



The Future of Economic Development for African Americans in the Chicago Metropolitan Area: The Next Ten Years

February 2008



Table of Contents

I.	Acknowledgements.....	2
II.	Sponsors.....	4
III.	Introduction: Purpose of this Study.....	5
IV.	The Global Context.....	6
V.	Metropolitan Chicago’s African American Community and Its Economic Challenges.....	8
VI.	Key Drivers of Change: Educational Achievement, Entrepreneurship and Workforce Development.....	12
VII.	<i>Scenarios of Economic Development for African Americans 2008- 2018.....</i>	19
VIII.	Comparative Analysis of the Scenarios.....	33
IX.	Policy Responses to the Scenarios.....	34
X.	Tables and Charts.....	37
XI.	Author Acknowledgements.....	39

Acknowledgements

The research team wishes to thank the advisory committee and focus group members for their contributions to this study.

Advisory Group Members

MarySue Barrett	Metropolitan Planning Council
Frank Beal	Chicago Metropolis 2020
Michael Bennett	DePaul University
Michael Dawson	University of Chicago
Brian Fabes	Consultant
Leon Finney Jr.	The Woodlawn Organization
Ann Ladky	Women Employed
Jeff McCourt	Good Jobs First Illinois
Chinwe Onyeagoro	O-H Community Partners
Steven Rogers	Northwestern University
Gretchen Crosby Sims	Joyce Foundation
William Testa	Federal Reserve Bank of Chicago
Jose Torres	Chicago Public Schools
Henry Webber	University of Chicago
Robert Weissbourd	RW Ventures LLC
Rufus Williams	Chicago Board of Education
Paula Wolff	Chicago Metropolis 2020
Robert Wordlaw	Chicago Jobs Council

Focus Group Members

Carol Adams	Illinois Department of Human Services
Adrienne Banks-Pitts	Sidley Austin LLP
Timuel Black	Historian
Randy Blankenhorn	Chicago Metropolitan Area Planning
Byron Braizer	Apostolic Church of God
Carlo Govia	City of Chicago
F. Daniel Cantrell	7th District Congressional Office
Gloria Castillo	Chicago United
Tyrone Cryder	Mt. Calvary Baptist Church
Margaret Davis	Healthcare Consortium
Michael Davidson	Campaign for Sensible Growth
Michael Dawson	University of Chicago
Will Edwards	Mayor's Office of Workforce Development
Greg Dean	Health Consortium of Illinois
Clyde El-Amin	Kennedy King College
Judy Minor-Jackson	City of Chicago
Debra Jennings-Johnson	BP
Sokoni Karanja	Center for New Horizons
G. Sequane Lawrence	Elliott Donnelley Youth Center
Sonya Malunda	University of Chicago

Jamell Meeks
Pepper Miller
Debbie Meyers-Martin
Stephanie Neely
Salim Al-Nurridin
Harry Pestine
Cristina Rivera
Mildred Wiley
Blane Roberts
Audrey Rowe
Michael Scott
Jay Travis
Alicia Turner
Marshette Turner
Katheryn Ward
Wayne Watson

Salem Baptist Church
Hunter-Miller Group
State of Illinois Treasurer's Office
City of Chicago
Healthcare Consortium
Chicago Federal Reserve Bank
Illinois Network of Charter Schools
Bethel New Life Church
Heartland Alliance
Third Ward Aldermanic Office
Fogelson Properties
Kenwood Oakland Community Organization
Rainbow PUSH
Rainbow PUSH
Cosmopolitan Chamber of Commerce
City Colleges of Chicago

Author Acknowledgements

Principal Authors of this study are: *for Chicago Urban League; David E. Thigpen, Kanu Iheukumere, T. Shawn Taylor. For Global Business Network; Don Derosby and Gerald Harris*

SPONSORS

We gratefully acknowledge financial support from the BP Foundation for this study, and in-kind support from The Nielsen Company in conducting the opinion poll of African Americans in Chicago.



Introduction: Purpose of This Study

Like many large U.S. metropolitan areas, Chicago stands on the brink of major change. American cities have long been buffeted by the crosscurrents of globalization, immigration and deindustrialization. In the next decade the pace of economic and social transition will quicken, unaddressed problems will grow more complex, and opportunities to solve the most pressing of these problems may be fleeting. More than ever, cities, metropolitan areas and regions have become interdependent pieces of a single larger economic system. Solving the problems faced by the city of Chicago will have positive economic implications for the entire region.

Great opportunity is ours for the taking, but the creation of lasting solutions will require unaccustomed discipline and planning, calling for interrelated strategies across communities, classes, stakeholders and policy makers.

The future cannot be known, of course, but we can prepare ourselves by developing strategies to cope with a wide-range of potential outcomes. To be forewarned is to be forearmed. In July 2007 the Chicago Urban League embarked on this study to better understand the future of African American economic development in the Chicago metropolitan area and how that development will affect Chicago's position in the global economy.

To that end, the Chicago Urban League convened three focus groups consisting of leading thinkers drawn from government, business, academia, policy and community affairs to develop visions of the future. These focus group sessions, led by Global Business Network, a premiere scenario-planning firm, distilled a large volume of research data to a list of factors the focus group participants judged to be the most critical drivers of change.

These key factors were used to create future scenarios that could impact the city positively or negatively. Understanding the range of uncertainties and the very different futures that could result is a first step toward building strategies for success. This understanding provides the foundation for the development of policies that can be applied to produce positive outcomes no matter what future may emerge for Chicago. In turn, the scenarios and policies will lead to customized programs, initiatives, and advocacy efforts on the part of the Chicago Urban League and its partners that are designed to make Chicago more economically prosperous for all residents, not just for African Americans.

In addition, Chicago Urban League commissioned the Nielsen Company to conduct a first-of-its kind opinion poll among African American Chicagoans to gauge their feelings about their economic future and the factors they believe are most important in determining it. Nielsen collected the opinions of a

representative sample, which, together with the focus group data, presents an even sharper picture of the obstacles facing African American economic development. The poll findings will be summarized below.

The Global Context

The forces that will reshape the Chicago metropolitan area between 2008 and 2018 will touch nearly every aspect of the region – its businesses, its schools, its neighborhoods, its shops, its streets and its people. The forces behind these changes will be local, national and global.

Changes in immigration patterns, increased global competition, persistent poverty levels and poor educational achievement, among other things, will create new challenges that the city must be prepared to meet. The future of this great metropolis will depend on its agility and its ability to adapt to these rapid changes. The city and the region must think globally and stay ahead of shifts in world economic markets, while simultaneously thinking locally by shoring up weaknesses in regional economic life and building on the strengths of its neighborhoods. Sustained success will be an ever-changing balancing act between these two poles of action. As noted in other forward-looking studies, including most recently *The Global Edge: An Agenda for Chicago's Future*, published in October 2007 by The Chicago Council on Global Affairs, the future prosperity of Chicago depends on prompt action and aggressive problem-solving on a broad scale. Without these, Chicago will face a cascade of difficulties. “An economically successful city can pay for the key ingredients needed to create, attract and retain talent—good schools, safe streets, rewarding jobs, efficient transport, a clean environment, decent housing, cultural richness, civic beauty,” the report’s authors wrote, “an economic failure cannot.”

In some respects, tomorrow may already be upon us. Chicago is currently in the midst of a global face-off with Tokyo, Madrid, Rio de Janeiro and several other world cities for the lucrative rights to host the 2016 summer Olympic Games. The winner will enjoy an infusion of no less than \$5 billion in direct spending, and an even greater bounty of positive worldwide branding that will influence tourism and foreign investment for years to come.

Domestically, Chicago competes each year with other major U.S. cities for billions of dollars worth of jobs, factories, business headquarters and other forms of corporate investment. Chicago is in an accelerating race for talent and human capital – a race to attract the scientists, engineers, MBA’s, creative entrepreneurs and idea people whose expertise and vision will drive business into the future. Producing the best, attracting the best and retaining the best is absolutely vital.

There are many good reasons for Chicago to be optimistic about its prospects in this intensifying competitive environment. In the last two decades the city continues to prove itself at being resourceful and adaptable to change,

making the transformation from a heavy industrial economy to a more nimble service-oriented, global one.

Large metropolitan areas are present and future growth centers of the nation, and key drivers of American prosperity. As reported by the Brookings Institution's Metropolitan Policy Institute, the 100 largest U.S. metropolitan areas contain 65% of the population, 68% of the jobs, 75% of the graduate degree holders, 76% of the knowledge workers and produce 75% of the GDP. The Chicago metropolitan area is a well-primed pump powering the economy of the region as well as the state of Illinois. That economy remains broad-based and large, with strong platforms in agriculture, manufacturing, transportation, financial trading, professional services, pharmaceuticals, education, health services, telecommunications and more. In 2006, Illinois' state gross domestic product totaled \$507 billion, ranking fifth nationally.¹ Measured in total annual economic output, the Chicago metropolitan area is the fourth largest in the world. It is home to the largest concentration of *Fortune 500* companies outside of New York City. It is also a hotbed of entrepreneurial energy. Cook County itself is home to 54,000 registered African American businesses, the largest such concentration anywhere.²

Chicago has long reigned as a global center of futures trading, leading the world in annual volume of derivatives trades. It is also a global hub of business professional services. Between 1990 and 2000, the city's jobs gains in business professional services was first in the U.S., exceeding that of New York, Los Angeles and Atlanta.³ After a brief lull, this sector has resumed solid growth. The \$14 billion expansion of O'Hare Airport now underway is intended to underwrite foreseeable capacity needs and provide the regional economy with room to grow. The regional labor force is expanding and is more diverse and better educated than ever before. Thirty-three percent of workers possess a college degree, a number that exceeds both national (29.5 percent) and regional (27.8 percent) levels.⁴ Between 2008 and 2014 Illinois will add an estimated net of 215,000 jobs. Stable political leadership, a well-financed and deeply engaged civic community, and a tradition of successful big-ticket collaborative projects between the city's business leaders and its political establishment endows Chicago with the resources and potential will to solve virtually any challenge placed before it.

¹ *State of Working Illinois* by Center for Tax and Budget Accountability, Center for Governmental Studies and Office of Social Policy and Research for Northern Illinois University

² U.S. Census Bureau American Factfinder, 2002 Survey of Business Owners

³ U.S. Federal Reserve Bank of Chicago

⁴ *State of Working Illinois* by Center for Tax and Budget Accountability, Center for Governmental Studies and Office of Social Policy and Research for Northern Illinois University

Metropolitan Chicago's African American Community and Its Economic Challenges

Problems persist that threaten to undermine Chicago's great advances and future global competitiveness. Foremost is the economic status of 1.1 million African Americans who make up 37 percent of the city's population. Cook County, home to approximately 1.4 million African Americans, has the largest population of African Americans of any county in the United States.⁵

Chicago's African American community has a long and accomplished history. Early in the 20th century, African American migrants streaming north from the rural South played a historic role in the growth of the city -- supplying labor to help power Chicago's industrial revolution. Chicago quickly became a national leader in African American economic achievement with African Americans owning newspapers, advertising firms, auto dealerships, restaurants and other businesses. From the civil rights era to the present, a wealth-generating entrepreneurial and political class appeared, with leaders such as John Johnson, Harold Washington, Jacoby Dickens, Earl Dickerson, Oprah Winfrey, Quintin Primo, John Rogers, James Reynolds and Barack Obama. Chicago is the strongest city in the nation for black-owned businesses in financial services.

Today, a substantial middle class of African American small-business owners, lawyers, doctors and other professionals thrive in the city and the region. The continued economic vitality of the black middle class is essential in that it consists of homeowners who anchor stable neighborhoods, own businesses, and spend money in local African American businesses that employ African American workers.

But recent data shows that even middle class status is no longer as secure a hedge against drastic reversals of economic progress as was once believed. As described in the November 2007 *Pew Foundation Report on Economic Mobility of Black and White Families*, 45 percent of African American children whose parents were middle class lost economic ground in their lifetime, falling to the bottom of the income distribution ladder, compared to only 16 percent of white children. The dangerous and alarming import of this data is that economic mobility – a staple of the American dream -- appears to be shrinking for some African Americans.

To a greater degree than any other major ethnic group, African American Chicagoans are ensnared in poverty, unemployment, failing schools, low-wage work and crime-ridden neighborhoods. Although Chicago's city government, local African American leaders and the philanthropic and non-profit community have made significant and meaningful progress in addressing many of these problems, much work remains to be done.

⁵ U.S. Census 2006 American Community Survey

What's happening in Chicago is part of a bigger national picture. As cited in the National Urban League's *State of Black America 2007*, as a percentage of their population, three times as many blacks live below the poverty line as whites. That ratio applies to Chicago as well. As William Testa, Vice President of the Federal Reserve Bank of Chicago recently wrote, "Like its counterparts, Chicago has not cracked the puzzle of easing inner-city poverty and upward mobility."

For many, pathways to meaningful participation in the economic life of the city remain blocked. This leaves many potentially productive individuals unprepared to survive in the new global economy and puts them in danger of falling into the ranks of a permanent underclass. This economic underclass, increasingly isolated from education and the skills-oriented knowledge economy, will continue to create tangible and increasing costs that will weigh down economic growth and subtract spending from other priorities. The costs will be most apparent in rising social service spending, as well as rising state spending associated with a wide range of remediation. Among the most costly is criminal justice. Illinois annually spends \$21,844 per inmate in its penitentiary system.⁶ Annual expenditures for the Illinois Department of Corrections (including juvenile justice) amount to \$1.4 billion.⁷

While statistics such as these measure downside costs, the focal argument of this study will be on upside gains, the economic contributions that will come through achievement and wider inclusion. A solid body of research suggests that wasting economic assets, i.e., the underutilization of labor, real estate and business opportunities introduce inefficiencies into a regional economy that show up as costs on the economic bottom line. As cited in *CEO's for Cities: The Changing Dynamics of Urban America, October 2003*, inclusion and prosperity often go hand in hand. "Income inequality has a negative effect on economic performance for metropolitan areas..." the study's authors wrote. In examining urban growth in the 1990's they found that the opposite was also true. "Overall, metropolitan areas with lower levels of income inequality experienced higher economic growth."

Will the city, its political leadership, its African American citizenry, and its private sector and civic community find the know-how, the political will, and the resources to address its economically lagging communities? And if so, what methods will be used to solve these problems? These are the most critical questions facing Chicago as it moves forward into this crucial decade.

It is the contention of this study that the nexus between African American economic advancement and the economic advancement of the city at large is much more closely related than previous studies have shown. This report will demonstrate those connections and recommend ways they may be positively exploited to benefit Africans Americans, the city, and the entire region.

⁶ The National Institute of Corrections

⁷ Illinois Department of Corrections

African American economic development will create tangible benefits to the city at large including:

- increased per capita and household income
- rising educational achievement
- increased property values, stabilized neighborhoods
- business proliferation, greater tax receipts
- lower incarceration rates for African American males
- increased tourism and outside investment
- lower unemployment rates and heightened workforce productivity

The city could expect to enjoy significant gains in GDP if the nearly \$4 billion in revenues produced annually by African American owned firms were to double or even triple.⁸ Benefits such as these could be combined with traditional social services to reverse decades of slippage in African American economic vitality. The argument we make here is not that the city should rescue its economic underclass, but rather the benefits of fuller economic inclusion mean greater prosperity for the city and the region, and the levers to that prosperity are neither prohibitively expensive nor politically out of reach.

Research by the Chicago Urban League, independent analysis by the Futures study focus groups, and polling data agree that while African Americans face a multitude of obstacles to sustained economic development, the two most crucial factors driving economic growth into the future are: educational achievement and entrepreneurship-workforce development. Why education and entrepreneurial-workforce development? These two factors are clearly uppermost in the mind of African American Chicagoans.

In the Chicago Urban League-Nielsen Opinion Poll of African Americans education is a strong and recurrent theme in connection to achieving a strong economic future. More than one-third of respondents (35 percent) named “Access to better quality education” as the most important factor in their future economic success. 29.6 percent of respondents named “Lack of access to quality education” as the greatest barrier to economic success. Poorly-trained teachers (20.5 percent) and insufficient funding of public schools (20.3 percent) ranked first and second respectively among barriers to quality education. More than three-quarters of respondents agreed that more access to science and technical education would greatly improve the quality of public education.

Confidence in public education is low. Only about 25 percent agreed that the public education system provides a quality education to all students. Nearly 45 percent disagreed.

⁸ U.S. Census Bureau American Factfinder, 2002 Survey of Business Owners

Entrepreneurial and job training/worker support were strong and recurrent themes in connection to achieving a strong economic future. 52.7 percent of respondents said they would like to start a business in their community if barriers for start-ups were lowered. 79 percent of respondents said they would like to provide goods or services if the Olympics come to Chicago. 36 percent of respondents said that more access to capital is needed to help African American businesses in their community grow. 22.1 percent of respondents called for more training for African American entrepreneurs. Opinion was scattered on methods of making businesses in the community grow.

Other important themes that emerged:

- 85 percent of respondents cite a stable home environment as the most important factor in a child's academic growth.
- 20.3 percent of respondents cite "inattentive parents" as the main barrier to youth acquiring a high school diploma by.
- Stronger, more stable families was indicated, behind education, as the second-most important factor for economic success (by 17.4 percent).

The Chicago Urban League's research findings parallel the poll results. Education is the strongest determinant of personal income. Income, as a function of an individual's level of employment, dictates a host of social factors affecting individuals and communities. According to a 2007 study commissioned by Columbia University's Teacher College, negative social costs can be avoided through improved quality educational access and attainment. "Poor education leads to large public and social costs in the form of lower income and economic growth, reduced tax revenues, and higher costs of public services such as health care, criminal justice, and public assistance," the study's authors wrote. "Therefore, we can view efforts to improve educational outcomes for at-risk populations as a public investment that yields benefits in excess of investment costs."

As for entrepreneurial and workforce development 50.3 percent of respondents strongly agree that there are not enough good paying jobs for young people in their community. Access to more good-paying jobs also ranked high as a key factor in future economic success (16.8 percent). This opinion concerning the central importance of quality jobs is strongly supported by research data. Data from the U.S. Department of Commerce shows that for most Americans, personal income is heavily dependent on wages⁹. For African Americans, who generally have fewer assets and fewer savings than whites, wages will be the strongest determining factor in whether they will live in a safe neighborhood or an unsafe one, where they will send their children to school, and how much they will be able to save for retirement. What happens with entrepreneurship-workforce development counts heaviest among African Americans and other less affluent minorities.

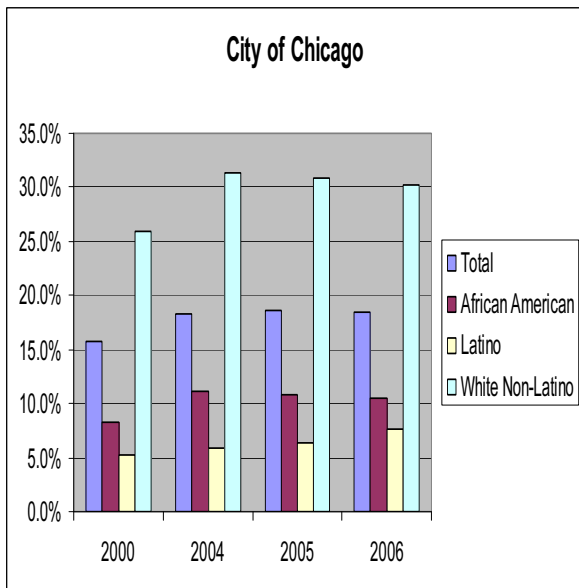
⁹ Bureau of Economic Analysis: Sources of Personal Income, November 2007

Key Drivers of Change: Educational Achievement

African American educational attainment lags that of whites. African Americans enrolled in Chicago Public Schools (CPS) had a graduation rate of 55.1 percent in 2007, and a dropout or failure to graduate rate of 45 percent.¹⁰ Of 408,601 students enrolled in CPS in 2007, nearly 190,000 were African American, 160,000 were Hispanic, and 33,000 were White. (Enrollment has been in decline among whites and blacks and on the rise among Hispanics.)¹¹ 85.4 percent of students come from low-income families¹². The current CPS annual budget is \$4.7 billion.¹³ Annual spending per pupil varies between the suburbs and the city, from as much as \$23,000 to \$4,500.¹⁴

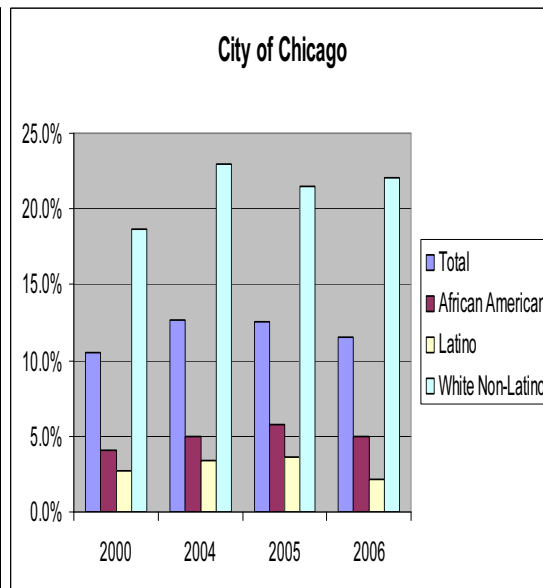
Racial gaps appear in higher education as well. The percentage of males over 25 years of age holding a college degree stands at 11 percent for African Americans, versus 30 percent for whites. The percentage of African American males with graduate degrees is even further skewed in relation to whites; 5 percent versus 23 percent.

Percentage of Male Population (age 25+) with a Bachelor's Degree



Source: Metropolitan Chicago Information Center

Percentage of Male Population (age 25+) with a Graduate or Professional Degree



Source: Metropolitan Chicago Information Center

Previous studies have linked large scale changes in education status to significant shifts in income. Looking at data from 1990, the *CEO's for Cities* study found that increasing the number of college graduates in Chicago by 100,000

¹⁰ Chicago Public Schools

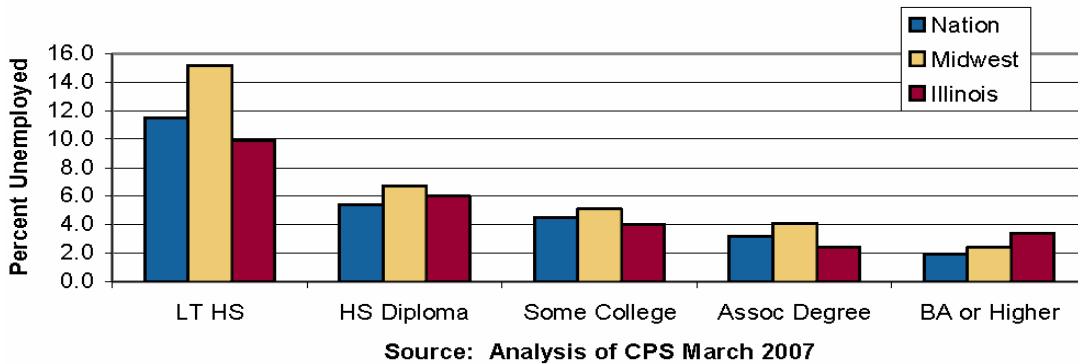
¹¹ Chicago Public Schools

¹² 2006 Report on Illinois Poverty

¹³ Chicago Public Schools

¹⁴ Center for Tax and Budget Accountability

would have increased income growth by 4 percent or \$2.8 billion. At the opposite end of the scale, unemployment rates climb as educational achievement decreases.



Yet data also indicates that education alone does not wipe out income inequities that correlate according to race. While educational achievement raises income for members of all ethnic groups, a gap between whites and blacks of comparable educational achievement persists at all economic levels, even among professionals such as physicians and lawyers. In the top earning category, only 6 percent of Illinois African Americans with a bachelor’s degree or greater earn \$150,000 per year or more compared to 25 percent of whites.¹⁵ Only 16.6 percent of whites with a bachelor’s degree or more earn less than \$50,000 annually compared to 23.5 percent of blacks.¹⁶ This data says that education alone is insufficient to erase the income inequities that persist at all levels. This has clear implications for the competitiveness of Chicago’s workforce. According to the Brookings Institution’s Metropolitan Policy Institute, between now and 2025, African American and Hispanic workers will grow from 25 percent of the working age population to 40 percent. The ability to compete and prevail in an increasingly competitive global setting requires training and higher levels of education.

Key Drivers of Change: Entrepreneurial and Workforce Development

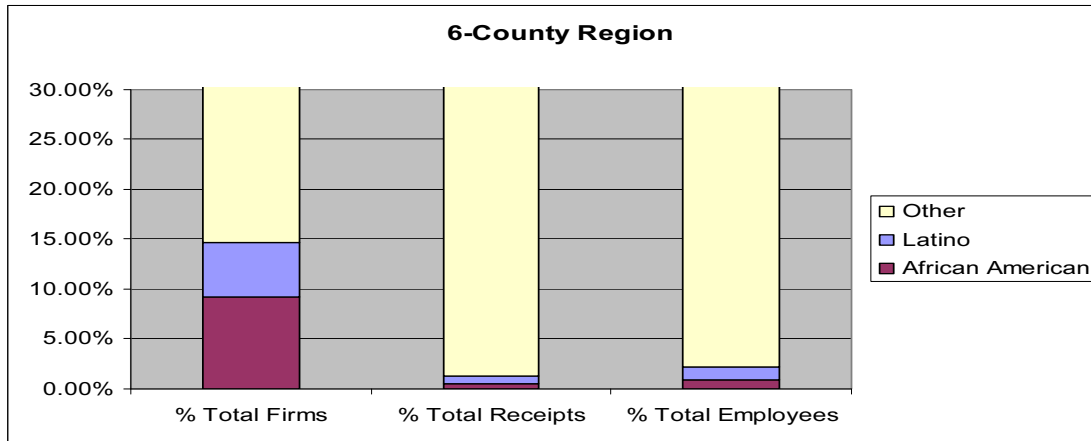
African American Chicagoans own smaller companies, they earn less in wages than white Chicagoans, and are less likely to hold management positions. Business ownership, which measures entrepreneurial levels and can serve as an indirect measure of employment levels, presents a mixed picture. Although African Americans own 54,000 businesses in Cook County and nearly 9 percent of businesses in the six county metropolitan area, business receipts for those

¹⁵ *State of Working Illinois* by Center for Tax and Budget Accountability, Center for Governmental Studies and Office of Social Policy and Research for Northern Illinois University

¹⁶ *State of Working Illinois* by Center for Tax and Budget Accountability, Center for Governmental Studies and Office of Social Policy and Research for Northern Illinois University

firms amount to just 1 percent of all receipts statewide, and the employment these firms provide amounts to just 2 percent of total employment statewide.¹⁷

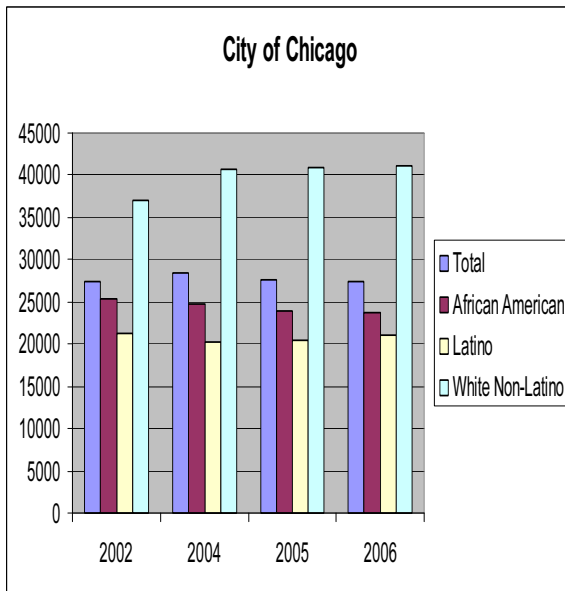
Firm Market Share by Race of Owner



Source: 2002 Survey of Business Owners

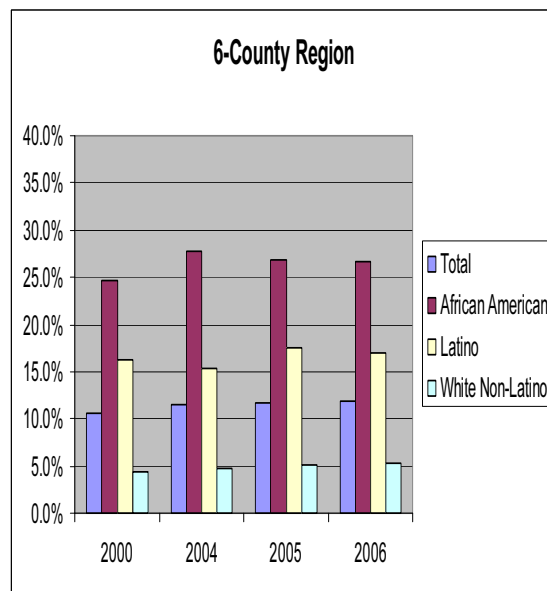
The wage gap between white and African American median hourly pay is \$2.40 per hour.¹⁸ Median annual earnings for Chicago African American families are presently in decline – from \$25,337 in 2002 to \$23,814 in 2006.

Median Earnings by Race Age (Age 16 +)



Source: 2002, 2004, 2005, 2006 American Community Survey (U.S. Census Bureau)

Poverty Rate by Race and Ethnicity



Source: 2002, 2004, 2005, 2006 American Community Survey (U.S. Census Bureau)

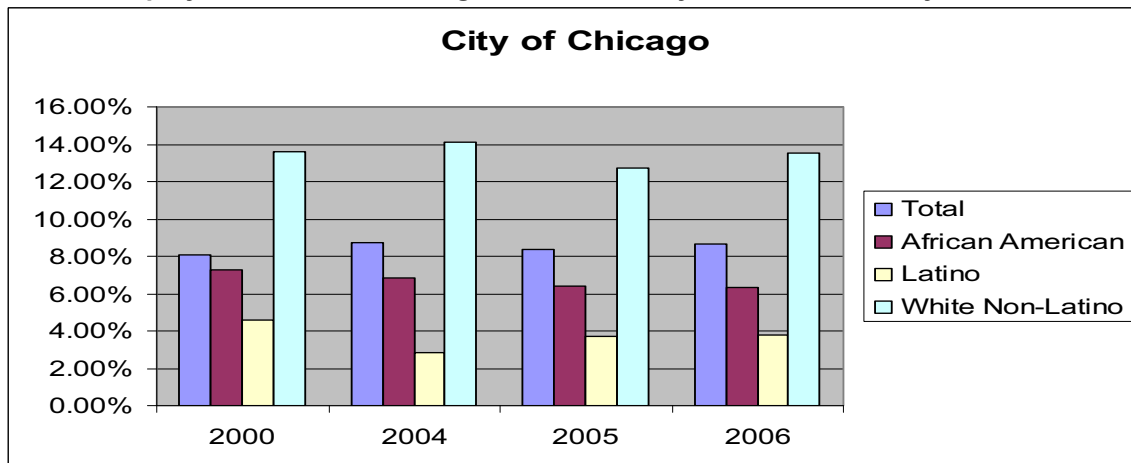
¹⁷ U.S. Census 2006 American Community Survey

¹⁸ *State of Working Illinois* by Center for Tax and Budget Accountability, Center for Governmental Studies and Office of Social Policy and Research for Northern Illinois University

African Americans constitute a disproportionately large percentage of the poorest Chicagoans, with a poverty rate of 32 percent versus 10 percent for all populations. African American household incomes cluster around the lower end of the economic scale and remain behind other ethnic groups. In 2006 56.2 percent earned less than \$50,000 per year, versus 55.5 percent of Hispanics, 34.5 percent of whites, and 25.8 percent of Asians.¹⁹ Construction industry employment is one of the steadiest and best-paying blue-collar job sectors in the Illinois economy and showed a net growth between 1990 and 2007, employing 280,000 workers in 2006.²⁰ But African Americans are underrepresented, making up only 5.4 percent of construction employees (African Americans are 12.5 percent of the total workforce).²¹ African Americans in Illinois are heavily concentrated in Education and Health Services (28.1 percent), and Transportation & Utilities (24.1 percent).²² Low-paying jobs are replacing higher paying ones. Over the last six years, the state has shown a marked increase in lower-wage service jobs, up 9.6 percent, for a total of 1.5 million jobs.²³ Since 2001, the state has lost 142,000 higher-paying manufacturing jobs, about 17.3 percent of its 2001 level.²⁴

The high-end of the African American labor market also remains problematic. Management suites within private corporations remain largely segregated, with African Americans holding 6.5 percent of management or executive positions, a percentage that has also been in slow decline since 2002.

Percent Employed Civilians in Managerial Positions by Race and Ethnicity



Source: Decennial Census 2004, 2005, 2006 American Community Survey

Racial inequity functions at all levels of the market. The number of African American households earning in excess of \$75,000 annually is disproportionately

¹⁹ *State of Working Illinois* by Center for Tax and Budget Accountability, Center for Governmental Studies and Office of Social Policy and Research for Northern Illinois University

²⁰ Ibid

²¹ Ibid

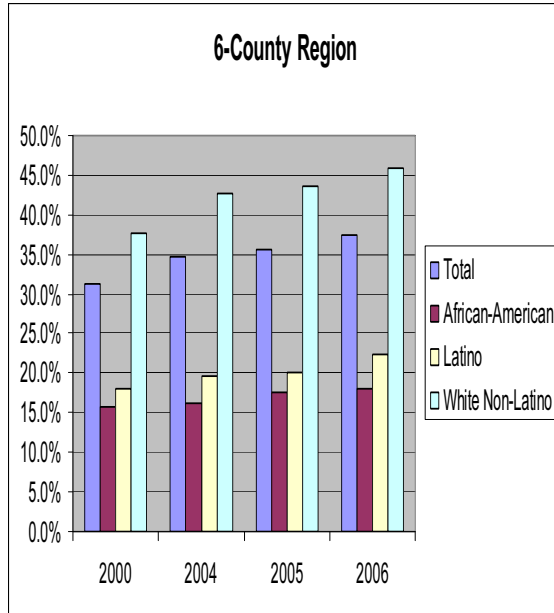
²² Ibid

²³ Ibid

²⁴ Ibid

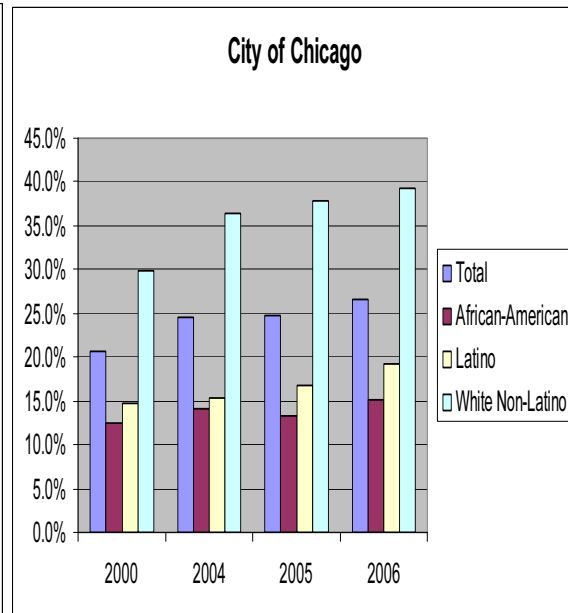
low at 15 percent of all homes, ranking below Latinos (19 percent) and whites (39 percent).

Percentage of Household Incomes Above \$75,000



Source: 2000 Decennial Census; 2004, 2005, 2006 American Community Survey

Percentage of Household Incomes Above \$75,000



Source: 2000 Decennial Census; 2004, 2005, 2006 American Community Survey

In the six county region as well, the percentage of African American households among these high earners is slightly higher (18 percent), but still below that of Latinos and far below that of whites. In the highest measured income bracket of \$150,000 per year and above, just 3 percent of all African American households qualify, compared to 11.8 percent of white households and 22.3 percent of Asian households.

Percentage of Each Group in Illinois Within Each Income Category				
Income Category	White (%)	African American (%)	Hispanic (%)	Asian (%)
Less Than \$10K	2.6	7.2	5.9	2.6
\$10K to \$24,999	8.1	16.4	10.8	5.7
\$25K to \$49,999	23.8	32.6	38.8	17.5
\$50K to \$74,999	22.6	17.3	21.8	22.8
\$75K to \$99,999	14.2	13.7	9.8	16.3
\$100K to \$149,999	16.9	9.8	10.2	12.8
\$150K and over	11.8	3	2.8	22.3

Source: Analysis of CPS March 2007

This data suggests that attention must be given to developing entrepreneurship-workforce solutions to narrow these gaps.

Research by Professor Steven Rogers at Northwestern University's Kellogg School of Management and others shows that African American entrepreneurial levels can have an outsized impact on African American employment. Research by Wayne State University professor Timothy Bates shows that white-owned companies located in minority communities have workforces that are 32 percent minority, while African American-owned companies in minority communities have workforces that are 85 percent minority. When Bates moved the study outside the inner city he found that white-owned companies in white communities have workforces that are 15% minority. African American-owned companies in white communities, however, have workforces that are at least 75% minority.

There stands a vast pool of young people who are detached from work and school, and whose status raises concerns among economic analysts. Statewide, among African Americans age 16 to 25, 15.6 percent are unemployed.²⁵ Among African Americans age 26 to 35, 10.3 percent are unemployed.²⁶ In 2001, 64 percent of the Illinois penitentiary population was African American, although the state African American population is only 13 percent.²⁷ African Americans, too, are grappling with what experts call a "spatial mismatch," which simply put, means that African Americans live where the jobs are not. A map published recently by Chicago Metropolis 2020 illustrates this quite vividly, locating the geographical center of regional employment in the city's northwest suburbs, and the geographical center of African American population at a distant point on the south side (see Map 1 in Tables and Charts).

Taken together, the deficits in education, entrepreneurship, and employment create a portrait of the widespread forces at work in Chicago's African American community. Poorly educated young people are not developing the necessary skills to engage in viable workforce and entrepreneurial activity, leaving them with virtually no options to compete. Under/unemployment has a rippling effect on government expenditures. The absence of local businesses is a direct cause of what analysts refer to as community "retail leakage," defined as the ratio of dollars spent outside a community versus dollars spent inside a community. Retail leakage is a reflection of the commercial health of a community.

2002 Retail Leakage/Surplus for selected African American Chicago Communities

²⁵ *State of Working Illinois* by Center for Tax and Budget Accountability, Center for Governmental Studies and Office of Social Policy and Research for Northern Illinois University

²⁶ Ibid

²⁷ Still Separate, Unequal: Race, Place and Policy and State of Black Chicago by Paul Street (2005)

	Washington Park	Oakland	Douglas	Hyde Park	Woodlawn	Kenwood	Grand Boulevard	Chicago
Resident Purchasing Power	\$30.5M	\$14.2M	\$71.8M	\$107.3M	\$65M	\$66M	\$63M	\$8.6B
Retail Sales Leakage	\$25.6M	\$13.6M	\$36.8M	\$53.5M	\$54.2M	\$54M	\$43.8M	\$1.9B
Retail Sales Surplus	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Capture to Leakage Ratio	\$5.18	\$24.94	\$1.05	\$0.99	\$5.00	\$4.71	\$2.29	\$0.28

Source: 2005 ETI Urban Markets Retail Sales Leakage/Surplus Drill Downs based on 2000 census and 2002 BLS Consumer Expenditure Survey

Improvements in educational achievement and in entrepreneurship-workforce development must happen ***simultaneously and in a complementary manner, both in the short term and the long term.*** While many previous studies have called for educational reforms, and many more have called for economic stimulus, the notion that education alone can lead to economic success overlooks important family stability issues in the adult population that undermine the foundation for successful education of children. Children are indeed the future, but they grow from the family conditions of today. Children who live in conditions of poverty and unstable home environments made so by unemployment or underemployment often do not have the kind of support they need to truly benefit from educational opportunity. Emotional challenges, lack of proper schooling, and experiences in unsafe environments undermine the fragile combination of curiosity, determination, and encouragement that underlie academic achievement. Respondents to the Chicago Urban League-Nielsen Opinion Poll recognize this quite clearly: 69.8 percent named a “stable home environment” as the most important factor in determining how well a child does in school, and 20.3 percent (the largest bloc) selected “inattentive parents” as the main barrier to kids in their community achieving a high school diploma. Once these children mature and enter the workplace, if they are not equipped to fill the jobs created, those jobs will find other takers.

In the globalizing Chicago economy, with manufacturing shrinking and knowledge and service jobs growing, the link between educational achievement and economic success has never been so crucial, and the premium placed on advanced skills and advanced educational degrees has never been so high. Increasing competition for jobs elevates certain qualifications and devalues others. According to *The State of Working Illinois* (2006) the unemployment rate for African Americans with less than a high school diploma is 22.7 percent, while the unemployment rate for African Americans with a college degree or better is

4.5 percent. Illinois workers with a college degree earn \$13.67 per hour more than workers without a college degree.²⁸

A 2006 national study published by the Bill and Melinda Gates Foundation entitled *Silent Epidemic* found that high school dropouts on average earn \$9,200 less per year than high school graduates, and about \$1 million less over a lifetime than college graduates. The report's authors write that "Four out of every 10 young adults (ages 16 – 24) lacking a high school diploma received some type of government assistance in 2001, and a dropout is more than eight times as likely to be in jail or prison as a person with at least a high school diploma. Studies show that the lifetime cost to the nation for each youth who drops out of school and later moves into a life of crime and drugs ranges from \$1.7 million to \$2.3 million." The high dropout rate, the report continues, "not only imperils individual futures but also profoundly impacts our communities and nation due to the loss of productive workers, the earnings and revenues they would have generated, and the higher costs associated with increased incarceration, health care and social services." The likelihood of graduating from high school goes back to the stability of families and neighborhoods.

There are many other uncertainties and challenges to continuing and expanding on Chicago's transition and modernization. The uncertainties emerge from many other areas of economic and social development including: technology, human capital, infrastructure, transportation, cultural and political shifts, and macroeconomic factors.

We believe the strongest, most vibrant Chicago will require contributions from its African American community. African Americans will benefit, along with all of Chicago's residents, from the many opportunities that will emerge over the next decade.

This report contains four scenarios on the future of economic growth for Chicago's African American community. In such an uncertain environment -- and looking out over a decade -- it is impossible to accurately predict the future. However, scenario planning offers a technique of looking at several plausible and challenging futures where ideas, policies and strategies can be developed and tested.

Scenarios of Economic Development for African Americans 2008-2018

Scenarios are stories about the future. They attempt to address crucial aspects of the future in a way that allows people to see how large forces shape the worlds we live in. They are well suited to help meet the challenges described above. Scenarios are tools for thinking about future developments. *They are not*

²⁸ *State of Working Illinois* by Center for Tax and Budget Accountability, Center for Governmental Studies and Office of Social Policy and Research for Northern Illinois University

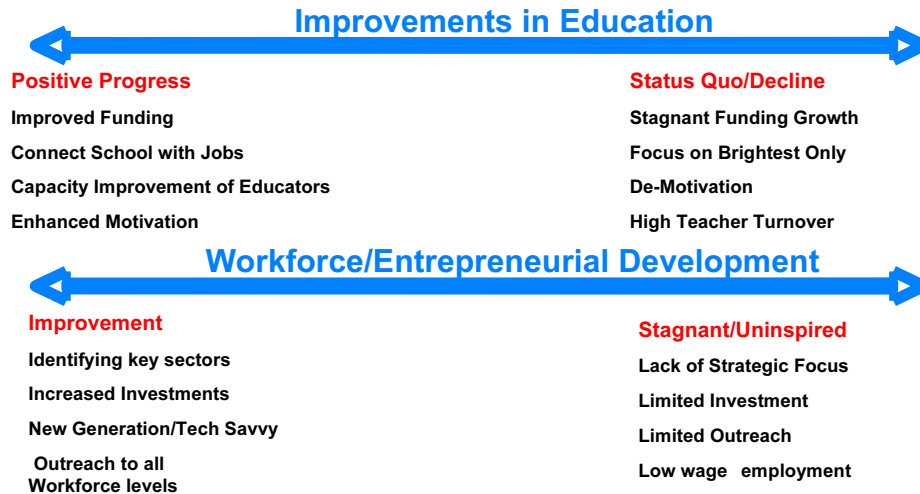
forecasts, neither are they intended to be predictions of the future. Properly used, they create avenues for learning and thinking creatively about the future and for strategic planning. Scenarios are built on a structure of key drivers of change that are both very important and highly uncertain to the question at hand—in this case the future of African American economic development in the Chicago metropolitan area over the next decade.

It is the hope of the Chicago Urban League that all who read this document are inspired to think about the future, discuss its implications, and use any insights and inspirations to contribute ideas that will make Chicago a better city for all of its residents. The policies that we recommend are offered in a collaborative spirit. The Chicago Urban League will lead as many of these initiatives as possible, but we will also partner with others whose initiatives reflect the policy priorities endorsed in this study. Though this report is focused on African American economic potential, the Chicago Urban League understands that economic growth for Chicago's African American community is supported by connections with all of Chicago's residents. It is with this positive and mutually beneficial intent that this report is being shared. During the focus group discussions the following factors emerged as key drivers shaping the future of Chicago over the next decade and thus served as the starting points for the scenarios:

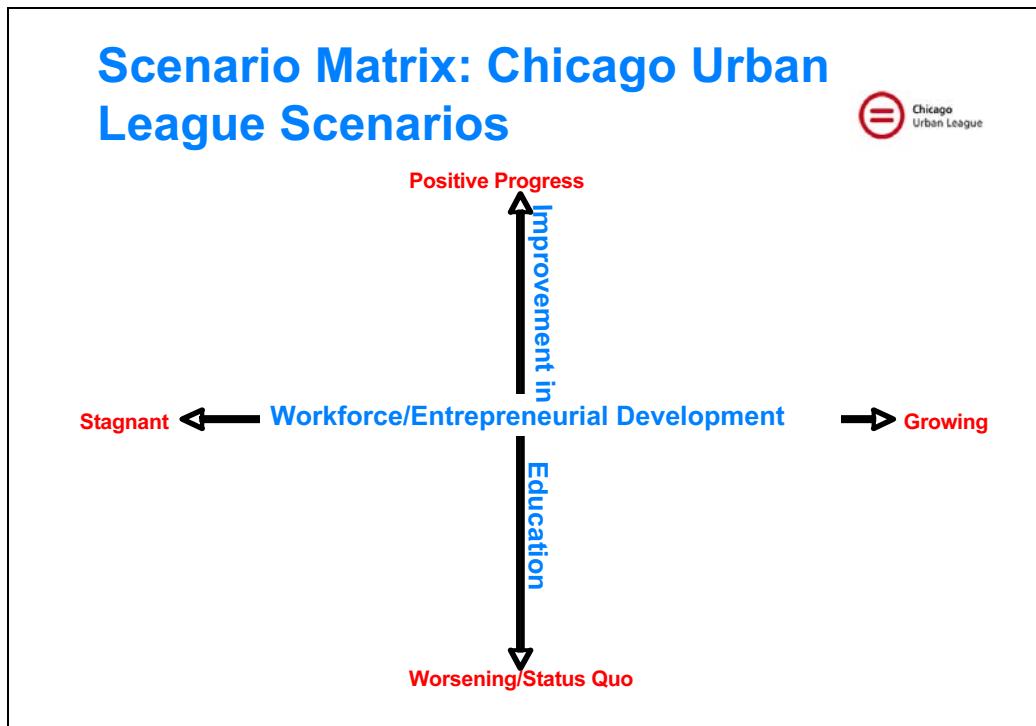
- Access to and improvements in quality education
- Support for entrepreneurial development with access to investment capital
- Improvements in workforce development
- Impacts of globalization
- Movement in political alliances
- Changes in perceptions of the Black community (internal and external)
- Retention of community resources (people and institutions)

During focus groups support for Entrepreneurial/Workforce Development and Education emerged as the most important and uncertain. They are described on the chart below with ideas about the nature of the underlying uncertainties.

The Key Important and Uncertain Drivers Shaping the Scenarios

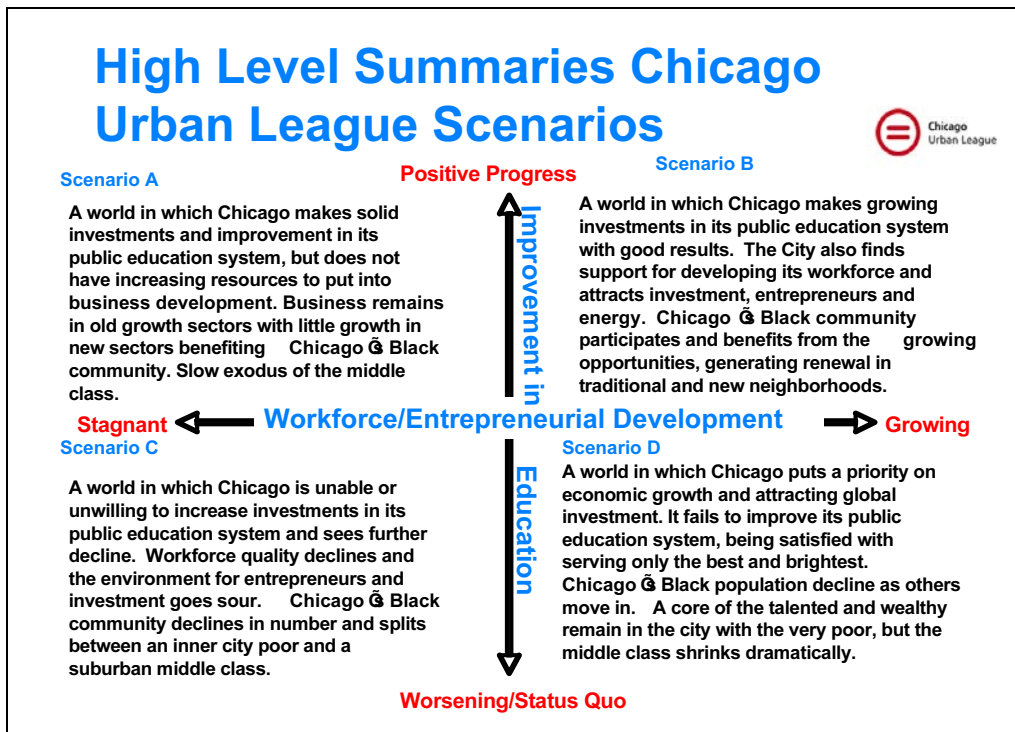


The two drivers above served to create the following scenario matrix from which the four stories below are derived. Each quadrant represents a potentially different future world.



The Chicago Urban League derived a core theory about which drivers will shape the future of economic development for African Americans in Chicago. The interplay between Education and Entrepreneurial-Workforce development will determine if positive change occurs and to what degree. The scenarios below will thus present plausible futures of how these drivers will influence the future of African American Chicagoans and Chicago's overall economic growth.

Summaries of each scenario are shown below.



Scenario A:

This is a world in which Chicago and its residents focus energy and resources on improving the public schools. This priority is broadly supported and is pursued with creativity and determination. Other key issues such as economic progress, investment in infrastructure and competing to be a global city remain important, but do not dominate the agenda. In the process of prioritizing investments, insufficient funds are directed toward basic workforce development and attracting entrepreneurial talent. Chicago continues to grow at a moderate pace over the next decade in a way that builds upon past investments. Chicago's African American community benefits from the improvements in the public schools, but is unable to achieve significant growth in business development and economic vitality.

2008 to 2012

During these years Chicago is coasting on past investment in infrastructure and urban development. It is widely recognized as a city with one of the most beautiful central business districts, beautiful lakefront and a strong business community. However, challenges in its public education system remain a concern of city leaders and especially of the city's ethnic minorities. Minority children make up a majority of the students attending public schools and are suffering from significant gaps in academic performance and graduation success. The parents of these students find they are not alone as there is interest across the leadership spectrum in Chicago to improve schools as a key facet in its long term plan to be a competitive global city. Leaders recognize that improved schools serve as a foundation for attracting talented people and thus strong families and communities. Effective leadership, with financial support from the state and federal government come together following the 2008 elections and Chicago Public Schools begins substantial increases in investments in school facilities, teacher training and support, and innovative approaches to education.

While there is a tight focus on education in this world, the different organizations in the City that contribute the most to workforce training and development—small and large businesses, community colleges, and government economic development agencies—fall behind the level of investment needed. Various factors contribute to this including a slower general economy and budget limitations. The right balance between job training and skills development and the needs of business is hard to achieve.

Chicago continues to make steps toward adjusting to the changes triggered by globalization, in particular the movement of some jobs overseas. However it is unable to attract any significant new start-up companies or large corporate companies. Older, longstanding companies provide the majority of Chicago's global business presence.

As it is too early to see significant benefits from the shift in education investment, Chicago's African American middle class continues its flight to the suburbs. The city also continues to adjust to the shifts in public housing and its impact on low-income residents.

2012- 2016

The election year of 2012 provides an opportunity for citizens to assess the progress of investment in improving public schools. Voters approve and encourage more investment. As test-scores increase, students and teachers are able to give genuine testimonials to the improvements they are experiencing and this validates the policies of city leaders.

As the momentum from the public schools spreads, there is an increasing number of graduates attending community colleges, and four-year institutions. Schools offering vocational education opportunities also experience significant increases in attendance. The beginnings of a longer-term trend of building the human capital base for Chicago's future competitiveness begins to take shape. However, the connection between jobs that businesses need to fill and the broader education system in the City remains out of sync. At the workforce level a gap remains.

During these years a stronger sense of community involvement and support begins to emerge from the investment in the schools. Leaders from many segments of the city are involved and support the steady progress. Within the African American community, perceptions of the innate ability and determination of the average citizen to make the city a safe and pleasant place to live begin to improve. By this time transition from public housing tenements to a mixed income residential paradigm is complete. The rate of African American middle class movement to the suburbs declines and is evident in the high level of home restoration in older neighborhoods. Community-based and faith-based organizations are a prime backbone of these improvements.

Economic shifts related to global business growth benefits Chicago during these years, but also lead to some losses. On balance the results seem to be a draw. Underneath the larger adjustments the city is continuing to make improvements in infrastructure and signaling its long-term intent to remain a competitor for global investment. Budget issues slow some of the investment and in other cases the scale of the changes simply takes time to complete before the benefits are available.

By 2016 there is plenty of evidence that even though the pace may have been slow, Chicago is on a very solid path of growth. Its investment in improving public schools is nationally recognized. Chicago becomes a place where other city leaders come to study successful innovation, especially with its improved results for minority students. Chicago's students are not only filling its colleges

and universities, but are competing for slots in schools nationwide and internationally. There are mentions of a brain drain from Chicago in some quarters.

2016-2018

After a decade of focus and smart investment in its school system Chicago begins to see movement of African Americans and other minorities back into its urban core. The African American middle class in particular begins to positively influence the city through investment in community revitalization and small business development. The encouraging improvement in schools allows people to have greater confidence in raising their families. African American leaders play positive roles politically advocating for more investment to close the gap in basic workforce development. They are also advocating for the city to continue to internationally. These leaders thus have strong alliances with all segments of Chicago's business community.

By 2018 much of the investment needed to maintain and improve the city's infrastructure is producing benefits. Traffic jams remain at peak times, but the city's historical reputation for being a leader in urban planning holds up well. In the coming years city leaders will need to focus more attention on supporting entrepreneurs. Having invested the last decade in stabilizing its education system and building stronger communities the city is well positioned to compete.

Scenario B

This is a world in which Chicago makes smart investments in both improving its education system and attracting and retaining new businesses. It supports innovation and increased investment in its public schools to build human capital over the long-term and simultaneously puts policies in place to support entrepreneurship and attracting new business investment. These actions lead to accelerating economic growth, business proliferation, attraction and retention of some of the best and brightest people, and renewal of community cohesiveness in the city.

2008-2012

During these years Chicago doubles its investment in infrastructure, transportation, education and business development. In this world the pace picks up even faster as a positive rhythm develops between investment and improvement in the city's school system and smart policies that encourage new business development.

In these beginning years Chicago leaders are able to combine several efforts to substantially increase investments and innovation in public schools. Leaders are able to attract support from both the state and federal levels, as well as dollars

for innovation from major foundations to accelerate improvement in the schools. New money flows into improving facilities, teacher training and support, and investment in new technology. Improvement in student performance begins rapidly.

City leaders from many sectors who have long made plans to attract and retain new businesses and to compete more effectively for international business now put smart policies and investment into place. Smart investments are made to improve the city's core infrastructure related to transportation. This provides confidence to entrepreneurs and corporate leaders that Chicago is a good place to invest for the long term. The impact of this investment also benefits the average city resident, who is able to work more efficiently and benefit from reliable systems.

These changes send a signal to the African American middle class not to abandon the city so quickly. Opportunities are emerging not only for businesses that serve the African American community but also for those businesses that wish to connect to mainstream markets and participate in the city's broader growth. The awarding of the 2016 Olympic Games to the city stimulates a wave of business creation and development on the city's South Side. The increased support for the schools entices many African American parents to get involved and helps improve achievement, and improves the system for all students.

2012-2016

Evidence of the wise investments in schools and new business attraction becomes wide-spread during these years. Chicago is able to attract not only a large quantity of foreign investment, but also several large domestic corporations relocate their headquarters to the city. These announcements give the city economic momentum that will carry it forward for many years. These companies relocate to Chicago because of its educated and well-trained workforce. Chicago's leaders not only continue to support their universities, but also boost support of the community colleges and vocational schools. Large manufacturers can locate in Chicago because of its appealing combination of great logistical assets and an abundant, educated workforce.

During these years Chicago's population grows faster than the national average for big cities. Chicago's immigrant population increases. Many are highly educated. Chicago gains a reputation for its mix of innovative and high-income people that rivals that of New York City. These individuals run the financial houses and corporate giants of the city. Leaders also emerge from the vibrant small and medium-sized business sector that is growing rapidly.

Chicago emerges as one of the elite global cities in the world and it manages to do so with a stable political base. An extraordinary alignment of the civic community, political leadership, and business establishment produces

extraordinary results. The backbone of the political consensus is agreement about quality public education; workforce improvements enabled by a well functioning infrastructure; and policies that encourage business development. By supporting real investments that support this consensus, Chicago creates a positively reinforcing system of growth for the long term. The beneficiaries of this growth are not just the people on the top, but also average Chicagoans who are able to get good skills to prepare them for the job market, and find good work paying middle-class wages. Chicago's African American population benefits across the board, as better schools and rising household income improve safety and the learning environment in-and-out of school for children, lowers crime in the neighborhoods, and stabilizes families and neighborhoods.

2016-2018

A decade into this world finds Chicago as one of the preferred places to live in the world. Its international flavor is vibrant; its communities are an interesting mix of cultures, fine restaurants and social activity; and its business community is connected as a vital hub in the global economic network. The city has played its historical advantages into a key place in the world economy. Its universities, historical financial trading center, logistical infrastructure, and diverse population have worked well together, with new investments to transition the city into a home for the new economy based on digital, bio-science and communications. By making wise and successful investments in its assets for building human capital—the public schools, community colleges, universities and four-year colleges, and vocational and technical schools—Chicago is one of the smartest and best-trained workforce cities of the day. School-to-work connections proliferate. Educational advances and economic advances yield strong social advances too; rising median household income among African Americans has the effect of lowering incarceration rates for African American men. Teen pregnancy rates decline.

African American Chicagoans during these years are able to celebrate their transition as well. The majority of them are now solidly middle class. They attend schools they can be proud of that deliver a quality education. The majority owns their homes and lives in neighborhoods where properties maintain their value. Black Chicagoans are also playing significant roles in the city's business community, including holding management positions in large corporations as well as owning their own growing enterprises. Many small businesses win contracts and participate in the Summer Olympic Games that come to the city and expand their businesses on that base. Dozens of small businesses are uplifted by the billions of spending that accompanies the Games. Wise pre-planning by community leaders help launch a new commercial and retail corridor in the vicinity of the new Olympic stadium. This progress is built on hard work by parents, students, community leaders as well as smart investments by all the residents of Chicago.

Scenario C

This is a world in which Chicago is unable to invest what is needed to greatly improve its public education system or support training to improve the basic skills of its workforce. The city is also unable to attract significant new businesses or benefit from successful entrepreneurial talent. No lasting political consensus holds for broad support of the best policies for long-term growth and the city become less competitive in the race for global growth.

2008-2012

During these years Chicago begins to lose the momentum it had from the turn of the century. Growth continues but at a more moderate pace and with more difficulty. The basis of the slowing of momentum is the city's inability to attract and retain a large share of the best and brightest who are regularly attending and graduating from local universities and colleges. Many of these high-potential individuals chose not to make their homes in Chicago because the struggling public schools don't give them confidence that they can afford to raise families there. In addition they are highly sought after and find opportunities in the ever-expanding suburbs, or in other global cities where entrepreneurial opportunities are superior.

City leaders are not unaware of the problems facing the city, but they have only so much money to spread around to address the challenges they face. These include infrastructure improvements, especially transportation, and of course the school system. The city is also in the midst of significant land use changes associated with eradicating its public housing in favor of mixed-income developments. With such big and expensive issues on the table there are insufficient resources for large increases in spending on public education, workforce development and incentives for entrepreneurs. The choices are not good ones for city leaders.

The slow approach to improving the city's schools has an undesirable impact on the middle class. The African American middle class, which has attractive options for home ownership in the suburbs, continues to move out. Since promises for improvement in the schools are not forthcoming, a primary issue of importance remains inadequately addressed.

Chicago sits on a delicate balance during these years in terms of its continuing transition from an old industrial city to a modern, globally-competitive one. Even seemingly small decisions might have unexpected consequences in the long term. It is the accumulation of these small decisions—some on funds for workforce training, others on school policies, and few on business development incentives—that put Chicago on a slow growth path. The greatest influx of jobs is in the lower-skilled, lower-paying retail and service sectors. By 2013, the manufacturing sector no longer employs the highest percentage of the state's

workers, replaced by employment in the steadily growing retail and service sectors. Unemployment in some neighborhoods such as Englewood, Roseland, Lawndale and Riverdale reaches disastrous proportions, soaring as high as 40 percent in some of the hardest hit areas.

The dwindling investment in the city becomes apparent to the International Olympic Committee which cites concerns over transportation and infrastructure inadequacies. After an expensive and time-consuming bid, Chicago loses out on the 2016 Olympic Games to a foreign competitor city, and an estimated \$5 billion windfall in direct spending goes with it.

2012-2016

A big warning signal that Chicago is no longer competitive comes when a major corporation leaves town, or an outside corporation considering Chicago decides to go elsewhere. Chicago begins to experience repeated episodes such as these. In comparison to cities such as Atlanta or New York, Chicago appears to be shrinking. Chicago also loses out to second-tier cities like Charlotte, NC and Orlando, Florida. Chicago retains its core of big companies in the Loop, but most of the investment activity of these companies is outside of the city. They are not expanding their offices, but mostly overseas. There is little real job growth in those companies.

Bad news continues to spew from the public school system as teacher turnover, low test scores and the exodus of students drains energy and capacity. Per-pupil funding ratios widen between the city and the suburbs, as does the educational achievement gap between blacks and whites. High school graduation rates remain abysmal, particularly for black males. Though there is no real decline in overall dollars being spent in the system, it would require a large and sustained increase to turn the schools around, and this money is not coming. Awareness of a lack of big investment spurs more flight by the middle class. Parts of Chicago begin to take on the two-tiered look of cities like San Francisco—a very rich class mixed with some very poor people. In some parts of Chicago people feel very safe, yet if they walk a few blocks away the sense of safety quickly disappears.

Further evidence of the changes taking place in Chicago can be seen in the shift in the retail base in neighborhoods. In the poorer neighborhoods the quality of food, products and services declines to abysmal levels. Surveys and investigations show that quality healthy food at affordable prices is practically unavailable in some areas. Low quality and low price retailing is common. Poor African Americans and other immigrant communities populate these areas. The perception of African American Chicago that plays in the media is largely about crime, poverty and deprivation. The scores of unprepared students coming out of the public schools can find no place in this urban economy. Illinois prisons which

were 64 percent African American in 2008 grow to 75 percent African American. Recidivism rates climb, too.

There are always a few, resilient kids who can succeed in any system. Chicago has its share of these kids during these years. But they mostly drift away and do not return after college. This contributes to a drain of community resources.

2016-2018

By this time efforts to turn the declining situation around are widespread. However, a lot has been lost that cannot be replaced. Talented people have left. Opportunities to get on the ground floor of some of the most exciting new industries and businesses have been missed. Young minds have not been cultivated in the schools. The only question is: how deep is the hole? Are there some assets that can be used to move in a more positive direction? Clearly there are. The colleges and universities retain their vitality; a cadre of large companies remains; and the logistical advantages and basic infrastructure is there.

As new leaders emerge and get to work, they pull on some of the best and brightest minds in the world. Optimism goes a long way. Outsiders view Chicago as a place of opportunity -- if one can manage some of the risks. The upside possibilities emerge from the greater availability of land compared to many other global cities, the proximity to transportation, and digital connections to the world of global finance. Fortunately for Chicago, many from around the world are willing to take a risk on the city and bring it back to prominence.

Scenario D

This is a world in which Chicago continues its transition to a global economic powerhouse with a focus on business development, entrepreneurship and preparing a competitive workforce. In the process it attracts a global population and a more diverse city. It continues to build on its legacy as a great city. However, during this growth the City does not greatly improve its public education system and thus traditional Chicagoans are not the prime beneficiaries.

2008-2012

During these years Chicago continues its momentum from key investment decisions made at the turn of the century. Growth continues at a moderate pace, but some potential investment lingers in anticipation of further investments in infrastructure and positive policy changes to encourage business growth. These investments eventually do flow and are evident in the consistent swing of building cranes in the city. Much of this investment is backed by international investors who are interested in getting a piece of what they see as a major American hub

for global business. Chicago is a city with incredible assets for global investment: great colleges and universities producing some of the best minds anywhere; great location for trade with a strong rail infrastructure; long-standing players in the world financial markets; and a vibrant downtown. For a person without young children or one who can afford the best private schools, Chicago is a great choice.

City leaders understand the assets in Chicago and decide the best way to proceed during these years is to make the city exceptionally friendly to new investment. This involves helping the best and the brightest adults to succeed. The city cannot or will not make a major investment in improving the public schools. Money is channeled into supporting community colleges, four-year colleges and universities. Money is also channeled to businesses and schools to reduce the costs for training workers for jobs. This turns out to be an efficient and smart strategy for business attraction. Funding to public schools is not reduced, just not increased to the higher level really needed to address their long-term problems. The large increases in funding needed for the repair of facilities, teacher training and support, and for bringing on innovation and new technology into the classroom are unavailable.

The political consensus in Chicago that enables the shift toward business attraction has a strong logic. It is based on the argument that creating jobs leads to higher and more stable incomes that in turn supports families. It is also appears reasonable as voters understand that the problems with the schools are long-standing and difficult to solve in the short run.

2012-2016

Evidence of changes occurring in Chicago during these years is most visible from the growing diversity in the workplace. Chicago experiences steady waves of immigration from around the world. It develops significant new communities. Foreign students who come for school and decide to stay also begin to populate the city. As this occurs the old racial dynamics that drove Chicago politics begin to recede.

The African American population of Chicago comes under competitive economic pressure during these years and the result is a pushing out of the poor from some areas. As housing prices rise and new homes and apartments are built in traditionally Black areas only middle and upper income African American people can compete. The net effect is income gentrification and a steady decline in Chicago's African American population.

While this shift in faces is occurring Chicago is greatly expanding economically. Home-grown businesses, often started by new immigrants and the educated elite from the universities, are a significant contributor. Chicago does not exactly become "Silicon Valley Midwest," but it develops a reputation for some big

innovations in areas such as communications, medicine and media. Housing construction booms and fills in many of the empty lots that resulted from earlier urban renewal activities.

The fact that all of this is occurring on the top of a failing public education system does not go entirely unnoticed. There is criticism outside Chicago from some national educational leaders. Their critiques stir periodic debate, but no action. Some prominent and successful African American Chicagoans speak out as well, but again, very little changes based on those critiques.

2016-2018

Coming up on a decade, Chicago will have become the global city it will remain for decades to come. It will have a very diverse population. It will be interconnected in everyway. It will be home to some of the richest and powerful people in the world. It will be a great place for nightlife and fine dining, a great place to get an elite education, and a good bet as a place to start a knowledge or service business. Chicago will be seen as one of the cities that successfully made the transition from an old industrial hub to a hub of the global modern economy.

Chicago wins the rights to host the 2016 summer Olympic Games, but insufficient planning and inside maneuvering by powerful city players cuts out the vast majority of small business people aiming to participate. Small African American businesses hoping to get a piece of the pie come up short. A real estate boom and gentrification triggered by the Games opens up neighborhoods to local and outside speculators who bid up real estate prices and drive out long term residents.

There will be African American businesses and African American millionaires, and they will be serving a wider, if not global customer base. Middle income African Americans will just as likely live in integrated areas as in upscale African American neighborhoods. Poor African Americans remaining in the city will likely live in areas cut off from the mainstream.

The political consensus that created this new Chicago will continue to hold fast because it will have succeeded so well. The people in positions of influence, from all racial, ethnic and national backgrounds, will be its beneficiaries. The workforce they will have created and the new business enterprises they own will be vital to the economy of the city. Chicago will be a city defined by progress. Results will be what count the most.

Comparative Analysis of the Scenarios

To enhance the understanding of the scenarios it is useful to see a side-by-side comparison. Such a comparison using the key drivers for the scenarios is shown below.

	Scenario A	Scenario B	Scenario C	Scenario D
<i>Quality Education</i>	Increased investment leading to steady improvements	Increased investment leading to outstanding improvements	Declining investment leading to deterioration	Declining investment harming ability to compete
<i>Entrepreneurial Development and Capital Access</i>	Insufficient for growth and competitiveness	Increased, timely and effective	Declining and with very weak results	Targeted and beneficial to the limited winners
<i>Basic Workforce Improvement</i>	Insufficient and disconnected from the public schools	Well financed and coordinated	Limited and poorly managed	Available but beneficial to the most competitive groups
<i>Impact of Globalization</i>	Net loss of jobs and investment, but not catastrophic	Net gain in investment and jobs, rockets growth	Net loss of jobs and companies, drains vitality	Gain in jobs, but not for traditional Chicagoans
<i>Political Alliances</i>	Consensus for public education as a priority	Consensus on education and economic development	Divisiveness leading to poor policy	Cross groups based on economic and special interest
<i>Black Community Perceptions</i>	Slow improvement based on educational success	Improved based on prominent examples of success	Negative stereotypes go unchallenged	Of some concern to the limited few Blacks left
<i>Retention of Community Resources</i>	A key to success supporting education changes	Vibrant and involved in many sectors of the City	Very limited to the dedicated and optimistic	High in some communities and absent in others

Summary of Priority Policy Responses to the Scenarios

What follows is a short list of priority policy responses and strategies that Chicago Urban League endorses that will help steer the city and its African American community to economic success in any future that may emerge. Some of the responses here represent areas of work where other organizations are already engaged. Others represent areas where Chicago Urban League is currently engaged, or is prepared to commit resources and provide other supports immediately, through solo work or partnerships.

- 1. Increase state-paid percentage of public school funding, raise per pupil funding to foundation level or higher, and reduce reliance on property tax to bring about greater suburban-city funding equity.*
- 2. Expand and deepen public-private collaborations between CPS and businesses, including direct partnerships that align students, workforce education, and jobs in growth sectors of economy. Support CPS in developing more career academies that are market driven, with strong industry connections and recognized credentialing curriculum that prepare students for college or work.*
- 3. Strengthen math and science curricula by providing incentives to math and science degree-holders to teach in urban schools; continue to strengthen pre-K education.*
- 4. Increase teacher training and principal training, work more closely with universities to attract advanced degree-holders to teach in urban environments; raise pay for effective teachers in high-need schools and subject areas.*
- 5. Build neighborhood support of schools and increase student and school performance by aggressively expanding parental engagement initiatives, parental supports and community schooling programs.*
- 6. Establish a Chicago Mind Trust that offers privately-funded fellowships to education entrepreneurs who develop initiatives that transform educational quality.*
- 7. Substantially increase availability of contextualized learning programs that improve math and reading skills while providing critical work-training; provide direct financial support to help community college students with transportation, books, child care, etc.*
- 8. Strengthen state and local economic incentives that encourage businesses to locate in high-poverty census tracts and/or near affordable housing and public transport.*

9. *Create new mezzanine financing products that are guaranteed by government and funded, in part, by minority participation, and used to strengthen and support the growth of small, minority-owned businesses.*
10. *Include a mentor-protégé component to all government contracts and financing that exceed a specified threshold. Require winning bidder to participate with a small business in a related field.*
11. *Create inter-governmental response team that serves as client relationship managers who streamline access to governmental services and financing for businesses and investment community. Raise minority workforce and business participation goals on large capital projects such as the Olympics, provide more apprenticeships for minorities, particularly in construction.*
12. *Engage churches as equity partners in creating investment pools to finance start-ups and business expansion. This can work with urban infrastructure bank, as identified in National Urban League's Opportunity Compact, using federal bonds to rebuild schools, streets, community centers, and other employment-generating work in low-income neighborhoods.*
13. *Attract new corporate investment by branding Chicago worldwide as business-friendly metropolis and epicenter of African-American entrepreneurial dynamism.*
14. *Expand and proliferate business incubators similar to Chicago Urban League's Entrepreneurship Center. Use CUL as convener among businesses, pension funds, venture capital firms, universities, and civic institutions to develop strategies for investing in targeted initiatives.*
15. *Create formal business networks to facilitate joint ventures between minority enterprises and majority firms.*
16. *Invest in and support improvements in media imagery of African Americans through black-owned media properties.*
17. *Expand "no-entry" options for juveniles (such as Juvenile Intervention and Support Center); increase funding to local communities to rehabilitate at-risk juveniles (Redeploy Illinois). Mandate treatment rather than jail for non-violent offenders, and build closer partnerships between government, employers, community colleges and community-based organizations to oversee assistance for ex-offenders.*
18. *Build on dedicated and comprehensive programs supporting African American males, such as Chicago Urban League's IAM.*

19. *Tighten links between employers and local universities by funding new local scholarships and creating school to work pathways to retain exceptional students.*
20. *Increase Chicago Urban League's role as a convener between philanthropic, government, private sector and civic stakeholders to coordinate inclusive and equitable policies in education, workforce and entrepreneurship.*

Tables and Charts

Table 1: Change in Minority-Owned Businesses in Illinois, 1997- 2002

Group	Year	Number of Firms	% Change	Gross Receipts (\$1,000)	% Change	Number of Employees	% Change
All Illinois Firms	2002	958,120	8.6%	\$1,469,671,984	4.7%	5,090,721	1.2%
	1997	882,053		\$993,116,732		4,994,344	
African American	2002	68,699	66.5%	\$4,980,181	27.2%	38,457	9.7%
	1997	41,244		\$3,913,240		35,034	
Asian	2002	44,477	20.6%	\$14,544,716	-1.2%	98,305	21.9%
	1997	36,857		\$14,727,553		80,589	
Hispanic	2002	39,539	27.5%	\$7,389,214	53.4%	60,576	-15.5%
	1997	31,010		\$4,814,853		71,692	
American Indian & Alaska Native	2002	3,379	-6.9%	\$440,748	-33.6%	4,054	-16.9%
	1997	3,945		\$664,108		4,879	

Source: U.S. Census Bureau. American Factfinder. 2002 Survey of Business Owners. Survey of Business Owners: Company Statistics Series: Statistics for Black, Asian, Hispanic, and American Indian & Alaska Native Owned Firms by State and Kind of Business.

Table 2: Change in Minority-Owned Businesses in Cook County Illinois, 1997-2002

Group	Year	Number of Firms	% Change	Gross Receipts (\$1,000)	% Change	Number of Employees	% Change
African American	2002	54,753	69.1%	\$3,911,948	31.2%	30,555	3.3%
	1997	32,377		\$3,913,240		29,586	
Asian	2002	27,776	18.9%	\$8,527,371	-1.8%	59,911	38.9%
	1997	23,354		\$8,372,458		43,108	
Hispanic	2002	27,030	33.5%	\$4,488,728	42.7%	37,407	-3.2%
	1997	20,245		\$3,144,268		38,648	
American Indian & Alaska Native	2002	1,498	14%	\$167,963	-29.0%	1,075	-39%
	1997	1,313		\$236,638		1,763	

Source: U.S. Census Bureau. American Factfinder. 2002 Survey of Business Owners. Survey of Business Owners: Company Statistics Series: Statistics for Black, Asian, Hispanic, and American Indian & Alaska Native Owned Firms by State and Kind of Business.

Table 3: Change in Minority-Owned Businesses in Chicago Illinois, 1997- 2002

Group	Year	Number of Firms	% Change	Gross Receipts (\$1,000)	% Change	Number of Employees	% Change
African American	2002	39,419	67.2%	\$2,870,901	17.0%	22,035	-11.2%
	1997	23,576		\$2,452,633		24,815	
Asian	2002	13,650	17.9%	\$3,270,567	-10.9%	29,091	18%
	1997	11,576		\$3,672,272		24,476	
Hispanic	2002	17,803	41.2%	\$2,979,436	63.8%	23,967	23.2%
	1997	12,602		\$1,818,658		19,450	
American Indian & Alaska Native	2002	1,010	88%	\$114,532	133%	S	
	1997	537		\$48,973		227	

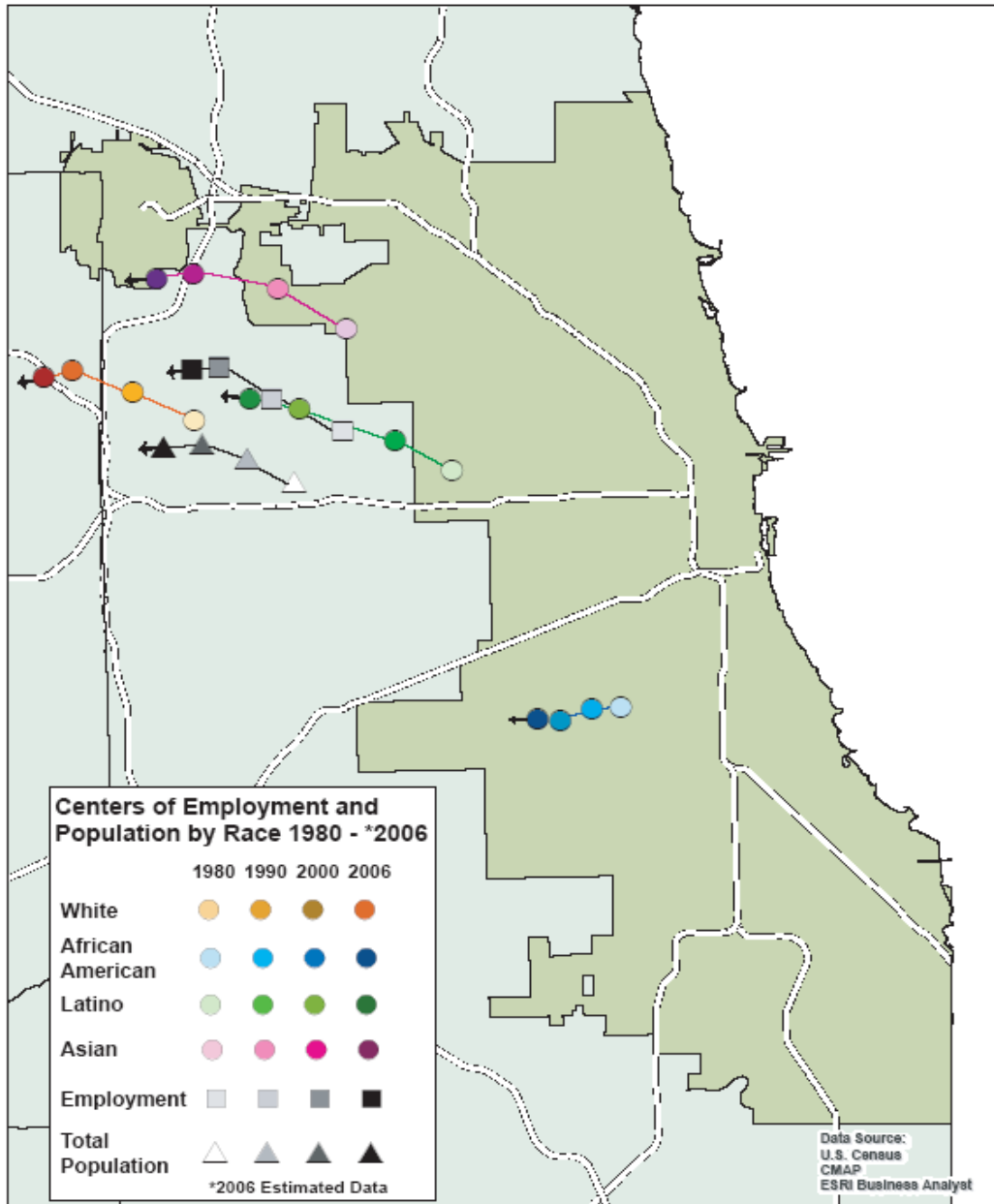
Source: U.S. Census Bureau. American Factfinder. 2002 Survey of Business Owners. Survey of Business Owners: Company Statistics Series: Statistics for Black, Asian, Hispanic, and American Indian & Alaska Native Owned Firms by State and Kind of Business.

Table 4: Illinois Ethnic and Racial Differences in Education

Education Level	White (%)	African-American (%)	Hispanic (%)	Asian (%)
Less than High School	6.4	7.5	38.6	5.9
High School Graduate	28.1	29.9	31.4	12.1
Some College	21.6	29.1	14.6	10.4
Associate's Degree	9.0	8.3	4.0	7.5
Bachelor's Degree or Higher	35.0	25.1	11.4	64.2

Source: Illinois Ethnic and Racial Differences in Education.

MAP I: CENTERS OF EMPLOYMENT AND POPULATION BY RACE



Source: Chicago Metropolis 2020



**Chicago
Urban League**

4510 South Michigan Avenue

Chicago, IL 60653

773- 285-5800

www.TheChicagoUrbanLeague.org