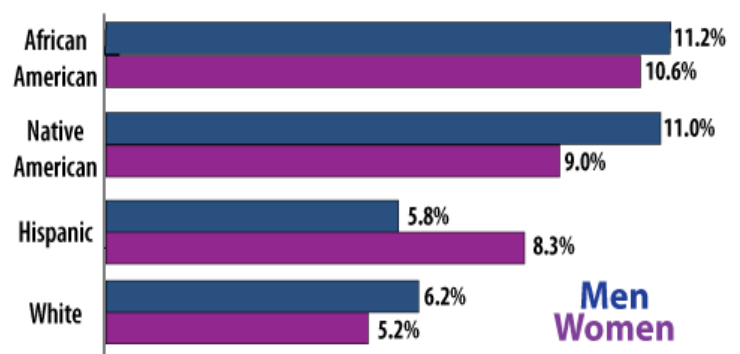
The second core area of assets are generative, which refer to the income a person is able to generate through their own labor or productive capacity. It's important to note that each core asset area builds upon its predecessor. An individual must be healthy, qualified, and able to get to work before they can maintain stable employment and earn income, thus fundamental assets are a prerequisite to generative assets. Disparities in generative assets in Oklahoma between white and non-white residents are wide and stubbornly persistent. Unemployment and insufficient income can cripple a household's ability to make ends meet and slowly erode their quality of life.

### Employment

Oklahoma is frequently hailed as a haven of low unemployment and widely available economic opportunity. This is far less true for racial and ethnic minority residents who have long faced significant barriers to employment. The employment situation for Native Americans and African Americans in Oklahoma is particularly bleak.

Between 2007 and 2010, the national Native unemployment rate increased 7.7 percentage points to 15.2 percent, nearly double the increase in White unemployment during that same period. Native employment in Oklahoma relative to White employment continues to lag behind, but compared to the nation, Native employment is significantly better here than in most other states.<sup>26</sup> African-American workers in the state were unemployed at more than twice the rate (13.1 percent) of white workers (5.9 percent) during 2010.<sup>27</sup>

### Unemployment Rate in Oklahoma by Sex and Race/Ethnicity, 2008-2010



African-American workers also stay unemployed longer than White workers. Oklahoma ranked 2nd in 2004 and 1st in 2007 in average length of black unemployment out of all the states. Black workers were jobless for nearly three times as long (35.1 weeks) on average as white workers (12.2 weeks) in 2007.<sup>28</sup> A gap in the duration of unemployment is particularly insidious because of the dampening effect long-term joblessness has on employment prospects. The rate at which the long-term unemployed find jobs compared to their newly jobless counterparts drops steadily from week to week and hiring discrimination against the unemployed is extensive and widespread.<sup>29</sup>

## Business Ownership

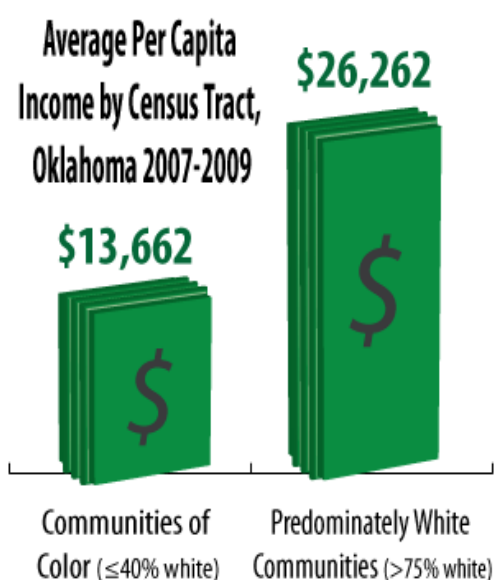
Minority business ownership contributes substantially to the Oklahoma economy. The number of minority-owned businesses, their gross receipts, employment, and payrolls are growing at a faster rate than for businesses not owned by minorities. In 2007, African-Americans owned 3.1 percent of small businesses in Oklahoma, 2.3 percent were owned by Hispanics, and Native Americans owned 6.3 percent. The level of business ownership among Oklahomans does not reflect the demographics of the state.<sup>30</sup>

## Income

The employment gap clearly contributes to the income gap. White Oklahomans earn nearly twice as much income per capita as their minority counterparts and the gap is growing. Between 2007 and 2009, predominately white census tracts in Oklahoma averaged a per capita income of \$26,262. Communities of color averaged a per capita income of about half that, \$13,662.<sup>31</sup>

Families of color earned significantly less than the median family income in the state, with Native American families earning \$11,216 less, Hispanic families earning \$18,231 less, and African-American families earning \$18,508 below the median.<sup>32</sup>

Even among those who found full employment between 2008 and 2010, White workers earned higher median incomes than every other worker. For those over 16 years of age working full-time and year-round in Oklahoma, White men and women earned \$2,372 and \$1,255 more than the state median, respectively. Hispanic residents were the furthest below the state median earnings, followed by African-Americans, and Native Americans.<sup>33</sup>



## REGENERATIVE ASSETS

Regenerative assets yield additional income and benefits that are not earned directly through paid labor. Clearly, without employment, income, or business ownership an individual is not able to save, invest, or purchase property, thus generative assets are a prerequisite to this third core asset area. Regenerative assets (savings, investment, and homeownership) have appreciative value and earn long-term interest, which provides families with a savings cushion and leverage to borrow during emergencies.

## Savings & Investment

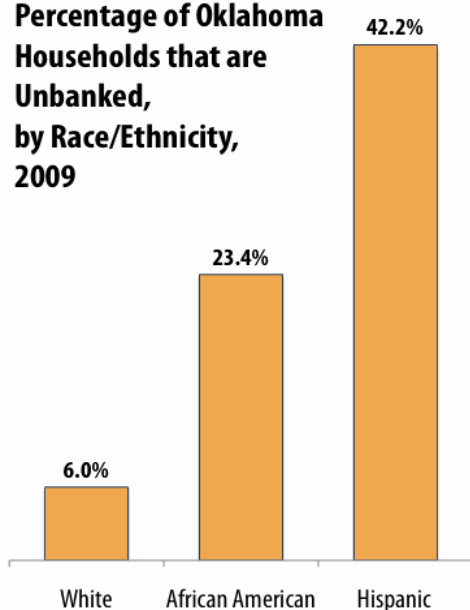
Savings are the cornerstone of financial security. Simple savings are critical to weathering routine financial emergencies like medical bills from an illness or paying for unexpected car repairs.

Savings also provide the basis for the investments – in property, education and training, businesses and securities– that allow families and individuals to grow wealth and move up the economic ladder. They also produce a powerful effect on personal habits and expectations, instilling in savers the value of long-term goals and interests rather than immediate wants and needs.

Low-income households are especially likely to have little or no savings. Minority households are also disproportionately prone to possess little savings – the asset poverty rate for minority households in Oklahoma is nearly twice that of White households.<sup>34</sup> For a great many working families, monthly earnings fall short of meeting basic household needs, leaving no money to put aside towards savings. According to the Oklahoma Self-Sufficiency Standard, a single parent with two young children in Oklahoma County would need to earn \$16.74 per hour at a full-time job to cover basic needs without public assistance. The median hourly wage in Oklahoma in 2009 was \$13.75 per hour.<sup>35</sup>

### Banking

**Percentage of Oklahoma Households that are Unbanked, by Race/Ethnicity, 2009**



The most prevalent and often the only financial asset that households possess is a simple bank account. The FDIC notes that a bank account “provides a household with the opportunity to conduct basic financial transactions, save for emergency and long-term security needs, and access credit on affordable terms.” Racial disparities in savings are further reflected in disparities among Oklahomans in terms of bank accounts. More than two in five, or 42.2 percent, of Hispanic households and 23.4 percent of African-American households report that they do not have a bank account.<sup>36</sup>

Households without a bank account are financially disadvantaged in a variety of other ways. Traditional financial institutions like banks and credit unions provide security against theft or loss and connect the account holder with basic services like check cashing.

A relationship with a traditional financial institution helps consumers avoid high-cost or predatory lenders when they need a small loan for home repairs or a larger loan for a home or a car.

An existing account at a financial institution improves a consumer’s likelihood of obtaining financing at more favorable terms should they ever need to access credit.<sup>37</sup>

### Homeownership

Gaps in homeownership between white and non-white residents of Oklahoma are wide and longstanding. As of 2010, just under half of Hispanic and African American Oklahomans owned their own home, compared to almost three quarters of the state’s White residents. Native Americans in Oklahoma fall somewhere in between, with 63.6 percent of residents owning a home.<sup>38</sup>

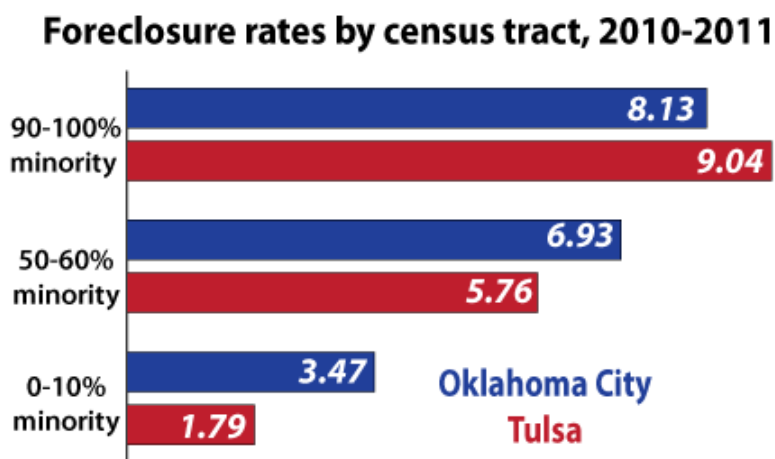
Beyond the raw wealth represented by the equity in one’s home, homeownership has been a key component of socioeconomic mobility in Oklahoma and was instrumental in growing the American middle class during the 20th century. Oklahoma’s homeownership rate has consistently outperformed the national average since the 1950s, but the gap has narrowed since the 1980s.<sup>39</sup> This lag can be partially explained by racial disparities in homeownership.

Furthermore, the subprime and predatory mortgage-lending boom that precipitated a nationwide collapse in the housing market was more concentrated among Oklahoma’s communities of color. The Justice Department successfully prosecuted mortgage giant Countrywide Financial on the grounds that the corporation targeted minority communities.<sup>40</sup>

Other mortgage banks have also been accused of using discriminatory tactics to issue subprime loans:

*Wells Fargo stands accused of using those same practices, but deploying them against black borrowers in majority-black neighborhoods, an act commonly known as “reverse redlining.” The city alleges that the bank targeted black borrowers, knowing they’d ultimately default on their loans, but did not fear shouldering the cost because Wells sold those loans to investors.<sup>41</sup>*

Data on subprime lending from Oklahoma City and Tulsa are consistent with allegations of ‘reverse redlining’. The percentage of subprime loans issued by race were consistent with each MSA’s demographics, but subprime lending was more concentrated in minority communities. So while overall the foreclosure rate in Oklahoma was comparatively mild during and after the housing crisis, when examined by census tract, foreclosures rates were much higher in communities where minorities were a majority of the population.<sup>42</sup>



## PAST IS FUTURE: INTERGENERATIONAL WEALTH

To grasp the staying power of the opportunity gap, it’s essential to recognize the effects of asset-poverty versus wealth over a lifetime and across generations. As we proceed through each stage of life, our ability to build and accumulate wealth contracts or expands in proportion to our opportunities. An infant born into a family that is not able to provide for its basic needs, is not equally positioned to achieve the same quality of life into adulthood as an infant born into a family that provided above and beyond those basic needs.

This does not deny anyone’s capacity to learn, earn, and work their way up the economic ladder, regardless of their original circumstances. Many people successfully move out of poverty and into the ranks of the middle and upper classes. Conversely, some end up financially insecure and asset-poor, even with the benefit of an economically advantaged upbringing and a wealthy family. The point is not that the racial wealth gap inevitably determines each individual outcome.

The point is, however, that a persistently wide racial wealth gap across generations cannot be properly understand without acknowledging the opportunity gap that accompanies it. Understanding the roots and effects of this gap help us see more clearly why people of color in Oklahoma today have a comparatively lower net worth on average, i.e. some had ancestors whose wealth was destroyed during the Tulsa Race Riot in the 1920s, and grandparents who were denied a college education or homeownership in the 1940s and 50s, and parents who faced employment discrimination throughout the 1970s and 80s.

In the same way that wealth is passed (or denied) from one generation to the next, opportunities over a lifetime have a cumulative effect on assets. Each of the three main types of assets measured here (foundational, generative, regenerative) depends on the degree of actualization in the preceding type. Foundational asset poverty, e.g. poor health or low educational attainment, increases the odds of low earnings and debt in your prime working years. Low earnings in turn translate quite literally into asset poverty, with scant extra household income left over each month to invest in property or save for the future.

## CLOSING THE GAP: BUILDING EQUITY IN CORE ASSETS

Persistent and pervasive unemployment, underemployment, and low-wage employment leaves families and individuals financially insecure, vulnerable to emergencies, and unable to save or invest for future security. While social safety net programs help households weather hard times, they are designed to be temporary and supplemental and many low-to-moderate income families are not eligible for unemployment, food stamps, Medicaid, or TANF. The way forward demands solutions that address the underlying problem: asset poverty. Only programs and policies that support asset building can help our low- and moderate-income families weather the unexpected and secure permanent prosperity for themselves and their children.

### NURTURING FOUNDATIONAL ASSETS

#### Promoting quality affordable health care

##### *Increase the supply of primary care providers (PCPs)*

We have to do more to support access to quality affordable medical care for our residents. Oklahoma ranks 49th in the nation in the availability of primary care physicians.<sup>43</sup> The adequacy of supply of primary care providers (PCP) in a geographical area is correlated with the prevalence of chronic disease, infant mortality, and life expectancy.<sup>44</sup> Less than half of medical school graduates in Oklahoma remain in the state to practice medicine.

Halting the brain drain of medical professionals and capitalizing on the investments we already make in public medical education are key to addressing the shortage of primary care providers. The Oklahoma Health Improvement Planning Team's recommendations for improving access to care:

- 1) Expansion of primary care residency programs in rural Oklahoma;
- 2) Funding for training of primary care specialties for physical, oral, and behavioral health needs;
- 3) Funding for health professional scholarships;
- 4) Mechanisms for loan repayment and retention of health care professionals; and
- 5) Expanded use of telemedicine for training, supervision and extending the availability of health care professionals in rural areas.<sup>45</sup>

##### *Target underserved and at-risk communities with early childhood health initiatives*

Improving early childhood health is critical to closing the health gap among low-income Oklahomans and communities of color. The state should invest in programs that target specific health inequities among at-risk populations, like the Healthy Women, Healthy Futures featured below, which aims to reduce infant mortality and improve prenatal health. The program provides access to comprehensive preventive health services (including dental and vision care) as well as culturally relevant evidence-based health education, home visitation, assistance in navigating the health system, and the development of individualized health plans, which include reproductive life plans to promote healthy birth spacing and intended pregnancies.<sup>46</sup>

#### Improving educational attainment

We know that students of color in Oklahoma are not completing high school or college at the same rates as students in the state overall. Closing the gap in educational attainment requires (1) a targeted commitment to supporting those communities and schools with the highest high school dropout rates and (2) increased programming and financial support to help students of color who are enrolled in college, complete their degree.



### *Start community conversations*

Research has shown that schools that launch community engagement and public partnership initiatives can boost academic achievement and lower dropout rates with a modest upfront investment. Initiatives like Compadres in Education, a project of Putnam City West High School in Oklahoma City, have galvanized school and community leaders to develop new methods of interacting with students and their families. The project began with a series of community conversations – listening sessions with parents and stakeholders to identify barriers to achievement and make a plan to overcome them.

As a result of their conversations, which are ongoing, the school took action to make all of their documents bilingual, hire more bilingual staff, and expand opportunities for students at-risk of dropping out to participate in community learning service projects. Over the length of the project, Putnam City West saw their Hispanic graduation rate improve dramatically. The pass rate among Hispanic students on end-of-instruction English exams rose 22 percentage points in a single year. Community conversations were also successfully used in Weatherford Public Schools, where the number of Native American students scoring proficient on the Academic Performance Index rose 11 percentage points within two years.<sup>47</sup>

### *High school career academies*

High school career academies have had tremendous success in lowering dropout rates and boosting the earning potential of at-risk students who graduate with enhanced technical abilities. One randomized trial revealed that for every dollar invested in a high school career academy, the value of state residents' earnings increased by about \$11.00.<sup>48</sup>

These academies have three important features: (1) they are small and pair the same teachers with the same students throughout high school, (2) they integrate academic and career material around a single theme, i.e. health careers, (3) they partner with local employers to ensure the curriculum is relevant and to provide students with on-the-job learning opportunities. High school career academies are an innovative and evidenced-based approach to reaching those students who otherwise would dropout of high school or not attend college and ensuring them an employable future and a livable wage.

### *Savings for college completion*

Students of color in Oklahoma are not graduating from college at the same rates as their white cohorts. New research suggests that even among students who receive financial aid, income appears to be the critical factor in academic success and college completion. In evaluating Oklahoma's Promise, the state's premier financial aid program, researchers found that not only were these grants more common among White students and those with income above \$40,000, but even among low-income and minority students receiving grants, retention did not improve.<sup>49</sup>



Low-income students may struggle with college completion, “partly because the costs of college attendance put greater pressure on the limited resources of poor families, and partly because these students lack information about colleges and student aid as well as social and scholarly supports while attending college.” Nationally, only 11 percent of children from families in the lowest income quintile complete college, compared to 29 percent of children among families of all incomes.<sup>50</sup>

One strategy for closing the gap in college completion is to promote and facilitate college savings for low- and moderate-income families. Savings can help address the rapidly increasing cost of higher education, which has been rising faster than inflation for several decades.<sup>51</sup> Oklahoma currently operates a 529 College Savings Program, which administers tax-advantaged college savings accounts.

For many families, these accounts are a popular and financially attractive option for saving for college, but the benefits are concentrated among middle- and upper-income households. Of the 9.6 million accounts open nationwide, just 17 percent belong to low and moderate-income (LMI) families. The New America Foundation explains:

*One of the most attractive features of 529s is their federal and state tax benefits. However, many low- and moderate- income families are not eligible for these benefits because they do not have tax liabilities. In fact, these tax breaks become more valuable as household income increases, providing the greatest incentive to save to the families who need it least. In 2007, the median income for households with a 529 was \$100,000.<sup>52</sup>*

There are several policy changes the state should consider to improve the effectiveness of Oklahoma's college savings program for families who are most in need. First, the state should consider opening a 529 account automatically for every Oklahoma child, at birth. Such a move would ensure awareness about the program and boost participation by simplifying account establishment.

Second, the state should consider offering matching funds to income-eligible families. Nine states currently offer a state match for the college savings of LMI account holders. A dollar for dollar match is an excellent way to incentive those households who currently aren't eligible for the incentives offered to wealthier families through the tax code.<sup>53</sup>

## FOSTERING GENERATIVE ASSETS

### Reducing barriers to employment

Despite decades of improvement in social, political, and economic status, African American and Native American residents are still unemployed at twice the rate of their white counterparts, a ratio that for African American workers hasn't changed since the 1940s. Reasons for the unemployment gap for African Americans are numerous, but two major causes discussed below are: over incarceration and discrimination in the hiring process. The unemployment gap for Native Americans living in Oklahoma can be partially explained by a paucity of employment opportunities in parts of the state with heavily concentrated Native populations.

#### *Mass incarceration: reforms for a broken system*

Oklahoma has the 3rd highest incarceration rate in the nation, behind only Louisiana and Mississippi. The state currently incarcerates 25,617 people and a third of those imprisoned are African Americans.<sup>54</sup> Since only 7.4 percent of the state's residents are African-American, this means there are four times as many black Oklahomans in the prison system as there are in the general population.<sup>55</sup> The same pattern holds for juvenile detention, with African American youths held in Oklahoma Department of Corrections custody at three and a half times the rate of white youths.<sup>56</sup> These exceptionally high rates of incarceration amount to a double whammy for joblessness. Researchers Bruce Western and Katherine Beckett explain:

*The impact of incarceration on unemployment has two conflicting dynamics. In the short run, U.S. incarceration lowers conventional unemployment measures by removing able-bodied, working-age men from labor force counts. In the long run, social survey data show that incarceration raises unemployment by reducing the job prospects of ex-convicts.<sup>57</sup>*

The long-term effects of overincarceration on the employment prospects and earning potential of black Oklahomans, particularly black men, cannot be overstated. About one in three, or 38.4 percent, of black men living in Oklahoma today have a felony conviction, compared to about one in ten, or 13.5 percent, of white men.<sup>58</sup> Researchers locate the root of these disparities in the discriminatory policing and sentencing tactics of the 'war on drugs.'<sup>59</sup>

Data from Oklahoma is consistent with the notion that drug policy is driving the disproportionate incarceration of people of color. African American residents are two and a half times more likely to be arrested on a drug charge than white residents.<sup>60</sup> African American men are nearly five times more likely than white men to be incarcerated for a drug offense.<sup>61</sup>

These arrests do not reflect higher rates of drug offending; blacks and whites engage in drug offenses (possession and sales) - at roughly comparable rates.<sup>62</sup> They also do not reflect higher rates of drug use, as national surveys reveal that rates of drug use parallel the populations' demographics.<sup>63</sup>

Resources should be reallocated from drug law enforcement to substance abuse treatment and prevention outreach. The state should conduct a comprehensive analysis of racial disparities in all phases of drug law enforcement and devise ways to ensure that the enforcement of drug laws in the future does not disproportionately target or burden African American families and communities. We should revise sentencing laws to increase the use of community-based sentencing for drug offenses and eliminate mandatory minimum sentences.<sup>64</sup>

### *Hiring discrimination*

Hiring discrimination against people of color is exacerbated by overincarceration. Hiring discrimination against ex-offenders is well-documented and widespread.<sup>65</sup> In Oklahoma, it's explicitly permitted by statute, since a state-appointed board can deny a license to anyone with a felony conviction for a long list of professions, including cosmetologists, funeral directors, athletic trainers, pawnbrokers, marital and family therapists, and more.<sup>66</sup>

Hiring discrimination is not limited to ex-offenders, but is a problem that has faced African American applicants for more than a century. Scholarly research is unequivocal on the question of hiring discrimination against black applicants: it's alive and well. Sociologist Devah Pager's groundbreaking peer-reviewed research has demonstrated that black applicants without a criminal record are less likely to get call-backs from prospective employers than white applicants with a criminal record and just released from prison.<sup>67</sup>

Robust enforcement of anti-discrimination statutes and continued prosecutions against those who break the law are essential. Additionally, private sector initiatives that lead with peer learning and promote best practices towards diversity in hiring are perhaps the best way forward. For instance, the Tulsa Metro Chamber of Commerce operates the Mosaic program to assist and advise local businesses on diversity and inclusion.<sup>68</sup> Local businesses, chamber members, and volunteers who realized that improving the culture of the region would benefit the economy initiated the Mosaic concept. Strong leadership from the business community is essential to reversing decades of hiring discrimination and expanding employment opportunities for people of color in Oklahoma.

## **Expanding employment opportunities**



Beyond reducing barriers to employment, job creation should be at the forefront of the state's efforts to close the employment gap. While the state currently operates several economic development programs designed to attract businesses by offering tax breaks and other incentives, none of these programs provide targeted relief to communities and populations who've struggled with long-term joblessness and a lack of high-quality employment opportunities.<sup>69</sup> Understanding how our current efforts are deficient is the first step towards designing smarter and more cost-effective economic development strategies.

### *Redesign economic development incentives*

Our existing economic development programs are poorly designed to deliver cost effective job-creation and economic growth. They largely focus on attracting ‘export-base’ businesses - companies that sell most of their product to consumers and businesses outside of Oklahoma, with limited immediate benefit to the state’s economy.<sup>70</sup>

Cash incentives or tax breaks for companies that relocate to Oklahoma should be accompanied by community benefit agreements that prioritize training and hiring local workers who are unemployed or underemployed. They should come equipped with provisions that protect the state’s investment by requiring businesses that don’t uphold their end of the bargain, to return taxpayers’ money, commonly known as ‘clawbacks’.

Additionally, the state currently maintains no demographic records on who benefits from existing job-creation programs, which are essential to evaluating their effectiveness. Without knowing anything about those who become employed through incentive-based hiring initiatives, we can’t know if these programs are serving workers who could have found a quality job elsewhere, or workers who would otherwise have continued to be unemployed.<sup>71</sup>

### *Invest in jobs and workers*

As a supplement to our current emphasis in Oklahoma on economic development in the form of tax credits, cuts, and incentives, we must begin to prioritize customized job training through investments in Workforce Oklahoma. Under customized job training, the state subsidizes job training tailored to the particular skill needs of an employer. The customized training can be delivered by community colleges, career technology centers, or the employers themselves through on-the-job training programs. Evidence shows that customized job training is far more cost-effective in creating jobs than even the best-designed business tax incentives, 10 times more effective in fact.<sup>72</sup>

The Oklahoma Employment Security Commission operates Workforce Oklahoma Centers throughout the state. They operate a variety of job placement and workforce assistance programs, but their funding is inadequate to meet the pent up demand of so many long-term unemployed and displaced workers, who are disproportionately people of color. In 2005, before the Great Recession, Oklahoma’s Workforce Centers served 2,368 people, just 3 percent of the state’s unemployed.<sup>73</sup>



By 2010, with the benefit of federal investment through the American Recovery and Reinvestment, the centers were able to serve 56,120, about 45 percent of unemployed Oklahomans.<sup>74</sup> The state should redirect funds to Oklahoma’s Workforce Centers, providing sufficient capacity to assist local employers in finding and training workers and assisting the long-term unemployed in preparing for and finding quality jobs.

## **BUILDING REGENERATIVE ASSETS**

### *Increase access to affordable credit*

Access to affordable credit would assist households of color in borrowing for transportation, homeownership, or entrepreneurship. Supporting minority business ownership not only assists the entrepreneur in asset building, it alleviates unemployment and increases income in communities of color. Minority firms have a workforce of 4.7 million people nationwide, employing a large proportion of minorities and creating an additional four million jobs for themselves. There is extensive evidence of the difficulty entrepreneurs of color have in obtaining financial capital for start up.<sup>75</sup>

The Minority Business Development Agency explains:

*A factor posing a barrier to obtaining financial capital for minority-owned businesses is racial discrimination in lending practices. Much of the recent research on the issue of discrimination in business lending uses data from various years of the Survey of Small Business Finances (SSBF). The main finding from this literature is that MBEs experience higher loan denial probabilities and pay higher interest rates than white-owned businesses even after controlling for differences in credit-worthiness, and other factors.<sup>76</sup>*

The onus is on federal and state regulators to keep the pressure on institutions engaging in lending discrimination. Additionally, community leaders can help raise awareness about existing federal loan programs in Oklahoma's urban communities of color and in tribal communities in rural areas. The U.S. Small Business Administration's 7(a) Loan Program makes loans available for both rural businesses and small businesses/entrepreneurs in underserved communities.<sup>77</sup>

### *Matched savings accounts*

Research has shown that one of the best ways to promote the savings necessary for acquiring assets like homes and businesses are Individual Development Accounts, or IDAs. These are special savings accounts that provide a match for the deposits of low- and moderate-income savers, provided that they participate in financial education and use the savings for targeted asset-building purposes, i.e. retirement, homeownership or starting a small business.

A major IDA demonstration project with over 2,500 participants found that an average participant contributed \$19 per month to their account and, with matching contributions, accumulated about \$700 per year.<sup>78</sup> Non-profit organizations and tribal governments in Oklahoma have operated several successful IDA programs.



### *Homebuyer and homeowner education*

Education initiatives further enable access to affordable mortgage financing for low- and moderate-income households. The Oklahoma Homebuyer Education Program (OHEA) trains and certifies homebuyer education professionals in the state and provides them with standardized curriculum that is specific to the laws and business practices of Oklahoma.

According to OHEA, there were 219 distinct homebuyer education classes available to consumers in 2011, offering prospective homebuyers in Oklahoma the tools they need to make sound financial decisions. Oklahoma Community Action Agencies offer the bulk of programs certified statewide by OHEA. The number of borrowers they reached with homebuyer education programs plummeted by nearly 70 percent, from 3,700 in 2006 to 1,121 in 2010.<sup>79</sup>

## CONCLUSION

Race and ethnicity should not diminish Oklahomans' opportunities for financial security and economic success. Wealth, income, and asset disparities keep too many Oklahomans financially vulnerable to shifting economic winds and unable to save and build assets for a prosperous future for their families. We can and must invest equitably in each core asset area, to ensure that our communities of color receive benefits in proportion to their contributions.

Taking steps to ensure that all Oklahomans fully participate in the economic mainstream will benefit everyone. Thought leaders and policymakers cannot view equity as a sidebar in their efforts to invest in human and social capital and attract and grow business. Closing the opportunity gap for people of color is central, not peripheral, to a prosperous Oklahoma.

To download a copy of this report or references for the text, charts, and tables go to <http://okpolicy.org/closing-the-gap>

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