



# Untapped Potential

## African-American Males in Northeast Ohio

### ABSTRACT

*No single resource in Northeast Ohio is as underutilized as African-American males:*

- *In Cleveland, roughly 65 percent of all males living in poverty are African-American.*
- *Roughly a third of African-American men in area cities never completed high school.*
- *African-American men are unemployed at twice the rate of the total male population in nearly every Northeast Ohio county and remain so for longer periods.*

*The loss of African-American male potential is, in fact, a loss of income that is crippling the regional and state economies. Creating economic opportunity for African-American men is, in fact, creating opportunity for Greater Cleveland. By investing in better educating, fully employing, and fairly compensating the African-American male population, the area is investing in its own well-being. The return on investment will come in the form of increased consumer buying power, increased income and property taxes, increased civic engagement, and renewed economic growth.*

*Before this reward can be realized, however, the community must undergo a change in viewpoint: The African-American male population must no longer be seen as a potential drain on community resources, but as an untapped well of economic potential and a key ingredient to Northeast Ohio's economic recovery.*

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PolicyBridge  
[www.policy-bridge.org](http://www.policy-bridge.org)  
December 2005

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## African-American Males in Northeast Ohio

More than 30 years ago, the United Negro College Fund gave voice to the costs and consequences of lost potential: "A mind is a terrible thing to waste." Despite years of change and progress, despite the organization's success with helping more than 350,000 minority students graduate from college, despite growth in the number of African-Americans holding positions of power in the boardroom and the courtroom, the UNCF has stuck to its now-familiar advertising slogan. The implication is clear: Too much potential is still being lost to those twin killers of dreams – low expectations and limited opportunity.

For Northeast Ohio residents, two recent events have served to heighten the awareness of the tragic toll of unrealized potential. In early September, Americans watched in horror as the predominantly minority residents of New Orleans were trapped by floodwaters in the wake of Hurricane Katrina. The vast majority of those residents had first been trapped by poverty. Later in the month, comedian Bill Cosby brought his anti-poverty crusade to Cleveland, admonishing lower income

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African-Americans for their own self-destruction through truancy, crime, drug use, and teenage parenthood. The familiar funnyman's decidedly unfunny remarks during a May 2004 celebration of the 50<sup>th</sup> anniversary of Brown v. Board of Education had ignited a firestorm of applause, criticism, and debate. In Cosby's view, too many poor African-Americans have been squandering the opportunities and ideals of the landmark school desegregation ruling. Too many have been disregarding the important link between educational attainment and economic empowerment.

Co-sponsor for Cosby's

Cleveland message of self-sufficiency and personal responsibility was 100 Black Men, a group that has made confronting issues of poverty and economic development a guiding principle. There couldn't be a more appropriate sponsor for such a crucial discussion of how to reclaim Cleveland's lost potential. No single resource in Northeast Ohio is as underutilized, as wasted, as African-American males:

- In Cleveland, roughly 65 percent of all males living in poverty are African-American.
- Roughly a third of African-American men in area cities never completed high school.
- African-American men are unemployed at twice the rate of the total male population in nearly every Northeast Ohio county and remain so for longer periods.

Cosby's message of individual accountability helps focus attention on the social ills plaguing African-American communities, but, as Hurricane Katrina showed, individual accountability and self-sufficiency only go so far when faced with a looming crisis. Just as the impoverished people of New Orleans were left behind in face of the storm

that devastated their city, too many African-American men have been abandoned in the economic sea change that has swept through Northeast Ohio.

As the area's economy has shifted from manufacturing to knowledge and service, African-American men have found themselves cut off from the promise of the American Dream by a flood of unemployment, underemployment, and lack of educational attainment. It is fitting that Cleveland was paired with New Orleans this year in the No. 12 spot on the poorest cities list. The one-of-a-kind city of New Orleans stands largely empty in the wake of Hurricane Katrina; once-vibrant Cleveland is now largely empty of opportunity for a sizable portion of its population. In a very real sense, Cleveland must declare its own "state of emergency" to repair and rebuild its opportunity infrastructure.

This is no moral lament about what society owes its poorest members. This is an economic imperative. The loss of African-American male potential is, in fact, a loss of income that is crippling the regional and state economies. Creating economic opportunity for African-American men is, in fact, creating opportunity for Greater Cleveland. By investing in better educating, fully employing, and fairly compensating the African-American male population, the area is investing in its own

well-being. The return on investment will come in the form of increased consumer buying power, increased income and property taxes, increased civic engagement, and renewed economic growth. Before this reward can be realized, however, the community must undergo a change in viewpoint: The African-American male population must no longer be seen as a potential drain on community resources, but as an untapped well of economic potential and a key ingredient to Northeast Ohio's economic recovery.

## PLUGGING THE DRAIN

Without a doubt, the social and economic ills plaguing the U.S. African-American male population are devastating:

- The high school dropout rate for African-American male students is more than 11 percent, nearly double the rate of their white counterparts.
- The Bureau of Justice Statistics estimates that 32 percent of all African-American men will enter the state or federal prison system at some point in their lives. That compares with fewer than 6 percent of white men.
- Some 13 percent of African-American men – 1.4 million – have lost their right to vote because of a criminal conviction, according to the Sentencing Project.
- Joblessness among African-American men who

live in central cities and never finished high school is oppressive. Northeastern University's Center for Labor Market Studies found that 44 percent did not work in 2002. Losses in the manufacturing sector have no doubt contributed significantly to the rise in unemployment among African-American high school dropouts.

● In 2003, workers who did not complete high school earned less than \$21,000 a year on average, according to the Bureau of Labor Statistics.

● Among those who are employed, African-American men earn less than their white counterparts across all levels of educational attainment.

Drilling down to the state and regional levels offers more troublesome realities:

● Minority working families in Ohio are about twice as likely to be low income or poor.

● African-American men are unemployed for longer periods of time than other men in the region, according to 2000 Census data.

● In most counties of Northeast Ohio, 2000 Census figures reveal that the percentage of African-American men living below the poverty line is 2 to 3 times higher than the overall poverty rate among all males.

Northeast Ohio and the state of Ohio are significantly challenged in the areas of education, employment, and entrepreneurship. These three areas are key to the growth

and long-term vitality of the regional and state economies. However, people of color, African-American men in particular, have had limited success in obtaining these keys to economic well-being. This has led to thousands of potential employees, business owners, and consumers in the region and state never realizing their potential. The regional and state economies can no longer afford to neglect these challenges if their true aim is to compete in a global economy. Finding ways to help African-American men open wide the doors of opportunity is an economic imperative.

The remainder of this report will explore in greater detail the challenges in the African-American community for opening the doors to education, employment, and entrepreneurship and will suggest possible ways for helping African-American men unlock and realize their own American Dream.

## EDUCATION

Lack of educational attainment often dooms workers to poverty. The Bureau of Labor Statistics reported median weekly earnings in 2003 as \$396 for workers who had dropped out of high school, \$554 for workers who had graduated high school, and \$900 for workers who had earned a bachelor's degree. Workers who went on to receive master's degrees or

higher more than doubled the weekly earnings of workers holding only a high school diploma. Over a 40-year career of full-time employment, a worker with a bachelor's degree would earn roughly \$1 million more than a worker with only a high school diploma.

However, educational attainment affects more than simply an individual's financial well-being. Higher incomes lead to an increase in taxes paid to state and regional coffers. Higher incomes mean consumers have more buying power and will demand more products and services. A better educated workforce has the power to attract new businesses and new jobs. More and more frequently, improving educational attainment is being seen as central to improving the local, state, and national economies.

An October 2005 symposium at Teachers College at Columbia University attempted to quantify the "Social Costs of Inadequate Education." Underscoring the ripple effect education has on other aspects of society, researchers asserted that the United States pays a high price for its citizens' low educational attainment. For example, high school dropouts contribute some \$50 billion less in state and federal income taxes each year than do workers who graduated high school but pursued no other schooling. Conversely, the roughly 23 million high school dropouts ages 18 to 67 tax local,

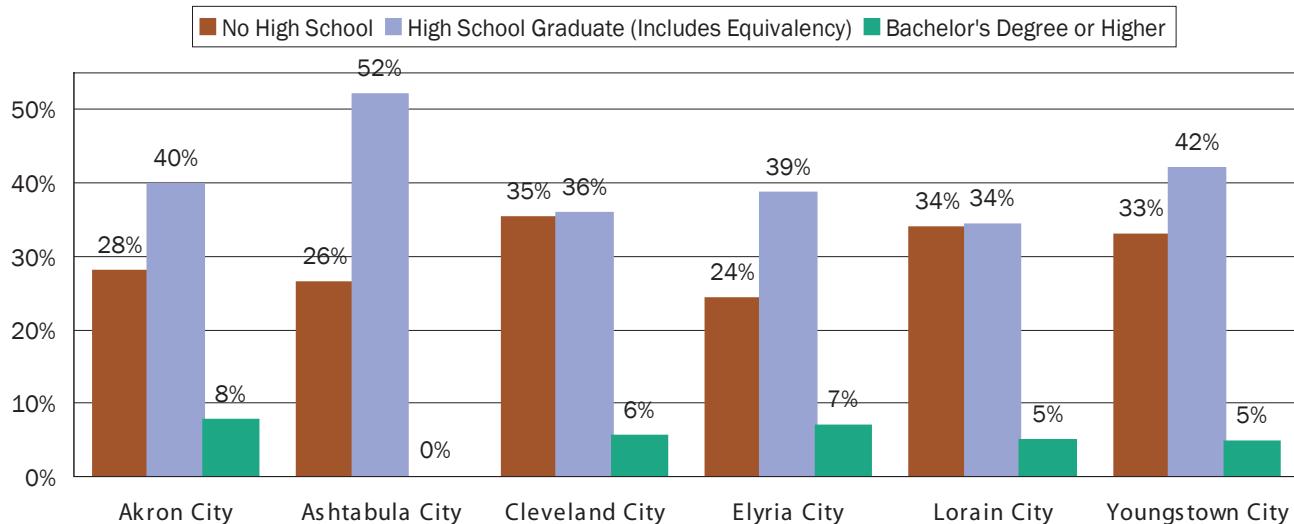
state, and federal budgets in extra health-care costs and increased crime. Princeton economics professor Cecilia E. Rouse explored the labor market consequences of low educational attainment:

- Each cohort of 18-year-olds who drop out of high school cost the nation \$192 billion in unrealized income and tax revenues. "Increasing the educational attainment of that cohort by one year would recoup nearly half those losses."
- High school dropouts are about half as likely to have a pension plan or health insurance provided through their jobs as workers who graduated high school but pursued no further schooling.
- High school dropouts pay on average about half the amount of annual federal and state income taxes and Social Security taxes as do workers who graduated high school and less than one-third the amount paid by college-educated workers.

Enrico Moretti, an economist at the University of California, Berkeley, highlighted the link between education and crime:

- The nation could save as much as \$1.4 billion per year spent to fight crime with a mere 1 percent increase in the high school completion rate of men ages 20 to 60.
- Increasing the average years of schooling for dropouts by one year would reduce murder and assault by almost 30 percent, motor vehicle

## FIGURE 1: Educational Attainment of African-American Males Age 25 and Older



Source: U.S. Census, 2000; prepared by Northern Ohio Data & Information Service, Cleveland State University

theft by 20 percent, arson by 13 percent, and burglary and larceny by about 6 percent.

In a discussion of efforts aimed at transforming education, one of the symposium presenters listed the Ohio Schools of Promise program, which recognizes elementary, middle, and high schools that demonstrate achievement gains among all groups of students. However, Ohio will continue to pay steep social costs if it does not do more to remedy its lackluster record on education. Since 1994, Ohio's system for funding schools four times has been declared unconstitutional because of the financial and academic inequities that exist between rich and poor districts. Currently, Ohio ranks 39<sup>th</sup> in the nation in the number of residents age 25

or older who have attained a bachelor's degree or higher. Little more than 21 percent of Ohioans have earned an undergraduate degree, a rate well below the national average of 24.4 percent. In 2004, the Governor's Commission on Higher Education and the Economy called for increasing college enrollment in Ohio by 30 percent by 2015. This is an important goal aimed at making Ohio and Ohioans more competitive in a knowledge economy.

Among African-American men, the need to improve educational attainment is urgent. As Figure 1 shows, African-American men living in Northeast Ohio cities are woefully unprepared to engage in and succeed in the knowledge economy. In Cleveland, 35 percent of

African-American males age 25 and older do not even have a high school diploma. That's the highest high school dropout rate in the region, but African-American men in Lorain and Youngstown have not fared much better. In all six cities examined, one-quarter to one-third of all African-American men had never completed high school or earned an equivalency degree.

According to a 2004 survey by the KnowledgeWorks Foundation, 91 percent of Ohioans believe increasing the percentage of students who go to college is important to the state's future. However, as shown in Figure 1, only 1 out of every 12 African-American men living in Akron has earned a bachelor's degree. In Cleveland, fewer than 1 out of every 16 African-American men has

graduated college; in Lorain and Youngstown, 5 percent of African-American men have earned college degrees.

Despite the dismal statistics on educational attainment among African-American men in Northeast Ohio, opportunities for change do exist. Intervention to alter the educational trajectory of African-American boys must begin at an early age. Studies have shown that peer pressure, negative learning environments, and a lack of role models combine to derail African-American students' academic focus and ambitions while they are still in elementary school. In "America's Black Male: Disadvantaged From Birth to Death," University of Cincinnati professor Lionel Brown wrote:

The educational experiences and the support services afforded Black male students could play an important role in helping them reverse their dismal school performance and subsequent journey through life, to a life with the potential for success. ... What is needed is academic reform that addresses the way Black males are educated, a more caring support base, and more relevant social services.

Brown called for a change in how schools and teachers interact with African-American boys. He suggested a need

for staff development and in-service training that will help teachers be aware of cultural and linguistic biases, instill self-discipline and individual responsibility in their students, develop proactive classroom management skills, and implement instructional strategies that emphasize the relevance of curriculum and incorporate effective student-centered and teacher-centered approaches to learning.

In its 2004 annual report, the Federal Reserve Bank of Cleveland asked a provocative question, "Can Economics Help Save Our Schools?" Noting the important link between educational attainment and economic growth, the Federal Reserve considered the urgent need for improving educational outcomes through the prism of business practices, analyzing how resources might best be used to "yield the highest possible social returns to education spending." In addition to economic growth, education spending yields social returns of lower crime rate, innovation, and more informed voters. Studying how education is "produced," how resources are allocated, how schools are organized can help determine teaching practices and environments that succeed and those that do not. The report put forth that:

Analyzing education with economic tools can help us to define the best and most efficient way to combine inputs—such

as teachers, students, classrooms, computers, or books—to produce better educational outcomes and channel scarce resources to their highest-valued use. It can help us see when more money might make a difference, and when changing public policy might yield the desired results. The fact is, a large body of economic research already suggests that there are ways to improve the social rate of return on our education investments.

Citing work by Clive Belfield of the City University of New York, the Federal Reserve Bank of Cleveland noted the potential for return on investment in preschool education:

Belfield calculates that providing this two-year education to about 42,000 children [in Ohio] would cost approximately \$480 million—just under \$6,000 per pupil—but the investment would yield roughly \$780 million in cost savings. In other words, the state would get back \$1.60 for every dollar it invested. The returns show up in the form of reduced adult crime, greater tax revenue from higher earnings ... and, most important for the state's education budget, reduced future spending on special education, grade repetition, school security, and so on.

Northeast Ohio must evaluate the effectiveness of existing local programs that focus on the unique educational needs of African-American boys and young men and draw on other programs that have demonstrated success in improving graduation rates and college attendance. Yes, implementing such programs may be costly. Addressing decades-old inequities, enhancing academic opportunities, and raising educational expectations among students, parents, teachers, politicians, business leaders, and the community at large are high ideals for Ohio schools. However, as the Teachers College symposium made clear, the state and region cannot afford to do any less.

## EMPLOYMENT

The link between education and employment deserves further attention. Better educated workers tend to be more insulated against unemployment. Only 3.3 percent of workers who had earned a bachelor's degree were unemployed in 2003, according to the Bureau of Labor Statistics. The unemployment rate was even lower among college-educated workers who held advanced degrees. However, 5.5 percent of workers with only a high school education were unemployed in 2003. Among high school dropouts, 8.8 percent were unemployed.

**What explains this crushing joblessness among African-American men? "Crushing" is an appropriate image here: Widespread, protracted unemployment destroys the hope and ambition of African-American men and their families, and it eats away at the very core of American cities.**

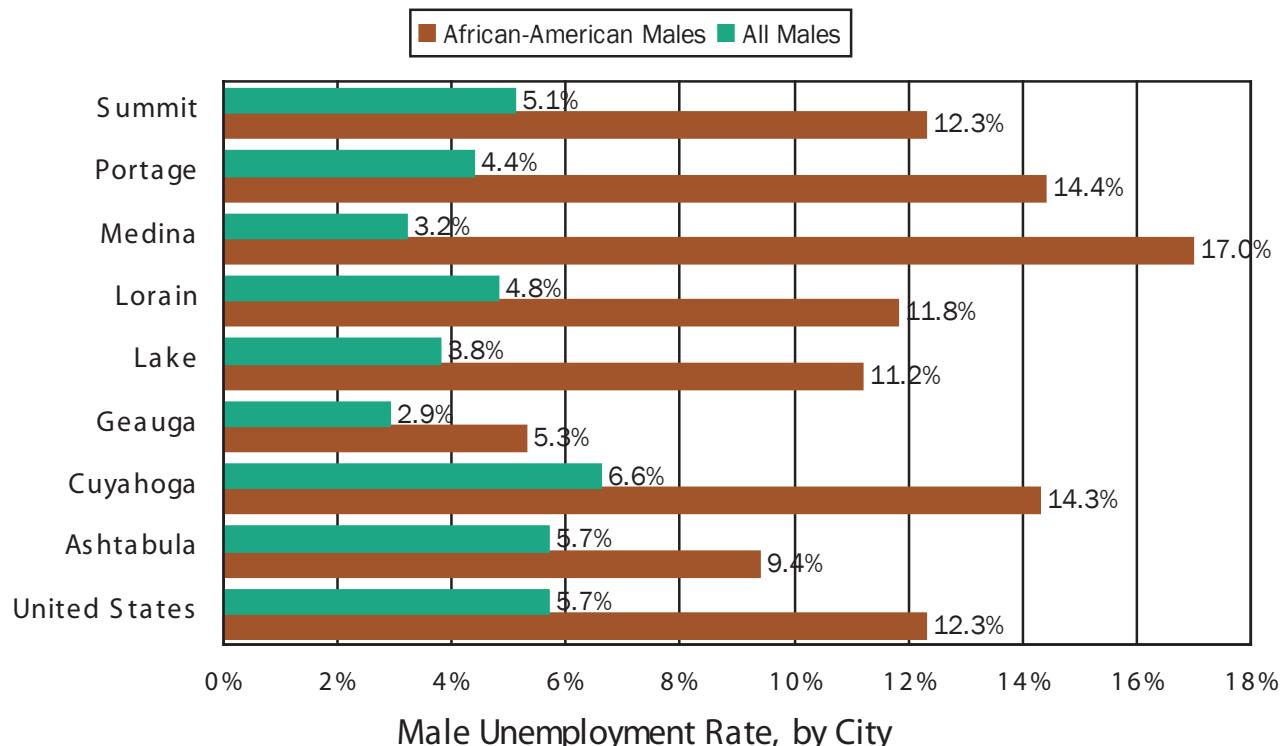
As noted earlier, roughly one-quarter to one-third of African-American men in six Northeast Ohio cities had dropped out of high school. Only a small fraction of African-American men in Akron, Ashtabula, Cleveland, Elyria, Lorain, and Youngstown had earned a bachelor's degree. Given the inverse relationship between higher education and lower unemployment, it would be expected that there would be a high rate of unemployment among African-American men in Northeast Ohio cities. However, unemployment tends to be much more oppressive and intractable among African-American men than any other demographic. As Figure 2 illustrates, the U.S. unemployment rate among African-American men is more than double the rate of unemployment among all men. However, unemployment among African-American men in all but one of the six Northeast Ohio cities examined exceeded the national average

of 12.3 percent unemployment for African-American men. In Youngstown, nearly 1 out of every 5 African-American men was unemployed; African-American men in Cleveland fared little better, with more than 18 percent of them unemployed. This joblessness extends beyond the inner cities of Greater Cleveland. More than 14 percent of African-American men in all of Cuyahoga and Portage counties could not find work. In Medina County, African-American men were more than 5 times more likely to be out of work than the male population as a whole. As appalling as these figures are, they, in fact, paint only part of the picture: Census data have shown that not only are African-American men more likely to be unemployed than the general male population in the region, but they are likely to remain unemployed for longer periods of time.

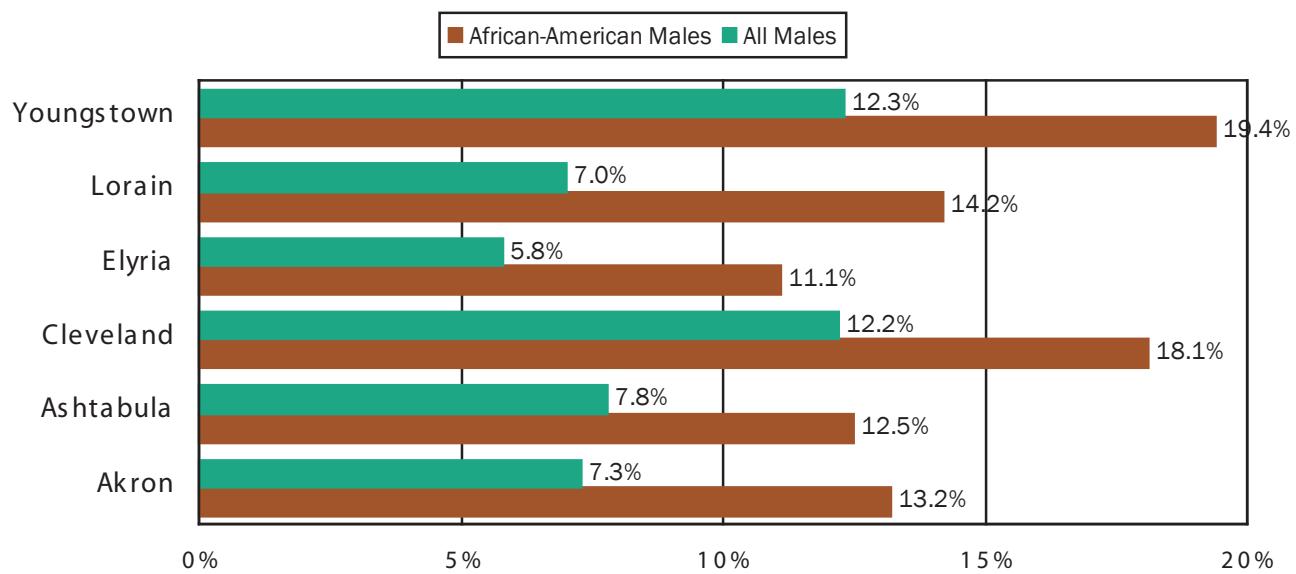
What explains this crushing joblessness among African-American men? "Crushing" is an appropriate image here: Widespread, protracted unemployment destroys the hope and ambition of African-American men and their families, and it eats away at the very core of American cities. Without a doubt, some of the disparity must be attributed to residual effects of discrimination and institutional racism. Some of the blame should be placed at the feet of black men themselves, who fail to value the importance

## FIGURE 2: African-American Male Unemployment

Male Unemployment Rate, by County



Male Unemployment Rate, by City



Source: U.S. Census, 2000; prepared by Northern Ohio Data & Information Service, Cleveland State University

of education as a road to employment. Some can be explained by the significant changes that have occurred

in the regional and national economies. The economy of Ohio, and Northeast Ohio in particular, for decades

hummed with the products that were manufactured here. However, Ohio manufacturers have been challenged by

global competition—and even competition from other states. Many have opted to move their operations or to close entirely. Others have embraced advances in technologies that have allowed them to do more with fewer workers.

Ohio has lost more than 175,000 manufacturing jobs since 2001, according to the state's Labor Market Information data. Cuyahoga County alone accounted for nearly 26,000 of those; the Northeast Ohio counties of Lake, Lorain, Medina, Portage, and Summit combined for a loss of 24,000 manufacturing jobs. Another 8,000 manufacturing jobs were lost in Trumbull and Mahoning counties. Contraction in the manufacturing sector helps explain why male unemployment rates in Cleveland and Youngstown are more than double the national average. Cleveland had the sixth highest unemployment rate among comparable regions in 2003, according to a Cleveland State University study of business and innovation climate.

This loss in manufacturing, which provided well-paying jobs to workers with only a high school education, particularly affected the African-American male worker. An October 2005 *New York Times* article examined how important union membership had been in what the Rev. Dr. Martin Luther King Jr. saw as "economic emancipation" for

low-wage African-American and white workers. However, as unions have lost bargaining power, clout, and membership over the past decade, the loss of union jobs has had a disproportionate, devastating effect on the economic status of African-American workers. According to Bureau of Labor Statistics, unions had 304,000 fewer members in 2004 than in the preceding year, with African-American workers accounting for 55 percent of that decline. Although white workers outnumber African-Americans in unions by about 6 to 1, more than 15 percent of all African-American workers are members of a union, compared with about 12 percent of white workers. Since 2000, African-American membership in unions has plummeted by more than 360,000 workers. The loss of good-paying blue-collar jobs has contributed to a 5 percent loss in median weekly earnings among African-American workers in 2005.

In addition to the shrinking number of union jobs available, many manufacturing jobs that remain require technical understanding and higher levels of skills. Many manufacturing companies have been lured by lower costs and open land to move out of core cities, creating barriers of transportation and access for workers who reside in the city. Given that minority working families in Ohio are about twice as likely to be low income or poor, getting to a job may

sometimes be as big an obstacle as finding a job. Michael Stoll, associate director of the Center for the Study of Urban Poverty at UCLA, found that Midwestern states tend to have the highest spatial mismatch between black workers and jobs. Cleveland ranks among the top 10 cities in terms of high job sprawl, which has left African-Americans "more geographically isolated from jobs." Stoll's 2005 study suggested that job sprawl "exacerbates certain dimensions of racial inequality in America. By better linking job growth with existing residential patterns, policies to promote balanced metropolitan development could help narrow the spatial mismatch between blacks and jobs, and improve their employment outcomes over time."

Reducing unemployment among African-American men is only part of the challenge the region faces. Northeast Ohio must also address the issue of underemployment. According to the Ohio Working Poor Families Project, Ohio ranks 35<sup>th</sup> among all states in the percentage of adults who are fully employed. The fastest growing occupations in Ohio fall into two distinct groupings — low wage with low educational requirements and high wage technology jobs requiring college degrees. Some 98 percent of new jobs in Ohio are in the service sector, with Wal-Mart now ranking as Ohio's top employer. The

top 10 annual job openings are for cashiers, waitresses, office clerks, janitors, and other low-wage occupations. The Ohio Working Poor Families Project noted that only one occupation that ranked among the top in terms of annual job openings also paid workers at a level that allowed for transitioning out of poverty. That occupation is registered nursing.

This combination of unemployment and low-wage jobs does more than idle workers; it traps them in poverty and robs them of their potential. As noted earlier, pervasive unemployment and underemployment chip away at the stability of cities, reducing tax revenues and economic growth and increasing the need for government support services. By reducing the purchasing power of families in the city, unemployment and underemployment threaten urban businesses that serve those families. The national learning network MetroBusinessNet accurately portrayed the importance of communities working to overcome the opportunity barriers for disadvantaged members in its report, "It Takes a Region to Raise a New Economy." The report found that:

When a region is faced with a mismatch between jobs and housing, inadequate infrastructure, and a shortage of skilled workers, local businesses are held back from realizing their

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full potential. ... Poverty, racial segregation, and the physical decline of the central city exacerbate these challenges. The social and economic cost to business increases as income equality widens, minority communities become more isolated, and the central city physically deteriorates.

Wage disparity is another aspect of employment that has a negative effect on African-American men and on the region, as well. According to a Census data analysis by Policy Matters Ohio, African-American men earned \$12 per hour on average in 2001, compared with an hourly wage of \$15 for white men. African-American men in Ohio actually saw their wages drop by 22 percent in real dollars since 1979, when they earned 30 percent more per hour than black men nationwide.

Wages for white men in Ohio also decreased between 1979 and 2001, by a sizable but less dramatic 10.5 percent.

Data from the 2000 Census showed that the average difference in annual wages for African-American male workers compared to the total population was \$3,633. Multiplying this income disparity by the approximate 33,300 African-American men in the Cleveland workforce shows that the city loses more than \$100 million in purchasing power each year because of this inequality in pay. Expanding that equation to include all African-American men working in Cuyahoga County shows that wage inequality costs the county nearly \$1 billion in lost purchasing power and potentially \$20 million in income tax collections. The loss to city and county coffers is even greater, given the high rate of unemployment among African-American men.

African-American men currently are not well-positioned to take advantage of the knowledge economy and the employment opportunities that abound within it. The state and region are focusing much of their economic development efforts on nurturing and attracting bioscience and technology jobs, but such jobs are currently out of reach in terms of educational and technical requirements for many of the area's African-American male workers.

The region and state must

step up to the challenge of encouraging and empowering African-American men to pursue the education and skills necessary to take full advantage of emerging opportunities in the areas of science and technology. Another employment opportunity that holds promise for better paying jobs for African-American men is the skilled trades. An October 2005 article in *The Plain Dealer* noted the coming "train wreck" of shortages in skilled workers. The National Association of Tooling & Machining predicts that U.S. manufacturers need about 50,000 more skilled workers. The need for electricians in Ohio is expected to increase by nearly 19 percent by 2012; more than 2,830 new jobs in plumbing and 4,130 in carpentry are anticipated.

A quick observation of public and private construction projects in the region reveals that minority workers seem vastly underrepresented. If the percentage of African-American men represented in the skilled trades increased significantly, this could have a very positive effect on the regional and state economies. This is a demographic in need of employment and one representing a drain on tax dollars if not employed.

Efforts targeted at eliminating wage inequality for African-American male workers and supporting greater access to the knowledge economy no doubt would reward the region with

enough revenue to fund many needed physical and social infrastructure improvements.

## ENTREPRENEURSHIP

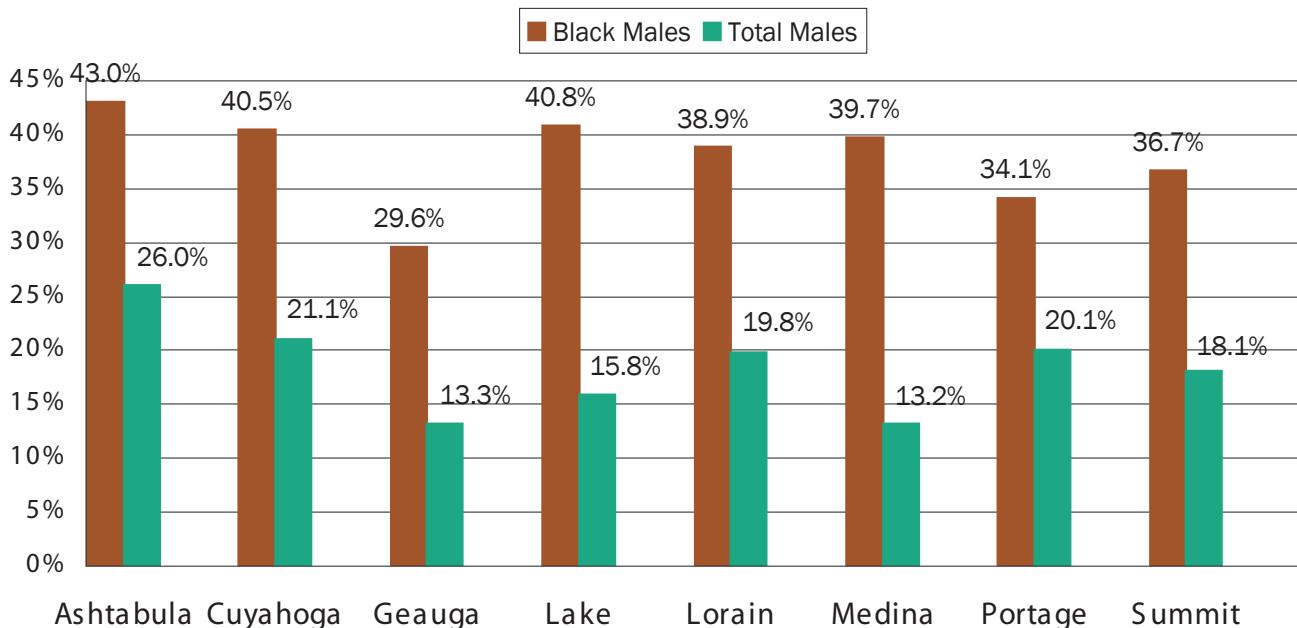
Social Compact, the coalition of business leaders promoting business investment in lower income neighborhoods, performed a "DrillDown" market analysis of Cleveland in 2004. The analysis found a significant "hidden economy" that cannot be accessed through traditional markets. The National Center for Policy Analysis has estimated that some 25 million Americans participate in this economy of entrepreneurs and self-employed people who employ workers off the books, perform unlicensed services, or exchange unregulated goods. "There are, of course, criminal activities in the informal economy, such as drug trafficking, people smuggling and money laundering," according to a 2002 International Labor Organization report. "But the majority in the informal economy, although they are not registered or regulated, produce goods and services that are legal." Whether through operating an unregulated catering service or an unlicensed barbershop, the hidden economy is often the domain of illegal immigrants and the disenfranchised, such as convicted felons — disproportionately black, male, and poor — who find

that they are not wanted in most mainstream jobs. Black entrepreneurs, who have long been denied access to education and employment opportunities, created their own economy, exchanging goods and bartering services to accommodate needs and wants.

However, imagine the benefit if these workers who are engaged in producing legal goods and services in the hidden economy could be nurtured and supported in bringing their skills and experience into the mainstream regional and state economies. According to Census data, African-American-owned firms with paid employees represented 12 percent of all Cuyahoga County businesses in 1997. African-American businesses are among the fastest growing businesses in America. Most recent U.S. Census Bureau data show that between 1997 and 2002 African-American-owned businesses grew by 45 percent. According to Small Business Resources, African-Americans are 50 percent more likely to start their own business than white workers. A Junior Achievement poll of students ages 13 to 18 found that 86 percent of black teenagers want to be entrepreneurs; that compares with 69 percent of white teens surveyed.

Clearly, Northeast Ohio would benefit by nurturing and cultivating this entrepreneurial spirit among African-Americans who are trying to

**FIGURE 3: Percentage of Loans Denied,  
by Northeast Ohio County**



Source: Home Mortgage Disclosure Act, 2003; prepared by Northern Ohio Data & Information Service

create their own American Dream. Melvin Gravely II of the Institute for Entrepreneurial Thinking summed up the need for "proactive" efforts in business development:

We have been spending resources to impact the economics of minorities primarily using a social model. Our next big opportunity is to invest in economic inclusion through the proactive development of minority businesses. Success in this critical mission means the same type of investment used in other important areas of our communities. It means a comprehensive strategy that captures the trends

of the market, invites the ideas and passions of the individual, and leverages existing assets.

African-American businesses tend to be small, sole proprietor or mom-and-pop endeavors. They are overwhelmingly service-sector enterprises. A survey by the Federal Reserve found that African-American-owned firms are typically smaller, newer, and more likely to be located in an urban area than white-owned businesses. Owners of African-American businesses also tend to have fewer years of business experience and have poorer credit histories. Given that smaller businesses with

uncertain earnings, few assets to pledge as collateral, and high failure rates tend to have more trouble accessing credit than larger, more stable companies, this mismatch points at the difficulty African-American business owners face in raising the capital to survive and grow.

Entrepreneurs seeking business loans often use their homes as collateral. However, as Figure 3 shows, potential African-American entrepreneurs in Northeast Ohio often find themselves denied home loans; thus, dreams of business loans are even more out of reach. Throughout Northeast Ohio, loan denial rates among African-American men are

14 to 26 percentage points higher than for all male applicants seeking mortgages. In Ashtabula, Cuyahoga, and Lorain counties, more than 40 percent of African-American male applicants were denied mortgage loans, as shown in Figure 3. In Medina County, African-American applicants were 3 times more likely to be denied. In addition, a Federal Reserve report found that when lenders did approve mortgage loans for African-Americans, some companies charged them more than white customers.

The failure to nurture and grow a significant base of stable African-American businesses exposes the "vision deficit" of leaders in Northeast Ohio. African-American political power is overwhelmingly present in the city of Cleveland and eastern suburbs. This power and clout grew out of political action in the late 1960s and 1970s, which resulted in Cleveland becoming the first major American city to elect an African-American mayor. Similar political achievements in Northeast Ohio are too numerous to count. However, the African-American business community has failed to thrive in Northeast Ohio. This is a byproduct of the failure of business and political leaders to focus on diversity and inclusion in the business sector and to encourage entrepreneurship as a source of economic growth and development. African-Americans have wielded significant influence in political,

### **Ohio and the Greater Cleveland area, in particular, have failed to adequately invest in primary education, higher education, workforce development, and economic growth, especially in minority communities. This inadequacy must be addressed.**

nonprofit, and social service networks, in addition to community relations areas of corporations. Largely, however, these are positions in which performance, development, and growth are not predicated on basic competitive economic theory and business forces. Therefore, this region has a generation of African-American leaders who seem skilled at obtaining and managing government, foundation, and corporate funds. However, there are very few African-Americans who have experience owning or operating sizable businesses in the truly competitive economic sense.

This failure to grasp the essential element of business survival in America is one of the reasons that Northeast Ohio is in such decline. Regional leaders have allowed a significant segment of the population to rely on noncompetitive economic entities for their source of income and subsistence. Northeast Ohio leaders need to recognize that true growth and development in America stem from hard work,

ingenuity, opportunity, and entrepreneurship. We, as a region, need to offer each and every individual, especially African-American men, the chance to grow, develop, and prosper for the benefit of the larger society.

### **CONCLUSION & RECOMMENDATIONS**

America is changing. Three states — California, Hawaii, and New Mexico — have populations that are majority "people of color," according to current Census data. Several more states are projected to see population shifts away from a white majority by 2010. As a result, states that embrace and plan for diversity and inclusion will be more competitive in the world economy. States and communities that will thrive in the new economy are those that understand the importance of viewing all their citizens as potential assets to economic growth and development.

Unfortunately, Ohio and the Greater Cleveland area, in particular, have failed to adequately invest in primary education, higher education, workforce development, and economic growth, especially in minority communities. This inadequacy must be addressed. Segregation and income inequality force whole segments of our society out of the marketplace, depriving companies of potential consumers. According to the Initiative for a Competitive

Inner City, a national organization founded by Harvard Business School economist Michael Porter, the inner city tends to be an overlooked market with substantial purchasing power. More than 500,000 companies employing 5.6 million people realize this potential and do business in the nation's 50 largest inner cities. A recent report by CEOs for Cities highlights the fact that the purchasing power of the largest 100 U.S. cities exceeds that of all but six countries in the world.

Cleveland's potential for regaining a healthy, vibrant economy that is able to attract new global businesses is in not overlooking the potential of its disenfranchised citizenry. Any such agenda must not fail to address the particular needs of African-American men. These seven recommendations should be at the heart of efforts to revitalize Northeast Ohio:

- Bold measures are needed to dramatically decrease the number of high school dropouts and increase postsecondary education, particularly among African-American males. A "state of emergency" should be declared for African-American youth so that federal and state resources can be directed toward improving academic performance in inner city schools and mitigating societal and family problems that impede learning and development. A task force on African-American males should

be established to develop strategies and monitor progress in public education reforms.

- Policies must be created at the local, state, and federal levels that address the unique needs of unemployed African-American men. Because these men are typically unemployed more frequently and for longer periods than white workers, new approaches, such as designating training dollars or extending unemployment benefits, must be explored and acted upon. It is also important that African-American men have access to employment opportunities in the skilled trades and the knowledge economy. Such actions could have immediate positive economic effect in urban communities.

- Although African-American businesses are among the fastest growing new businesses in the United States, they struggle mightily in Northeast Ohio to survive, much less thrive. This is due to a number of critical factors, including limited access to capital and networks, poor business planning, and a lack of much-needed technical assistance. African-American entrepreneurs need access to assistance that goes well beyond the usual anecdotal information offered in workshop or seminar format. Business intermediary groups, economic development professionals, and local banks should conduct an analysis of this issue to better understand

why and how minority businesses struggle. After the analysis is complete, those groups should commit to devising and implementing a plan that supports and lends resources to help minority entrepreneurs succeed.

There have been numerous programs to address minority entrepreneurship in the Greater Cleveland area, but these efforts have produced only a modicum of success. The challenges facing all businesses, and particularly minority businesses, have been expanded. For example, business owners are increasingly forced to do more creative marketing and implement advancements in technology. These activities are challenging financially and intellectually. Minority entrepreneurs, in particular, need help in navigating this rapidly changing marketplace. The Greater Cleveland area could best serve their needs by offering scholarships and other financial assistance to attend the various entrepreneurship programs offered at local colleges and universities. These programs could formalize and intensify the education of minority entrepreneurs on a wide range of business issues and enable them to be more successful in today's marketplace.

- Businesses should make the case for aggressive workforce and economic development, as they best understand and can best

define the needs of the local labor market and the regional economy. This includes identifying workforce needs, sharing projections for future workforce trends, and leading economic development initiatives that offer credible employment opportunities for minorities. Businesses also should hold political and civic leaders accountable for any actions that bar segments of the community from access to employment and wealth-building opportunities.

- Foundations and philanthropic groups should embrace and support programs and initiatives that address the unique needs and challenges of African-American males. Support for these programs should be long-term (5 to 7 years) and should include staff time and expertise. This approach could build powerful coalitions that better understand and better evaluate the effectiveness of programs, which is paramount for making significant impact on the intractable challenges that African-American men face.

- Media should deliberately produce stories that highlight the successes of African-American men and the programs that support them. Too often, studies have shown, media coverage of African-American men tends to be tied

to criminal or negative activity. The positive experiences and accomplishments of African-American men often are absent from news coverage. This region certainly needs to see, on an ongoing basis, a positive portrayal of African-American men if we expect employers, philanthropists, educators, and others to join in this effort. The media can be a powerful force and has a civic responsibility in helping to create a more balanced and multidimensional view of African-American men.

- African-American males have to take the responsibility of controlling their own destiny by valuing education, excelling in the workplace, and initiating entrepreneurial activity. It is only through self-determination, perseverance, and a commitment to excellence that African-American men will succeed at the levels hoped for, even with significant progress in the previous recommendations. African-American leadership is needed to foster a base level of understanding of what is required for African-American males to survive and thrive in America today, individually and collectively.

African-American men represent an essential element of renewed economic growth in Northeast Ohio. If supported and encouraged to achieve

their full potential, they will be an asset, not a drain, on the regional and state economies. Indeed, "a mind is a terrible thing to waste." Northeast Ohio cannot afford to continue squandering the economic potential of its African-American men. As has been put forth throughout this report, Northeast Ohio loses by failing to tap African-American male potential. Creating economic opportunity for African-American men is, in fact, creating opportunity for Greater Cleveland. By investing in better educating, fully employing, and fairly compensating the African-American male population, this region is investing in its own well-being.

The return on investment will come in the form of increased consumer buying power, increased income and property taxes, increased civic engagement, and renewed economic growth. Before this reward can be realized, however, the community should follow through on these recommendations. They represent the most promising options for plugging the drain on community resources and "priming the pump." Tapping the well of African-American male potential will help restore the flow of economic recovery throughout Northeast Ohio.

**PolicyBridge** is a new African-American think tank founded to provide ongoing analysis of public policy and monitor urban policy issues that affect the quality of life for minority communities in Northeast Ohio. The authors would like to acknowledge the insights and comments of Gregory Brown, Dr. Sharon Milligan, and Dr. Ned Hill in preparing this report and thank Fran Stewart for her role as contributing editor. For more information, contact PolicyBridge at [info@policy-bridge.com](mailto:info@policy-bridge.com).

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