The state of Black residents: The relevance of place to racial equity and outcomes
Contents

Executive summary 1
1. The geography of Black America 17
2. The current state of outcomes and equity for Black residents 31
3. The pace of change 42
4. Solutions with scale 53
Acknowledgments 70
Executive summary

Our 2021 report *The economic state of Black America* used a unique lens, exploring the barriers and opportunities that Black Americans encounter in the various roles they play in the economy: as workers, business owners, savers and investors, consumers, and residents (in the context of community environments and public programs). Since then, we have followed up with a more detailed analysis of Black consumers.¹ Here we similarly zoom in to analyze the Black resident experience.²

People shape places, and places in turn shape outcomes for people. Racial disparities reported at the national level in the United States are broad averages that obscure what is happening in specific communities, whether they are stories of progress, stagnation, or regression.

To take on this multifaceted concept, we begin by defining a set of quality-of-life aspirations and looking at metrics related to them at the county level. We then aggregate the results for places with similar characteristics, including various types of American cities, suburbs, and rural counties. This approach enables us to examine which environments offer Black residents the best quality of life and which have gotten closer to the goal of creating more equitable outcomes.

The results show substantial differences in overall outcomes for Black residents across community profiles—as well as substantial gaps between Black and White residents in virtually every county. We find that America’s suburbs and exurbs currently seem to have the nation’s best balance of positive overall Black outcomes and parity. But even here, large disparities persist. Effectively, there is nowhere in the United States where outcomes for Black residents equal those of their White neighbors. Moreover, most places close to parity are small rural counties where outcomes are poor for all residents, regardless of race.

We also look across the past decade to gauge the rate of progress. While multiple metrics have been improving for Black residents, those gains have not closed racial gaps in any meaningful way, as White outcomes improved to the same degree or even more so. At the current pace, it could take more than three centuries for Black residents across the nation to reach parity with their White neighbors. Progress has not yielded parity.

Mapping the gaps can help investors, companies, philanthropies, and public-sector leaders decide where and how to act. What works in a dynamic city with high inequality may not be right for a rural county with a stagnant economy. Our hope is that looking at people and places holistically will yield solutions that are transformative for Black residents and the trajectory of their communities.

We look at varied types of communities across the United States to assess the experiences of their Black residents

The United States has more than 3,000 counties. Some are thriving, some are distressed, and many more are somewhere in between. Mirroring previous McKinsey Global Institute research, we sort counties into distinct community profiles based on economic metrics, size, and other characteristics (Exhibit E1). We use this categorization to examine geographic variation in the economic, social, and physical well-being of residents in general and of Black residents in particular.

¹ For our research on Black consumers, see mckinsey.com/bem/our-insights/black-consumers-and-the-opportunity-for-growth-and-equity.
² We use the terms “Black Americans” and “Black residents” interchangeably for all individuals identified as Black or African American in US government data, regardless of citizenship status.
The United States is a complex mosaic of local economies, with 13 distinct community profiles.

Map of US counties, color-coded by community profile

- **Focus of this research**
  - Megacities
  - High-growth hubs
  - Independent economies
  - Stable cities
  - Stable rural counties
  - Trailing rural counties
  - Urban periphery

- **Additional community profiles**
  - Rural outliers
  - College-centric towns
  - America’s makers
  - Silver cities
  - Trailing cities

Source: McKinsey Global Institute and McKinsey Institute for Black Economic Mobility analysis

McKinsey & Company
Community profiles: focus of this research

Megacities 75.9M people, 12 cities
Some of the nation's largest cities, with high GDP per capita and "superstar" industries but inequality and high costs of living.
• New York (NY), San Francisco (CA)

High-growth hubs 22.7M people, 13 cities
Hotbeds for innovation, with rapid GDP and employment growth but transportation and infrastructure challenges.
• Seattle (WA), Austin (TX)

Stable cities 40.2M people, 36 cities
Established cities with relatively low post-recession GDP and population growth, producing higher unemployment and poverty.
• Detroit (MI), Columbus (OH)

Independent economies 27.1M people, 94 cities
Smaller economies than stable cities but with similar metrics (lower GDP per capita but also lower income inequality).
• Little Rock (AR), Providence (RI)

Urban periphery 54.9M people, 271 counties
Counties outside the core of major cities with complementary economies. GDP per capita is low since populations often work in adjacent cities.
• Arlington (VA), Riverside (CA)

Stable rural counties 44.3M people, 1,118 counties
Rural counties with lower economic performance than neighboring cities and suburbs, but more stable than trailing rural counties.
• Cameron (TX), Caddo Parish (LA)

Trailing rural counties 17.8M people, 972 counties
Remote rural areas experiencing population decline, low educational attainment, and high unemployment.
• Coahoma (MS), Pittsylvania/Danville (VA)

Additional community profiles

Small powerhouses 5.4M people, 11 cities
Smaller cities with less than half the average population of high-growth hubs. Rapid GDP, employment, and population growth.
• Provo (UT), Reno (NV)

Silver cities 7.3M people, 19 cities
Retirement destinations with high population growth, the oldest populations, and significant growth in healthcare services.
• The Villages (FL), Prescott (AZ)

College-centric towns 6.3M people, 26 cities
Towns dominated by major research universities, high in both educational attainment and poverty.
• Chapel Hill (NC), South Bend (IN)

America's makers 11.4M people, 50 cities
Manufacturing hubs; bifurcated into cities with stronger GDP and population growth versus those in decline.
• Grand Rapids (MI), Greensboro (NC)

Trailing cities 14.9M people, 54 cities
Cities trailing others on most metrics, with declines in GDP, employment, and/or net migration.
• Bridgeport (CT), Flint (MI)

Rural outliers 1.5M people, 192 counties
Small counties with relatively robust economies underpinned by natural resources and/or tourism.
• Kauai County (HI), Juneau Borough (AK)

Source: McKinsey Global Institute and McKinsey Institute for Black Economic Mobility analysis

McKinsey & Company
While our data covers a wider range of community profiles, we focus on the subset in which some 90 percent of Black Americans live. They fall into the following categories (Exhibit E2):

— **Urban core.** Twelve megacities, the nation’s largest urban centers, are home to 23 percent of the US population but 30 percent of all Black Americans. In addition, 13 high-growth hubs (places such as Austin, Charlotte, Minneapolis, and Silicon Valley) are home to almost 7 percent of the US population and a roughly equivalent share of the Black population. Both types of cities have high-growth industries, higher incomes, stronger job markets, and younger and more educated workforces than the rest of the country. Yet they have greater inequality and high costs of living.

— **Suburbs and exurbs.** We refer to the 271 counties that make up the extended suburbs of US cities as the urban periphery. They have the highest median household income of all community profiles. Home to about 17 percent of the US population but just under 12 percent of all Black Americans, they have attracted people moving out of dense urban settings in search of more space. A significant share of the population commutes into nearby urban areas.

— **Mixed middle.** This category includes 36 stable cities (such as Cincinnati, Jacksonville, and St. Louis) and 94 smaller independent economies (such as Lancaster, PA, and Winston-Salem, NC). These places have slower economic and job growth, higher unemployment, and moderately educated workforces. Stable cities are home to 12 percent of the US population but 19 percent of all Black Americans.

Exhibit E2

**Black Americans disproportionately reside in seven community profiles.**

Population distribution, 2021, %

- Rural outliers
- Small powerhouses
- College-centric towns
- Silver cities
- America’s makers
- Trailing cities
- Trailing rural counties
- High-growth hubs
- Independent economies
- Stable cities
- Stable rural counties
- Urban periphery
- Megacities

~90% of Black residents live in 7 of the 13 community profiles (vs. 85% of the total US population and 84% of White residents)

Source: US Census Bureau (ACS 5-year estimates; total population by race for all US counties, excluding Puerto Rico); McKinsey Institute for Black Economic Mobility analysis

McKinsey & Company
— **Low-growth and rural areas.** More than 2,000 rural counties are home to just over 18 percent of the US population and 15 percent of all Black Americans. Rural counties encompass somewhat better-performing places (stable rural counties) and struggling areas defined by slower economic growth (trailing rural counties). In both, populations are older, unemployment is higher, and educational attainment is lower than the national average.

In each of these environments, we ground our analysis in a set of aspirations for all residents, regardless of race. These include a basic standard of living; financial stability; job opportunities with decent pay and good working conditions; long and healthy lives; opportunities to develop skills through affordable, quality education; stable and secure homes; physical and virtual connectivity; and stable communities. These are about more than surviving; they define what it takes for an individual or a family to thrive.

For each aspiration, we focus on between two and four priority metrics that convey how residents are faring. For example, to measure the aspiration for “long and healthy lives,” we assess life expectancy, health insurance coverage, and survey responses indicating overall physical and mental health for both Black and White residents of each US county. In all, we use 25 metrics to calculate “Black outcome scores,” then use those scores to compare and rank community profiles. Higher scores generally indicate greater prosperity and well-being relative to Black residents of other places.

**Black outcomes are generally better in suburban and high-growth areas where Black residents are underrepresented**

Overall, no community profile and no individual county stands out for having the highest Black outcome scores across the full range of metrics. But some rank at or near the top on multiple quality-of-life aspirations.

In broad terms, outcomes for Black residents are better in places with stronger economic foundations. However, these types of places have smaller Black populations (Exhibit E3).

The nation’s suburbs and exurbs have the highest overall Black outcome scores. They come out on top or as runner-up across seven of our eight aspirations, leading in metrics such as median household income ($79,000), workers in management roles (36 percent), life expectancy (78 years), and bachelor’s degree attainment (29 percent). But less than 12 percent of Black Americans live in the urban periphery, five percentage points lower than the share of the total US population in this community profile.

The second-highest overall Black outcome scores are in high-growth hubs (places such as Las Vegas and Seattle). Yet just over 6 percent of Black Americans live in these economically dynamic communities. Underrepresentation is notable in places such as San Jose/Silicon Valley, CA, and Austin, TX, where high-wage tech jobs are concentrated. While these places produce relatively high overall Black outcomes, their cost of living lowers their rankings for financial stability and housing.

Black Americans are overrepresented in two urban community profiles. More than 30 percent live in megacities (such as Atlanta, Chicago, Houston, Los Angeles, New York, Philadelphia, and Washington, DC). These urban areas have strong economies and above-average Black household incomes ($68,000); their Black residents match those in the urban periphery.

---

3 The metrics for standard of living are poverty rates, child poverty rates, and share of Supplemental Nutrition Assistance Program recipients. For financial stability, we look at median household income and the ratio of income to cost of living. For job opportunities, we consider the unemployment rate, the labor force participation rate, and the shares of workers in both management roles and service occupations. In skill development, we consider the shares of the population with bachelor’s degrees and above, with some college but no degree, and without high school diplomas. The metrics for stable and secure homes are the share of the population that is rent burdened (spending more than 30 percent of their income on housing), overcrowding rates (with more than one occupant per room), and homeownership rates. For connectivity, we consider the share of the population with commutes exceeding 45 minutes, the share of the population without broadband, and the share of households lacking cars. For stable community, we consider the incarceration rate and vacancy rates.
in college degree attainment and workers in management roles. But megalopolises also have high costs of living, reflected in the highest shares of Black residents with long commutes (29 percent) and outsize rent burdens (51 percent). Almost 19 percent of Black Americans live in less dynamic stable cities, where median incomes tend to be lower, at $52,000 (although lower costs of living make incomes go further). Stable cities rank poorly on health and longevity, and near last among all community profiles for Black residents’ mental and physical health and on measures of stable community.

Locations that fit the two rural community profiles are home to about 15 percent of all Black Americans—and rank near last on most Black outcome scores. Poverty and food insecurity rates among rural Black residents range from 28 to 32 percent; lower life expectancies (74 to 75 years) may reflect high uninsured rates (12 percent). However, rural communities do rank highly in housing (driven by lower rent burden, higher homeownership rates, and less overcrowding). Notably, Black Americans are overrepresented in trailing rural counties and underrepresented in stable rural counties.
Virtually nowhere in the nation are outcomes for Black residents on a par with those of their White neighbors

First, no US county with a sizable Black population has achieved parity—or even come close. Only 37 with more than 25 Black residents are close to parity, and collectively, these counties are home to just 39,000 Black residents, or 0.1 percent of the Black US population (Exhibit E4). We draw these insights by comparing Black resident outcomes to those of White residents of the same communities.

Racial gaps in outcomes are largest in megacities and stable cities, which are collectively home to about half of all Black Americans (Exhibit E5). Black residents of megacities outearn their peers at a national level but earn roughly 60 percent of what White megacity residents do. The gaps in Black and White commute times are notable, showing that many Black residents have difficulty affording homes in convenient megacity neighborhoods.

Exhibit E4

Less than 0.1 percent of the Black population lives in a county close to parity.

Black residents, by county parity score

Less than 0.1% of Black US residents live in counties where Black outcomes are at least 90% of White outcomes across our aspirations for all residents

Source: McKinsey Institute for Black Economic Mobility analysis

McKinsey & Company

---

* This analysis considers a county as “close to parity” if Black outcomes are at least 90 percent of White outcomes across the metrics we analyze.
Stable cities tend to have substantial racial gaps in incomes, the job market, and opportunities for education and skills development. They also have a notable Black–White gap in rent burden; Black renters are 20 percent more likely than White renters to spend at least 30 percent of their incomes on housing. Black residents in stable cities are also more than twice as likely as White residents to lack cars and broadband.

In addition, high-growth hubs, which post relatively good Black outcome scores, do poorly on parity, with sizable racial gaps on long and healthy lives, education for developing skills, and stable and secure homes.

Inequality in all three of these urban community profiles could be partly attributed to outmigration that has hollowed out the middle class over time.\(^5\) Also, major cities have historically enacted

---

\(^5\) See, for example, “America’s shrinking middle class: A close look at changes within metropolitan areas,” Pew Research Center, May 2016; and August Benzow, “Exodus from urban counties hit a record in 2021,” Economic Innovation Group, March 2022.
biased policies or provided public services unevenly across neighborhoods, locking in disadvantages for many Black residents.

As noted above, the urban periphery has the highest overall Black outcomes. Yet even there, Black outcome scores are just 64 percent of White outcome scores. The racial gaps are especially large in housing. Only 52 percent of Black suburbanites own their homes, compared with 78 percent of their White peers.

Overall, rural areas (and particularly distressed rural areas) come closer to parity—but this reflects poor outcomes across the board for their entire populations. In cases like these, as well as in many urban settings, higher Black outcomes and parity can appear to present a trade-off (Exhibit E6).

Exhibit E6

The suburbs stand out for a balance of better Black outcomes and parity.

Black outcomes compared with Black-White parity, most recent year¹

¹Most metrics are drawn from American Community Survey 5-year estimates for 2021. Exceptions to this are cost of living data from the Economic Policy Institute (2022), life expectancy (2015) and mental and physical health (2020) from the US Centers for Disease Control, and jail incarceration rates (2018) from the Vera Institute.

Source: US Census Bureau; Economic Policy Institute; US Centers for Disease Control; Vera Institute; McKinsey Institute for Black Economic Mobility analysis

McKinsey & Company
Outcomes for Black residents generally improved over the past decade, but unevenly and with some exceptions

Are things at least trending in the right direction? Black residents did see progress, though not always swift, in most types of American communities from 2012 to 2021. Overall Black outcome scores improved in 73 percent of US counties that are collectively home to some 34 million Black residents. Stable cities, trailing rural counties, and high-growth hubs experienced the largest gains, with overall Black outcome scores rising 6.5 percent on average.

Looking more closely at what drove this progress reveals differences across community profiles. For example, stable cities saw lower Black unemployment rates, a shift away from Black representation in service roles and toward management roles, lower Black rent burdens, and improved vacancy and incarceration rates. Trailing rural counties showed progress across many categories, including a notable jump in broadband access for Black residents. Both high-growth hubs and megacities had higher bachelor’s degree attainment and lower shares of Black residents who attended college but did not obtain degrees (although this may reflect the industries in the urban core and the profiles of Black workers who tend to move to those locations).

Community profiles also experienced some common challenges over the past decade. All saw declining Black homeownership and increasing commute times. Other common challenges likely resulted from the pandemic, such as reduced labor force participation rates, lower preschool enrollment rates, and declines in self-reported mental health.

Results are mixed when it comes to narrowing racial gaps over time

While Black outcomes improved over the decade in most of the counties in each segment, only about half of those counties narrowed the gaps between the overall scores of Black and White residents. In most community profiles, the racial gaps in some metrics barely budged.

The quality of life is improving on multiple dimensions for everyone, but progress is taking significantly longer to filter through to Black residents. Their gains have not been rapid or dramatic enough to make up for disadvantaged starting points. In short, progress does not automatically equal parity, or even put Black Americans on a trajectory toward parity.

Trailing rural counties started and finished the decade with the highest level of parity among the seven community profiles (but, as noted above, the poorest overall outcomes for all residents). Over this time period, the gaps narrowed most in megacities and the urban periphery (Exhibit E7). These results may, of course, reflect long-term trends in who moves in and out.

In four of the aspirational categories, there was at least some progress toward parity across all seven community profiles:

— **Standard of living**: Rates of poverty and food insecurity for Black residents ended the decade lower in relation to the rates for White residents.

— **Stable homes**: While there was a growing racial gap in homeownership across all seven community profiles, this was offset by narrowed gaps in rent burdens and overcrowding.

— **Connectivity**: There was mixed progress in racial disparities in commute time, although racial gaps shrank across the board in households without car access and without a broadband subscription.

— **Stable communities**: Most places saw narrowed racial gaps in incarceration and vacancy rates.

The other four aspirations generally saw either limited progress or widening disparities over the past decade:

— **Financial stability**: Racial disparities in household income widened across rural America and in stable cities and high-growth hubs; elsewhere, there was scarcely any movement.
— **Job opportunities**: Racial gaps in unemployment and labor force participation narrowed slightly in most community profiles, but gaps in the shares of Black and White workers in management roles widened. There was little overall change in this category as a result.

— **Long and healthy lives**: Gaps in the uninsured share of the Black and White populations widened in cities, narrowed in rural areas, and remained little changed in the urban periphery.

— **Skill development**: Racial gaps in bachelor’s degree attainment improved slightly in all community profiles, but disparities in residents who started college but did not graduate worsened. Moreover, gaps between the Black and White populations without high school diplomas barely changed.

Exhibit E7

**Black outcomes have improved in all community profiles over the past decade, but Black–White gaps persist.**

**Black outcomes compared with Black-White parity**, historic year vs most recent year

---

1 Most historic year metrics are from the 2012 American Community Survey, and most recent year metrics from the 2021 ACS, with some exceptions due to data availability. Dates for comparison are 2017-21 for share without broadband (ACS), 2010-18 for incarceration rates (Vera Institute), and 2018-20 for mental and physical health (CDC). Granular historic data was not available for child poverty, life expectancy, and income-to-cost of living ratio.

Source: US Census Bureau; Economic Policy Institute; US Centers for Disease Control; Vera Institute; McKinsey Institute for Black Economic Mobility analysis

---

McKinsey & Company
At current rates of change, how long would it take to improve outcomes and achieve racial parity?

First, we consider how long it would take to lift all other Black residents to the levels of prosperity and well-being enjoyed by those in the urban periphery (currently the top-performing community profile). At the current pace of change, it could take anywhere from 10 to 30 years for all other areas of the nation to match the suburbs and exurbs in overall outcomes for Black residents. Cities would catch up sooner.

Second, we estimate how long it would take for Black Americans to reach parity with their White neighbors. Based on the rate of change between 2012 and 2021, it could take more than three centuries for all community profiles to reach parity (Exhibit E8). For simplicity, this analysis assumes that outcomes for White residents remain at today’s levels. But based on history, these will likely continue to improve—which means that our estimate, while sobering, is actually conservative.

In short, recent improvements have taken a small chisel to a large mountain of past inequities that have accrued over time. Without faster change, the United States would not achieve racial parity in our lifetimes, or even in our children’s or grandchildren’s lifetimes.

Exhibit E8

Unless progress accelerates, it would take community profiles anywhere from 110 to 320 years to eliminate gaps in outcomes for Black and White residents.

Parity score change, 2012-21, by community profile

<table>
<thead>
<tr>
<th>Community profile</th>
<th>2012 score</th>
<th>2021 score</th>
<th>Target</th>
<th>Gap to parity</th>
<th>Years to goal at current rate¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trailing rural counties</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>~110</td>
</tr>
<tr>
<td>Urban periphery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>~120</td>
</tr>
<tr>
<td>Megacities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>~160</td>
</tr>
<tr>
<td>High-growth hubs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>~210</td>
</tr>
<tr>
<td>Independent economies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>~220</td>
</tr>
<tr>
<td>Stable cities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>~240</td>
</tr>
<tr>
<td>Stable rural counties</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>~320</td>
</tr>
</tbody>
</table>

¹Current rate is based on change observed in overall parity scores in each community profile between 2012 and 2021.
Source: US Census Bureau; Economic Policy Institute; US Centers for Disease Control; Vera Institute; McKinsey Institute for Black Economic Mobility analysis

McKinsey & Company
Solutions need different forms in different communities, but getting to parity requires more speed and scale than ever before

Glacial progress in leveling the playing field denies Black residents both economic and social opportunities. Since the resident experience has cascading effects on their roles as workers, consumers, savers, and business owners, the United States is shortchanging the broader economy by not addressing issues that hinder millions of people from reaching their full potential. To prevent these disparities from lingering for future generations, all stakeholders will need to bring fresh energy and urgency to engaging on solutions.

But where to start? One option is to take a place-based approach, investing in a range of initiatives within specific communities. The Harlem Children’s Zone is a notable example of this approach, offering comprehensive “cradle-to-career” programming for low-income children and families with an emphasis on educational achievement. Other examples include the East Baltimore Development Initiative, Atlanta’s East Lake Foundation, and San Diego’s City Heights Initiative. National nonprofits, philanthropic investors, and government entities can support these types of local efforts.

Another option is taking a thematic approach to solutions, focusing on key levers that could improve outcomes across many communities. It is beyond the scope of this research to offer solutions for the full range of issues raised. But we do look at two priority areas for action: affordable housing and the birth-to-kindergarten care infrastructure. We single them out because meeting these needs could have positive ripple effects on other aspects of well-being. They are critical for getting many low- and middle-income residents of all races to a base level of thriving today, with lasting benefits for Black residents that could eventually improve racial parity as well. These issues illustrate how challenges and solutions can differ across community profiles.

Affordable housing: Density defines the nature of the challenge

Across the United States, about half of all renter households spend more than 30 percent of their income on housing; a quarter spend more than 50 percent. By contrast, only 22 percent of homeowners are either moderately or severely cost burdened. Together, these dynamics make housing unaffordability particularly acute for Black residents, who are both less likely to own homes and more likely to be cost burdened.

Recent research estimates that 7.3 million additional affordable homes are needed across the United States, particularly to meet the needs of extremely low-income renters. Based on average costs reported by states and cities and the distribution of need across community profiles, we estimate that building costs could run up to $2.4 trillion. While that is an enormous sum, it would yield real returns—and the projects themselves generate jobs and economic activity. Tackling this shortage, particularly by adding affordable units in low-poverty neighborhoods and mixed-income developments, could help improve educational outcomes and economic mobility for the next generation.

However, large-scale building needs to be implemented carefully so that revitalization does not lead to displacement. Projects would need community input and fair processes for allocating new units, balancing the needs of new arrivals and current residents.

---

6 Case studies and impact reports on these examples are available from the Urban Institute at urban.org/projects/place-based-initiatives.
7 Based on 2021 American Community Survey one-year estimates, US Census Bureau.
8 Andrew Aurand et al., The gap: A shortage of affordable homes, National Low Income Housing Coalition, March 2023.
9 Average cost ranges from $178,000 to $600,000, based on reported average building costs for 15 states and cities. We use poverty rates across community profiles as a proxy for the likely distribution of need.
In megacities, high-growth hubs, and stable cities, where approximately half of Black households are rent burdened, one of the most important strategies is unlocking land. This could involve allowing taller projects around transit, reducing minimum lot sizes, and building infill housing on vacant parcels. Cities can also streamline approval processes and allow bigger projects if a certain percentage of units is reserved for low-income renters.

Private- and social-sector actors have a large role to play as well. In the post-pandemic world, developers can work with cities to convert commercial properties into housing. Adopting prefab construction at scale could reduce the development costs of multifamily housing by 5 to 15 percent. Nonprofits can also develop new housing or acquire and renovate residential communities to preserve existing affordable housing.

While the scarcity of land drives the housing crunch in dense cities, rural areas have the opposite problem. They have land, but their more fragmented nature and smaller populations make it harder to attract capital. These regions can focus on rehabbing existing homes. The US Department of Agriculture’s Rural Development Program, for example, offers low-cost loans and grants to low-income homeowners, often partnering with Habitat for Humanity chapters to execute repairs. Repurposing abandoned structures such as storefronts and warehouses can inject new life into neglected main streets—but just as in cities, some kind of public or philanthropic element may be needed to build affordability into revitalization projects.

**Early childhood education builds a foundation for better academic and professional outcomes**

High-quality early childhood development programs can change the trajectory of disadvantaged children’s lives. Formal childcare and pre-K also can be critical to parents’ ability to work and provide for their families. Among families who pay for childcare, the cost eats up 23 percent of Black families’ income on average, compared with 15 percent for White families. This can leave many Black parents with the dilemma of either spending an unsustainable amount on childcare or exiting the workforce.

While 53 percent of children aged three to four were enrolled in preschool as of 2022, this means almost half of this age group—or 3.5 million children—are not enrolled. Moreover, most three- and four-year-old preschool students are in privately funded programs. If we aspire to the goal of giving all three- and four-year-olds access to high-quality public preschool, the estimated number of additional student places needed increases to a total of about 6.1 million.

Making publicly funded preschool universal in our seven community profiles implies the need for an additional 614,000 educators and paraprofessionals, at a cost of some $78 billion annually. This is based on a study estimating the cost of a high-quality, full-day pre-K program at $12,700 per child, a figure that approaches national spending per child on K−12 education. The cost is linked to employing preschool teachers with specialized training and paying them living wages—which would have a double benefit for Black economic mobility, since Black women make up about 17 percent of early childhood educators. The returns on this type of investment could be substantial. Some studies have estimated that high-quality early childhood education for disadvantaged children can deliver a return on investment of anywhere from 7 to 13 percent.

---

11 According to US Census Bureau Household Pulse Surveys (September 14, 2022, to May 8, 2023).
13 This estimate reflects the total number of three- to four-year-olds currently enrolled in private preschools (about 2.65 million, based on public preschool enrollment figures from the National Institute for Early Education Research) plus all those not in preschool (3.5 million).
14 Lynn A. Karoly et al., Understanding the cost to deliver high-quality publicly funded pre-kindergarten programs, RAND Corporation, 2021; and “2019 public elementary-secondary education finance data,” US Census Bureau, updated October 8, 2021.
15 By James J. Heckman and coauthors, see The lifecycle benefits of an influential early childhood program, NBER working paper number 22993, December 2016; and “The rate of return to the HighScope Perry preschool program,” Journal of Public Economics, volume 94, issues 1−2, February 2010.
Current spending is only about half that figure per child, a level that has barely budged in two decades. Even in the cities and states committed to pre-K for all, shortfalls mean that not every child who tries to enroll is able to do so. Children whose parents may lack resources or information about enrollment processes are least likely to gain access.

Given the need to boost outcomes (and parity) for low-income children, it could seem logical to consider public programs for only those families with the greatest need. But universal programs, while more expensive, can deliver commensurately larger benefits. Exposure to diverse classmates has been shown to have a positive effect on development. Low-income families are more likely to enroll in universal programs than in targeted programs for which they qualify. Further streamlining application processes and boosting parental awareness through outreach campaigns could accelerate progress toward parity.

While many urban children still cannot access high-quality preschool, the nation’s cities do have advantages—such as the presence of colleges and universities, and larger school systems—on which to build. Density and transit mean that preschools are generally accessible (although density also makes it more expensive to build new capacity in these areas). The challenges differ in rural areas, where families are more likely to rely on informal home-based preschool rather than center-based programs. Nearly two-thirds of rural families live in so-called childcare deserts. Small populations may make it hard for private providers to stay afloat.

Without greater and more sustained public funding, early childhood education will remain patchwork. While advocating for system-level change, employers and philanthropists can fill some of these gaps. A small but growing number of companies—including Marriott, Tyson Foods, and Patagonia—have begun offering their own on-site daycare and pre-K programs.

One recent report noted that while few philanthropists prioritize early childhood education, their willingness to give rises dramatically when they are presented with evidence of its impact. There are individuals and foundations with the resources to make a difference; presenting them with a fact base and clear funding opportunities could mobilize them.

While the path to better outcomes is long and the path to parity is even longer, we hope to speed these journeys, in part by illuminating where stakeholders can step in and step up. Both existing and innovative solutions are needed at mass scale, with a commitment to sustain them over time. They also need to resonate with the people they seek to serve, with Black leaders and communities helping to shape programs.

---

20 Big gifts for little learners: Making the case for philanthropic investment from pregnancy through preschool, Silicon Valley Community Foundation, March 2022.
1. The geography of Black America

Black Americans live in every kind of community that exists across the United States today. From cities to suburbs to rural areas, they share neighborhoods with residents of diverse backgrounds and aspire to the same goals all families do: health, safety, and prosperity for themselves and their loved ones. Black residents are more concentrated in some communities than in others, reflecting histories of enslavement, migration, and exclusion (see sidebar “Black migration, past and present”). Yet from these places have emanated vast contributions to American culture and society. Today, Black communities remain spaces of meaning, celebration, creativity, and connection for millions of Black Americans.

Unfortunately, Black communities today also face significant barriers. Racial gaps in many facets of the US economy—and in American society more broadly—remain stark and persistent. They have been documented in multiple research efforts, including our own. Our 2021 report estimated, for example, that if disparities in income and life expectancy did not exist, Black retirees would receive $31 billion more in Social Security benefits every year. It also found a $330 billion disparity between Black and White families in the annual flow of new wealth, $96 billion of which stems from pay gaps.

21 In this report, we use the terms “Black Americans” and “Black residents” interchangeably to refer to all individuals identified as Black or African American in data from the US Census Bureau, the US Centers for Disease Control and Prevention, and the US Bureau of Justice Statistics (whose data the Vera Institute uses to calculate incarceration rates). The same is true for our use of the terms “White Americans” and “White residents.” We do not consider the immigration or citizenship status of any of the populations examined in this research.

22 For a classic text on this topic, see Ralph Ellison, “What America would be like without Blacks,” Time, April 1970.


Decade after decade, Black Americans have continued the work of overcoming and dismantling the barriers they face. Yet significant gaps remain, and progress has not yielded parity (Exhibit 1). A few cases in point: in 1990, almost one-third of Black families were below the federal poverty line. By 2021, that share had dropped below 20 percent. While that is commendable headway, it is still 11 percentage points higher than the rate for White families. The racial gap in life expectancy, once steadily narrowing, expanded again against the backdrop of the COVID-19 pandemic. And while the share of Black Americans over age 25 with bachelor’s degrees shot up from 11.5 percent in 1990 to 28 percent in 2021, White Americans made even faster gains, going from 22 to nearly 38 percent.

Our 2021 report examined how Black Americans interact with the US economy as workers, business owners, savers and investors, consumers, and residents who are influenced by their community environments and served by public programs. In this research, we dig deeper into the resident role, this time with a more local lens. People shape places, and places in turn shape people. This report explores Black resident outcomes to better understand the state of racial equity across US communities—that is, the extent to which Black residents are able to participate in the economy and prosper to the same degree as their White peers.

Part of our analysis focuses on the general level of economic and social well-being in a given place. Some of these local outcomes are shaped by government at all levels, related to topics such as infrastructure, education, and economic development. In short, we want to examine...
how different types of community environments across the nation are serving their residents overall—and especially their Black residents, who have a long history of being underserved if not outright excluded in multiple arenas. By painting a more detailed picture, we hope to start a conversation about how to lift whole communities. This may require a combination of federal, state, and tailored local and grassroots efforts, along with collaboration from private- and social-sector stakeholders.

We consider the experiences of Black Americans in varied types of communities

Most people would agree with the statement that where you are born shouldn’t determine your destiny. Yet that is often the case. Many Black communities were in fact formed by structural barriers, such as the restrictive zoning laws imposed in the early 20th century as many Black families were migrating to cities. Baltimore was the first city to adopt a racial zoning ordinance, in 1910; other cities followed, with lasting implications.28 One study found that cities that had implemented racially restrictive zoning before 1930 were significantly more likely to remain segregated by race and income as of 1970.29 Even after the Supreme Court outlawed racial ordinances, structural pressures on Black communities continued in many forms, including the razing of Black neighborhoods for federal highways, and the deed restrictions and redlining that limited homeownership and maintained segregated neighborhoods.30

Research has given analytical backing to the notion that social mobility and inequality are closely connected to place. The communities in which people live can expand or constrain their opportunity, their education, their job prospects, and their ability to thrive.31 Geographic context shapes both economic outcomes and physical and mental well-being.32 Social connections and the health of the broader community also directly influence economic and social mobility. Scholars have found, for instance, that low-income children who grow up interacting with people of different economic classes are much more likely to become upwardly mobile.33 We refer to this broad phenomenon of place intersecting with social and economic outcomes as the “resident” experience.

The value of a local view

Racial disparities reported at the national level are broad averages that tend to obscure the stories associated with specific places.34 For example, previous McKinsey research found that states with higher shares of Black residents were below the national averages for economic opportunity, employment, healthcare access, healthcare quality, public health, and access to

32. See, for example, Community health and economic prosperity: Engaging businesses as stewards and stakeholders—A report of the Surgeon General, US Department of Health and Human Services, January 2021; and Jens Ludwig et al., “Neighborhood effects on the long-term well-being of low-income adults,” Science, September 2012.
34. See, for example, Pixels of progress: A granular look at human development around the world, McKinsey Global Institute, December 2022.
broadband.35 Because geography is so intertwined with racial equity, this report takes a place-based approach, going county by county and then aggregating results across places with similar characteristics. This enables us to examine which types of communities offer Black residents the best quality of life and which have managed to narrow the gaps between Black and White residents, getting closer to the goal of creating more equitable outcomes.

We recognize the rich insights available via existing tools that take a place-based approach.36 Our hope is to contribute an additional layer that can inform public, private, and social action to address inequities and better serve all residents.

While the community profiles used in this research offer a more nuanced view than blunt national figures, we acknowledge that they are not homogeneous. There is variation within them, shaped by local histories, cultures, and economic trends. And, within any given place, median Black outcomes do not capture variations or resident experiences shaped by elements of identity other than race. Accordingly, our findings are not a replacement for deeper, locally informed analysis of a given community. However, the view presented in this research does offer insight into what types of communities have produced better or worse as well as more or less equitable outcomes for Black residents. This could shed light on interventions that could be relevant in similar places.

We examine 13 types of communities
The United States has more than 3,000 counties. Collectively, they are a mosaic of local economies (Exhibit 2). Some are thriving, some are distressed, and many more are somewhere in between these two extremes. The patterns are much more nuanced than "city versus rural" or "coast versus heartland."

We look at a range of metrics on a county basis, then aggregate places with similar characteristics to highlight patterns, gaps, and spaces that need solutions. Ultimately, this view can give investors, companies, philanthropic funders, and public-sector leaders deeper context on where and how investment can improve socioeconomic outcomes.

Mirroring previous McKinsey Global Institute research, this report sorts individual communities into 13 distinct community profiles based on economic characteristics such as business dynamism, industry mix, labor force demographics, and more.37 However, this report uses these categories for different purposes. While MGI’s 2019 research used them to analyze the potential for future job growth and automation-related job losses, we use them here to examine the economic, social, and physical well-being of residents in general and of Black residents in particular. This will also provide perspective on how we think about potential solutions and investments to be made.

While our research examines 13 types of communities, we primarily focus on seven that are home to some 90 percent of Black Americans. They generally fit into the following categories:38

— **Urban core.** Twelve megacities, the nation’s largest urban centers, are home to 23 percent of the US population but 30 percent of all Black Americans. In addition, 13 high-growth hubs (such as Austin, Charlotte, Minneapolis, and Silicon Valley) are some of the nation’s most economically dynamic places, with almost 7 percent of the US population and a roughly equivalent share of the Black population. Technology, media, healthcare, real estate, and finance make up a large share of both types of urban economies. These cities have higher

---

35 The economic impact of closing the racial wealth gap, McKinsey Institute for Black Economic Mobility, August 2019.
36 See, for example, the Brookings Institution and NAACP’s Black Progress Index (brookings.edu/articles/black-progress-index/), the Brookings Metro Monitor (brookings.edu/articles/metro-monitor-2023/), PolicyLink’s National Equity Atlas (nationalequityatlas.org/), the Urban Institute’s Spatial Equity Tool (apps.urban.org/features/equity-data-tool/), Opportunity Atlas (opportunityatlas.org/), and the Loving Cities Index (lovingcities.schottfoundation.org/).
37 These categories were introduced in The future of work in America: People and places, today and tomorrow, McKinsey Global Institute, July 2019, which relied on data through 2017 and used a mathematical clustering method to group individual communities. We replicated this analysis more recently, using data through 2019, and reaffirmed that the categorization still holds. The community profiles we refer to as stable rural counties and trailing rural counties in this report correspond to the “Americana” and “Distressed Americana” archetypes in MGI’s previous research.
38 See the separate technical appendix for a full list of locations that fall into each community profile.
The United States is a complex mosaic of local economies, with 13 distinct community profiles.

**Map of US counties, color-coded by community profile**

- **Focus of this research**
  - Megacities
  - High-growth hubs
  - Urban periphery
  - Stable cities
  - Independent economies
  - Stable rural counties
  - Trailing rural counties

- **Additional community profiles**
  - Rural outliers
  - College-centric towns
  - Small powerhouses
  - Silver cities
  - America’s makers
  - Trailing cities

Source: McKinsey Global Institute and McKinsey Institute for Black Economic Mobility analysis

McKinsey & Company

---

William H. Frey, “Big cities are showing signs of recovery after historic population losses, new Census data shows,” Brookings Institution, June 2023.
Community profiles: focus of this research

**Megacities** 75.9M people, 12 cities
Some of the nation’s largest cities, with high GDP per capita and “superstar” industries but inequality and high costs of living.
- New York (NY), San Francisco (CA)

**High-growth hubs** 22.7M people, 13 cities
Hotbeds for innovation, with rapid GDP and employment growth but transportation and infrastructure challenges.
- Seattle (WA), Austin (TX)

**Stable cities** 40.2M people, 36 cities
Established cities with relatively low post-recession GDP and population growth, producing higher unemployment and poverty.
- Detroit (MI), Columbus (OH)

**Independent economies** 27.1M people, 94 cities
Smaller economies than stable cities but with similar metrics (lower GDP per capita but also lower income inequality).
- Little Rock (AR), Providence (RI)

**Urban periphery** 54.9M people, 271 counties
Counties outside the core of major cities with complementary economies. GDP per capita is low since populations often work in adjacent cities.
- Arlington (VA), Riverside (CA)

**Stable rural counties** 44.3M people, 1,118 counties
Rural counties with lower economic performance than neighboring cities and suburbs, but more stable than trailing rural counties.
- Cameron (TX), Caddo Parish (LA)

**Trailing rural counties** 17.8M people, 972 counties
Remote rural areas experiencing population decline, low educational attainment, and high unemployment.
- Coahoma (MS), Pittsylvania/Danville (VA)

**More urban**

**Additional community profiles**

**Small powerhouses** 5.4M people, 11 cities
Smaller cities with less than half the average population of high-growth hubs. Rapid GDP, employment, and population growth.
- Provo (UT), Reno (NV)

**Silver cities** 7.3M people, 19 cities
Retirement destinations with high population growth, the oldest populations, and significant growth in healthcare services.
- The Villages (FL), Prescott (AZ)

**College-centric towns** 6.3M people, 26 cities
Towns dominated by major research universities, high in both educational attainment and poverty.
- Chapel Hill (NC), South Bend (IN)

**America’s makers** 11.4M people, 50 cities
Manufacturing hubs; bifurcated into cities with stronger GDP and population growth versus those in decline.
- Grand Rapids (MI), Greensboro (NC)

**Trailing cities** 14.9M people, 54 cities
Cities trailing others on most metrics, with declines in GDP, employment, and/or net migration.
- Bridgeport (CT), Flint (MI)

**Rural outliers** 1.5M people, 192 counties
Small counties with lower economic performance, high in both educational attainment and poverty.
- Kauai County (HI), Juneau Borough (AK)

**Urban periphery**

— **Suburbs and exurbs.** We refer to the 271 counties that make up the extended suburbs of US cities as **urban periphery.** This category includes places such as San Bernardino, CA, and Arlington, VA. Home to about 17 percent of the US population but just under 12 percent of all Black Americans, they have attracted people moving out of dense urban settings in search of more space. In most of these counties, a significant share of the population commutes into...
nearby urban areas. Healthcare, retail, logistics, and local services are large parts of these local economies, which have the highest median household income of all community profiles.

— **Mixed middle.** This category includes 180 **stable cities** (such as Cincinnati, Jacksonville, and St. Louis) and 94 smaller **independent economies** (such as Lancaster, PA, and Winston-Salem, NC). These places have slow economic and job growth, higher unemployment, and moderately educated workforces. Stable cities are home to 12 percent of the US population but 19 percent of all Black Americans.

— **Low-growth and rural areas.** More than 2,000 rural counties are home to just over 18 percent of the US population and 15 percent of all Black Americans. We divide them into two categories: somewhat better-performing places (**stable rural counties** such as Cameron, TX, and Caddo Parish, LA) and struggling areas (**trailing rural counties** such as Coahoma, MS, and Danville, VA). In these segments, populations are older, unemployment is higher, and educational attainment is lower than the national average.

**Black Americans are not evenly concentrated across community profiles**

As Exhibit 3 shows, 30 percent of Black Americans live in megacities (notably in New York; Atlanta; Washington, DC; and Chicago). Just under 20 percent make their homes in stable cities, where they have shaped the culture and history of places like Baltimore, Birmingham, Detroit, and New Orleans. While these two community profiles are home to half of all Black Americans, only 35 percent of all Americans and a quarter of White residents reside in them. This concentration of Black residents reflects historical patterns (see sidebar "Black migration, past and present").

---

**Exhibit 3**

**Black Americans disproportionately reside in seven community profiles.**

Population distribution, 2021, %

<table>
<thead>
<tr>
<th>Total ~330 million</th>
<th>White ~196 million</th>
<th>Black ~40 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural outliers</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Small powerhouses</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>College-centric towns</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Silver cities</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>America’s makers</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Trailing cities</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Trailing rural counties</td>
<td>12</td>
<td>17</td>
</tr>
<tr>
<td>High-growth hubs</td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td>Independent economies</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>Stable cities</td>
<td>11</td>
<td>19</td>
</tr>
<tr>
<td>Stable rural counties</td>
<td>17</td>
<td>19</td>
</tr>
<tr>
<td>Urban periphery</td>
<td>17</td>
<td>19</td>
</tr>
<tr>
<td>Megacities</td>
<td>23</td>
<td>30</td>
</tr>
</tbody>
</table>

**~90% of Black residents live in 7 of the 13 community profiles (vs. 85% of the total US population and 84% of White residents)**

---

*Black residents overrepresented relative to their share of the US population.*

Source: US Census Bureau (ACS 5-year estimates; total population by race for all US counties, excluding Puerto Rico); McKinsey Institute for Black Economic Mobility analysis

---

McKinsey & Company

The state of Black residents: The relevance of place to racial equity and outcomes 23
Smaller but significant shares of Black residents live in the urban periphery—that is, in America’s extended suburbs. Additionally, 15 percent of Black Americans live in rural areas, both stable and trailing rural counties. Our report also focuses on two other community profiles where the share of the Black population has been growing: independent economies and high-growth hubs.

There have been small shifts in the distribution of Black residents between community profiles over the past decade (Exhibit 4). The Black population grew faster than the general population in the urban periphery, partly reflecting ongoing Black movement to the suburbs. In parallel, the three community profiles where Black residents are overrepresented saw decreases in the Black share of the population by county on average.

Exhibit 4

Over the past decade, the Black population declined in large cities and rural counties while growing in the suburbs.


The three community types in which Black residents have long been overrepresented saw the largest decreases in the average county’s Black population share.
Black migration, past and present

The geography of Black America today did not come about by happenstance. It has been drawn and redrawn by historical events and human responses to them. The continued concentration of Black Americans in the South is a legacy of the nation’s slaveholding past. To this day, more than half of the nation’s Black residents are found there. However, with the end of Reconstruction and the advent of Jim Crow, many Black residents chose to leave behind the racial terrorism and poverty of the South. They packed up and headed to cities in the North, Midwest, and West, hoping to land better jobs in factories booming with demand from World War I.

This domestic diaspora, known as the Great Migration, continued through another world war and on through the 1970s. It eventually saw some six million Black Americans fanning out into wider swaths of the country in search of economic opportunity. They established communities in many major cities, urbanizing the Black population for the first time. In the process, they created thriving cultural hubs in places from Harlem to Detroit that would redefine American music, literature, art, and culture more broadly.

Many of these Black migrants, though not all, did manage to better their circumstances. Yet racism and discrimination existed beyond the South. These forces crystallized in the form of housing segregation ordinances in cities across the country, and when the Supreme Court struck down this type of measure, local officials began using housing codes and restrictive covenants as ways to enforce segregation.

As postwar prosperity faded, some urban neighborhoods beyond the South with heavily Black populations became places with entrenched economic challenges (a topic we explore in chapter 2). In the 1960s and ’70s, Black Americans tended to be hit harder in places that lost bedrock industries, with effects that often compounded and calcified over time. More recently, the wave of globalization that began in the 1990s saw almost 650,000 Black manufacturing jobs disappear; Black workers have remained underrepresented in manufacturing ever since.

As some of the nation’s urban areas became environments with few opportunities and many challenges, policy makers and Americans outside these communities often turned away, portraying the issues as intractable.

Leaving was not and is not an easy option for impoverished residents. As the Great Migration taught, it takes money to move in search of better opportunity, and it can be wrenching to leave family and the familiar behind. Even today, it is not surprising to see better outcomes for Black residents of high-growth hubs, since most of these counties are not home to large Black communities that have suffered intergenerational poverty.

The next generation of Black Americans has begun its own migration trends, in a shift from the patterns of the 20th century. Research has shown that some Black Americans are saying goodbye to places like New York, Chicago, and Los Angeles. Many have headed back to the Sunbelt, contributing to population growth especially in Texas, Georgia, and North Carolina. As in the earlier historical wave, this movement has brought new vibrancy to Black communities. National cultural influences now often emanate from places such as Atlanta.

The first Great Migration led to better economic outcomes for many Black families, at least for the first generation who headed north. Whether the new Great Migration south will lead to the same remains to be seen.

6 An estimated 648,500 Black manufacturing jobs were lost between 1998 and 2020. Battered policy responses to globalization have decimated manufacturing employment with often overlooked costs for Black, Brown, and other workers of color, Economic Policy Institute, January 2022.
8 On the correlation between a large historic Black population and local economic outcomes, see Bradley L. Hardy, Trevor D. Logan, and John Parman, The historical role of race and policy for regional inequality, The Hamilton Project, September 2018.
Across community profiles, we assess Black outcomes against a set of aspirations for all residents, regardless of race

Our work is grounded in a set of aspirations for all residents, regardless of their race, to thrive and reach their full potential. These aspirations encompass a range of common socioeconomic topics from existing research on economic opportunity and racial equity, including research related to how equity outcomes vary across geography.\textsuperscript{40}

By definition, we do not assess topics that are specific only to Black residents, such as anti-Black discrimination. Because we examine community settings ranging from urban to rural, we also do not assess topics that are illogical to compare across places of different density (such as distance to public parks, community institutions, or neighborhood amenities). Last, we do not assess outcomes related to climate risk. However, we do note recent McKinsey research showing that roughly half of all Black Americans reside in 11 Southeastern states with high exposure to extreme heat, hurricanes, and flooding.\textsuperscript{44} This means our findings likely understate the true disparities between Black and White US residents.

That being said, our approach, which assembles a statistical fact base, reveals concrete, quantifiable disparities between Black and White residents. It could be extended to assess inequities that other people of color experience.

What are these aspirations for every American household, regardless of where they live? This research is predicated on the hope that everyone can:

— Meet a basic \textbf{standard of living}, free from hunger and poverty
— Achieve \textbf{financial stability}, with access to economic resources and financial services
— Access \textbf{job opportunities} that offer decent pay and good working conditions
— Enjoy a \textbf{long and healthy life}, supported by affordable, quality care for their physical and mental well-being
— Access opportunities to \textbf{develop capabilities and skills} through affordable, quality education
— Live in a \textbf{stable and secure home} that is affordable
— Have both physical and virtual \textbf{connectivity} thanks to reliable infrastructure
— Enjoy \textbf{stable communities}, with residents who are present and can engage in their neighborhoods

These conditions are about more than surviving. They aim to capture what it takes to thrive, or for individuals to feel secure about their lives, their futures, and the futures of their families. When outcomes are good across all of the dimensions listed above, people are equipped to realize more of their innate potential, wherever it may take them. People of all races who responded to McKinsey’s 2021 American Opportunity Survey echoed the importance of many of these...
aspirations, and many Black respondents expressed concerns about not attaining them. Black respondents were least likely to agree that most people have opportunities to find good jobs, and they reported greater financial struggles, with higher levels of credit card and medical debt. They were likelier than other groups to mention access to transportation and broadband as barriers. More than 20 percent were concerned about their ability to secure nutritious food and healthcare.

For each of the aspirations articulated above, we identify two to four priority metrics as proxies conveying how all residents, and especially Black residents, are faring (Exhibit 5). For example, to measure “long and healthy lives,” we assess life expectancy, health insurance coverage, and overall physical and mental health for both Black and White residents of each US county. These quality-of-life aspirations are of course more nuanced than a few proxies can capture, but by employing a substantial number of metrics, we are able to present a reasonably clear picture of outcomes—and of gaps. We give each aspiration equal weight in assessing overall outcomes in each community profile.

Exhibit 5

Across each aspiration for residents, we use multiple metrics to arrive at outcome and parity scores.

<table>
<thead>
<tr>
<th>Positive impact (higher values, better outcomes)</th>
<th>Negative impact (higher values, worse outcomes)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Standard of living</strong></td>
<td><strong>Financial stability</strong></td>
</tr>
<tr>
<td>Poverty rate (%)</td>
<td>Median household income ($K)</td>
</tr>
<tr>
<td>Child poverty (%)</td>
<td>Income-to-cost of living ratio ($K)</td>
</tr>
<tr>
<td>SNAP recipients (%)</td>
<td></td>
</tr>
<tr>
<td><strong>Job opportunities</strong></td>
<td><strong>Long, healthy lives</strong></td>
</tr>
<tr>
<td>Unemployment (%)</td>
<td>Life expectancy</td>
</tr>
<tr>
<td>Labor force participation rate (%)</td>
<td>Uninsured population (%)</td>
</tr>
<tr>
<td>Workers in management roles (%)</td>
<td>Mental health not good for &gt;13 days (%)</td>
</tr>
<tr>
<td>Workers in service occupations (%)</td>
<td>Physical health not good for &gt;13 days (%)</td>
</tr>
<tr>
<td><strong>Opportunities to develop skills</strong></td>
<td><strong>Stable, secure homes</strong></td>
</tr>
<tr>
<td>Population with bachelor’s degree or above (%)</td>
<td>Rent burden (% of population spending &gt;50% of income on rent)</td>
</tr>
<tr>
<td>Pre-K attendance (%)</td>
<td>Overcrowded homes (% with 1+ occupants/room)</td>
</tr>
<tr>
<td>Population with college but no degree (%)</td>
<td>Homeownership (%)</td>
</tr>
<tr>
<td>Population without high school diploma (%)</td>
<td></td>
</tr>
<tr>
<td><strong>Connectivity</strong></td>
<td><strong>Stable communities</strong></td>
</tr>
<tr>
<td>Commuting &gt;45 min (%)</td>
<td>Vacancy (%)</td>
</tr>
<tr>
<td>Share without broadband (%)</td>
<td>Incarceration rate (%)</td>
</tr>
<tr>
<td>Households without cars (%)</td>
<td></td>
</tr>
</tbody>
</table>

1 Metric constructed by dividing median household income (by race) by county-level cost of living, which is the same for all residents in a given county (regardless of race).
2 Mental and physical health measures are based on self-reported perceived recent physical and mental health, via the CDC PLACES survey.
Source: US Census Bureau (ACS 5-year estimates); Economic Policy Institute; US Centers for Disease Control; Vera Institute; McKinsey Institute for Black Economic Mobility analysis

McKinsey & Company
Using a geographic lens is important. Many of the interventions that could improve outcomes for Black residents are best conceived and delivered by local institutions (such as state and local governments, local businesses, and grassroots efforts). The challenges in a dense urban setting may differ from those in a rural community, and the solutions may need to differ as well. In the next chapter, we explore the degree of prosperity and parity that Black residents experience across various community profiles and across our set of aspirations.
2. The current state of outcomes and equity for Black residents

The communities in which people live can affect their economic opportunities, their physical and mental health, their quality of life, and their sense of belonging. Community environments are the product of culture and history, but they can also be influenced by government actions, fiscal resources, housing conditions, social and physical infrastructure, physical design, and the industries that are present. The character and prosperity of a place are also affected by who moves into and out of it over time.45

Consider a child who grows up in a well-to-do neighborhood. She attends preschool programs, then excellent public schools with a range of extracurriculars. The prevailing expectation surrounding her is that high school graduates will go on to college. Her parents and neighbors have good-paying jobs and keep their homes well tended. This child’s environment increases her odds of a healthy and prosperous adulthood.

By contrast, consider a child with the same intrinsic ability and motivation who grows up in an economically distressed community. She may be less likely to attend preschool. Her underperforming neighborhood school may have a high dropout rate. Unstable employment and housing are commonplace. Some children who grow up in these types of communities can and do beat the odds, but they have to travel a harder road to do so.46


46 Additional differentiating factors outside the scope of this research include neighborhood amenities such as green spaces and access to healthy food, environmental factors such as exposure to air pollution, and crime rates. For a more detailed comparison of high- and low-opportunity neighborhoods like the ones described in these examples, see Community health and economic prosperity: Engaging businesses as stewards and stakeholders—A report of the Surgeon General, US Department of Health and Human Services, January 2021. See also our discussion in chapter 1 on the significance of place for social and economic outcomes, in which we cite research such as Raj Chetty, Nathaniel Hendren, and Lawrence F. Katz, “The effects of exposure to better neighborhoods on children: New evidence from the Moving to Opportunity experiment,” American Economic Review, volume 104, issue 4, April 2016.
This research takes a closer look at how these types of effects play out in counties across the United States. Specifically, this chapter examines the extent to which residents achieve the key aspirations articulated in chapter 1 (long and healthy lives, a basic minimum standard of living, financial stability, decent and affordable housing, good job opportunities, quality education, reliable infrastructure, and stable communities). Putting all of these dimensions together, we find substantial variations in overall outcomes for Black residents across different community profiles—as well as meaningful gaps between the outcomes for Black and White residents (see sidebar “Our approach”).

**Black outcomes are generally better in suburban and high-growth areas where Black residents are underrepresented**

In broad terms, outcomes for Black residents are most positive in communities with stronger economic foundations (Exhibit 6).

This is especially true of the urban periphery, which includes places such as Hancock County outside of Indianapolis, Brazoria County outside of Houston, and Rockdale County outside of Atlanta. The nation’s extended suburbs have the highest overall Black outcome scores. They have the top scores for measures of standard of living, job opportunities, and stable community, as well as the second-highest scores for metrics of financial stability, long and healthy lives, education, and stable and secure homes.

Yet these prosperous suburban and exurban settings are home to a limited number of Black residents, or about 12 percent of all Black Americans. This figure captures a steady increase in Black suburban representation over the past 30 years, but it is still five percentage points lower than the share of the total US population that lives in the urban periphery. On the diversification of the suburbs, see, for example, William H. Frey, *Today’s suburbs are symbolic of America’s rising diversity: A 2020 census portrait*, Brookings Institution, June 2022; and Sophia Tareen, “Black population continues to grow in suburbs and shrink in cities across the U.S.,” Los Angeles Times, March 4, 2022.

### Our approach

Across every US county, we assess the overall prosperity and well-being of all residents and of Black Americans in particular, using a standard set of metrics (most of which are gleaned from government statistics). For each of the aspirations articulated in this research, we calculate two scores:

- **Black outcomes**: This indicates how Black residents in a given county are doing relative to the average for Black residents across the nation. These scores reflect all of the individual metrics associated with a given aspirational category, weighted equally.

- **Parity**: This indicates how far a county is from achieving equivalent outcomes for Black and White residents across all metrics in a specific aspirational category.

For both scores, higher values are more desirable. The maximum value for a Black outcome score is 100, indicating better outcomes for Black residents in a given county relative to their peers across the nation. Parity scores are measured as ratios, with 1.00 representing perfect equality; scores closer to 1 therefore indicate smaller Black-White disparities.

We then aggregate results, assigning each county to one of the community profiles described in chapter 1. This enables us to compare outcomes across types of American communities.

For more detail on our methodology, see the separate technical appendix.

---

1 Using a scoring method allows for easier comparison between metrics that use different units (years or dollars, for instance).
can afford to live there. Urban periphery counties have the highest Black household incomes ($79,000) among the seven community profiles in our focus; this holds even when adjusted for cost of living.48

Even in these more prosperous settings, however, Black residents face affordability challenges. Rent burdens are nearly as high as those in major cities: 46 percent of Black urban periphery residents spend more than 30 percent of their income on rent, compared to 49–51 percent in the urban core community profiles. High median suburban home values also put homeownership out of reach for many. A third of urban periphery counties have median home values over $300,000, with some of the most expensive median values topping $1 million. While Black homeownership rates are higher in the urban periphery than in any community profile except trailing rural counties, only 52 percent of these Black suburban residents own their homes (compared with

48 Detail on the average value of each metric at the community profile level (e.g., poverty rate in megacities) is available in the separate technical appendix.
78 percent of White urban periphery residents). Notably, urban periphery counties perform poorly on measures of connectivity, reflecting the distant locations and car-centered design of many suburbs and especially exurbs. Some 23 percent of Black residents of the urban periphery commute longer than 45 minutes.

An important note on these outcomes is the fact that more than half of urban periphery counties are located in proximity to megacities and high-growth hubs, which have the nation’s highest GDP. People who live on their edges naturally benefit from access to these economies as well as their infrastructure and amenities. But suburban residents lie outside the financial jurisdiction of cities, which often means they do not have to manage the economic burdens of urban environments, such as higher poverty and food insecurity. Suburban residents who do experience poverty, however, may encounter patchier safety nets, lower philanthropic support, and otherwise limited assistance than low-income city residents.

The second-highest Black outcome scores are in high-growth hubs (places such as Las Vegas and Seattle). Yet just over 6 percent of Black Americans live in these economically dynamic communities. Underrepresentation is notable in places such as San Jose/Silicon Valley, CA, and Austin, TX, that have high-growth, high-wage industries. While these places produce relatively high overall Black outcomes, their cost of living makes it difficult to gain a foothold there, which explains the relatively low ranking for financial stability and the poor ranking for housing.

Black Americans are overrepresented in two urban community profiles where their outcomes are mixed. Roughly 30 percent live in megacities (a category that includes Atlanta, Boston, Chicago, Dallas, Houston, Los Angeles, Miami, New York, Philadelphia, Phoenix, San Francisco, and Washington, DC). These urban areas have strong economies but more uneven outcome scores. In addition to having high costs of living, they have the highest share of Black residents with long commutes (29 percent) and with outsize rent burdens (51 percent). By contrast, megacities rank first in developing skills, with high shares of Black residents who have college degrees (28 percent) and the highest preschool enrollment rate (44 percent). They rank second in job opportunities, with high unemployment but also a large share of Black workers in management roles (36 percent).

Almost 19 percent of Black Americans live in less dynamic stable cities, where housing affordability is a challenge and median incomes tend to be lower ($52,000). These cities rank poorly on financial stability as a result, although lower costs of living make incomes go further. They also rank poorly on health and longevity. Perhaps due to economic and environmental stressors, Black life expectancy in stable cities (74 years) is three to four years lower than in other community profiles. These urban areas also have some of the highest proportions of Black residents with self-reported poor physical and mental health in the past month when surveyed (13 to 17 percent).


51 See, for example, Jana Kadah, “San Jose experiences a ‘Black exodus,’” San Jose Spotlight, October 10, 2023; and Alcynna Lloyd, “A 24-year-old Black tattoo artist explains why she and many others are fleeing Austin: The soul of the city has changed,” Business Insider, March 12, 2023.
Outcomes in megacities and stable cities may reflect the history of large cities enacting biased policies or providing uneven levels of public services across neighborhoods, locking in disadvantages or lowering the quality of life for many Black residents. For example, research has shown that two-thirds of housing developments in the greater Columbus, OH, area in the 1920s and ‘30s had exclusionary covenants against Black residents. Similarly, Black residents of Chicago public housing, such as Cabrini–Green, were found to have been discriminated against throughout the 1950s and ‘60s by being placed at outsize rates in developments that were almost exclusively built in segregated, underserved neighborhoods. Even when historical wrongs are addressed (as these were, through judicial decisions), their effects can linger in communities for many years.

The two rural community profiles—stable rural counties (think Marion County, FL, and Cameron County, TX) and trailing rural counties (such as Robeson County, NC, and Barbour County, AL)—rank near last on most Black outcomes. Poverty and food insecurity rates among rural Black residents range from 28 to 32 percent. Lower life expectancies (74 to 75 years) may reflect challenges such as limited access to quality healthcare. Metrics such as incarceration rates and broadband access also indicate poor outcomes; for example, 22 to 28 percent of Black residents in these rural communities lack internet subscriptions. However, rural communities do rank highly in housing (driven by lower rent burden, higher homeownership rates, and less overcrowding). Stable rural counties also are in the middle of the pack in financial stability. But notably, Black Americans are underrepresented in these more prosperous rural counties: 13 percent of all US residents live in stable rural counties, but only 9 percent of Black US residents do. By contrast, about 5 percent of the US population lives in trailing rural counties, but these places are home to 6 percent of Black US residents.

**Virtually nowhere in the United States are outcomes for Black residents equal to those of their White neighbors**

Considering the resident experiences of Black Americans relative to those of White Americans yields a few striking findings.

First, no US county with a significant Black resident population has achieved parity—or even come close. Only 37 US counties with more than 25 Black residents are close to parity, which we define as having a parity score of at least 0.90 (meaning that Black outcomes are 90 percent of White outcomes across the metrics we analyze). Collectively, these 37 counties are home to just 39,000 Black residents, or 0.1 percent of the Black US population (Exhibit 7). Furthermore, more than 33,000 of these residents live in the one urban periphery county with a parity score above 0.9: Paulding County, GA, in the outskirts of the Atlanta metropolitan area, where both Black and White households earn above-median incomes (about $81,000 and $85,000, respectively). Six other urban periphery counties located outside of Atlanta, Houston, and San Antonio have parity scores that are just slightly lower (between 0.85 and

---

52 Patricia Burgess, Planning for the private interest: Land use controls and residential patterns in Columbus, Ohio, 1900–1970, Ohio State University Press, 1994. These (explicit) racially restrictive covenants were found to be unconstitutional in the US Supreme Court’s Shelley v. Kraemer decision of 1948.

53 The US Supreme Court found racial discrimination at play in Chicago’s public housing in its 1976 Hill v. Gautreaux decision. For more on the civil rights litigation descending from the initial Gautreaux v. Chicago Housing Authority case (1968), see an overview from the Civil Rights Litigation Clearinghouse at clearinghouse.net/case/11085/. On the history of Cabrini–Green in particular, see Kori Rumore, “Cabrini–Green timeline: From ‘war workers’ to ‘Good Times,’ Jane Byrne and demolition,” Chicago Tribune, December 20, 2020.

54 On lack of healthcare access, see, for example, Rural hospital closures threaten access: Solutions to preserve care in local communities, American Hospital Association, September 2022; and Tarun Ramesh and Emily Gee, Rural hospital closures reduce access to emergency care, Center for American Progress, September 2019.

55 This statement holds across community profiles, including the six that lie outside of our primary focus in this report.

56 The total population of these counties is 484,000.
Less than 0.1 percent of the Black population lives in a county close to parity.

Black residents, by county parity score

Source: McKinsey Institute for Black Economic Mobility analysis

McKinsey & Company

0.90) and sizable Black populations (ranging from 13,000 to 205,000). Almost all other counties approaching parity are rural areas that score near the bottom on absolute outcomes for all residents. Effectively, nowhere in the United States are outcomes for Black residents equal to those of their White neighbors.

Disparities are widest in the two community profiles where most Black Americans live—Black–White parity gaps are largest in megacities and stable cities, which are collectively home to about half of all Black Americans. Black residents of megacities earn roughly 60 percent of what White residents do. The gaps in Black and White commute times in megacities are notable, showing the difficulty for many Black residents to secure homes.

---

57 Six other urban periphery counties are similar to Paulding County, GA, in having sizable Black populations (greater than 10,000) and comparable though slightly lower parity scores (between 0.85 and 0.90). Four are also in the Atlanta metro area: Clayton, Douglas, Rockdale, and Newton counties. The remaining two counties are in Texas: Brazoria County outside of Houston, and Guadalupe County outside of San Antonio. Generally speaking, these counties are home to Black residents who earn similar incomes to their White neighbors (mainly above-median incomes, with some exceptions); they are accessible to major metropolitan areas by highways (if requiring long commutes); and they have seen growth in their Black populations (and decline in their White populations) over the past decade.

58 The 37 counties with at least 25 Black residents and parity scores of 0.90 or above include 18 trailing rural counties, nine rural outliers counties, seven stable rural counties, and one county each in the stable cities, urban periphery, and small powerhouses community profiles. Twenty-seven of these counties have fewer than 100 Black residents.
in neighborhoods that would be more convenient. Longer commutes not only take a toll on physical and mental health (and potentially on wallets); they also eat into the time people can spend with their families.

Stable cities have racial gaps in many areas similar to those seen in megacities, with megacities’ last-place ranking in connectivity reflecting disparities in car access (2.4 times as many Black households as White households lack access to a car) and in broadband subscriptions (2.2 times).

In addition, high-growth hubs, another urban community profile with better Black outcome scores, perform worse on parity, particularly when it comes to long and healthy lives, developing skills, and stable and secure homes. These large parity gaps across high-growth hubs,

---


megacities, and stable cities speak to the greater degree of racial inequality that exists in US urban areas.61

As noted above, the urban periphery has the highest overall Black outcome scores. This category also stands out for ranking second overall for parity. Yet even in these counties, only 64 percent of the gap between Black and White outcomes has been closed, on average. These are communities with moderate Black representation, the best outcomes for Black Americans, and above-average performance on parity—and they still have an overall outcome gap of 34 percentage points. Even in categories in which the urban periphery ranks at or near the top among community profiles, such as standard of living and financial stability, gaps in specific metrics are sobering. Compared with their White counterparts, Black residents of the urban periphery have a poverty rate that is 2.2 times higher; they are 3.0 times more likely to experience food insecurity; and they earn roughly 16 percent less. This is only one example, but it underscores the significant work still needed across every part of the United States.

The only community profiles that match or exceed the urban periphery’s average parity scores are stable and trailing rural counties. But as noted above, these rural areas have the lowest average outcomes for Black residents—meaning that higher parity reflects poor outcomes for all residents of these communities (and on top of that, Black rural outcomes lag behind White outcomes). In cases like these, as well as in many urban settings, higher Black outcomes and parity can appear to present a trade-off (Exhibit 9).

Overall, no community profile or individual county has produced best-in-the-nation outcomes for Black residents across the full range of metrics. Every place has its own mix of successes and challenges. Most cities and counties are checkerboards of neighborhoods with highly unequal incomes (and therefore resources). In many of them, some areas have adequate or even excellent services, amenities, and infrastructure, while other areas are neglected. Our analysis of Black resident outcomes across community profiles does not examine these more granular variations across different local neighborhoods and lived experiences. Moreover, in any neighborhood, the resident experience is shaped by elements of identity beyond race, such as disability, gender identity, sexuality, national origin, ethnicity, and citizenship status.

However, our findings offer insight into the overall degree of prosperity and parity that Black residents experience in different kinds of US communities. An exceedingly small number live in places that have relatively high levels of parity and positive Black outcomes.

61 Previous research has identified considerably greater inequality in urban areas, including greater inequality between racial groups. Consider the example of median incomes: the US Black median household income is $46,800, or about 62 percent of the median for White households, which is $75,000 (based on the 2021 American Community Survey one-year estimates from the US Census Bureau). In San Francisco, median Black household incomes were similar, at $46,000, but median White household incomes were $162,000—meaning Black San Francisco residents earn only 28.5 percent of what White San Francisco residents do. See Katharine Swindells, “Income in US cities is most unevenly distributed in a decade,” City Monitor, December 2022.
The suburbs stand out for a balance of better Black outcomes and parity.

Black outcomes compared with Black-White parity, most recent year

Above, we noted that only 37 counties with more than 25 Black residents have closed at least 90 percent of the gap between their Black and White residents as measured by comparing their outcomes. Looking more broadly at all US counties, without this limitation on population or the 90 percent cutoff, some 4.7 million Black Americans (out of a total population of 40 million) live in counties with top-decile Black outcome scores. Only about 630,000 live in counties with top-decile parity performance. The overlap between these groups is quite small. Only 192,000—or 0.5 percent of the US Black population—live in counties that place in the top decile on both measures (Exhibit 10). The rest live in places where White residents are considerably more prosperous than their well-off Black neighbors. In other words, enjoying both prosperity and parity is a rarity for Black Americans.
Enjoying both prosperity and parity is a rarity for Black Americans.

There are approximately **40 million** Black Americans.

One square = **10,000 Black Americans**

More than **4.7 million** live in the 314 counties with top-decile performance for Black outcomes.

Around **630,000** live in the 314 counties with top-decile Black-White parity scores.

Only **192,000** Black Americans (0.5% of the Black US population) live in counties with top-decile performance in Black outcomes and parity.

1 The top decile for prosperity includes counties with Black outcome scores of 66 or greater.

2 The top decile for parity includes counties with parity scores of 0.84 or greater.

3 More than 90% of these residents live in just four urban periphery counties: Charles County, MD, outside of Washington, DC (about 77,900 Black residents); Brazoria County, TX, outside of Houston (~54,000); Paulding County, GA, outside of Atlanta (~33,200); and Guadalupe County, TX, outside of San Antonio (~13,200).

Source: McKinsey Institute for Black Economic Mobility analysis.

Communities that are thriving can often sustain a virtuous cycle, as prosperous residents strengthen local tax bases, ensuring that resources can flow back into neighborhoods and schools. By contrast, places with histories of economic exclusion and inadequate public budgets may be caught in a vicious cycle that compounds over time. This dynamic is reflected in the following chapter, which considers the pace of change over the most recent decade and projects into the future.
Chapter 2 showed the current state of Black outcomes and Black–White parity across our aspirations in different types of communities. But are things at least trending in the right direction?

To answer this, we examine data from a decade ago to quantify whether American communities have been making meaningful progress—or, in some cases, whether they have lost ground. We do find multiple metrics improving for Black residents, especially in urban America.

Yet our analysis shows that general improvements in outcomes for Black residents have not moved the needle on parity. Where Black outcomes improved, White outcomes improved to the same degree or even more, meaning that gaps did not narrow. Unless American communities can begin to make more dramatic progress in improving prosperity and the quality of life for their Black residents, these issues will remain for future generations.

While this research compares places in terms of absolute and relative outcomes over time, we do not attribute specific changes to resident actions or government policies, which would be infeasible given our national scope. We do consider population change over time but do not isolate migration (either domestic or international) as a quantifiable factor.

What does all this mean? Places with better and more equitable outcomes for Black residents could have produced those outcomes through local policies or programs. But they are also places where more affluent Black people may have self-sorted, or places that less affluent Black people may have moved away from due to rising costs of living. Similarly, places with steadily deteriorating outcomes could have challenging macro conditions or poor governance. But this is intertwined with the fact that more economically secure Black residents can leave, while their more vulnerable peers cannot; this tends to create environments of concentrated poverty with fewer opportunities for gainful employment. We hope this research can fuel conversation about the imperative to meet Black residents where they are—that is, improving outcomes within their current communities, regardless of whether they have the means or the desire to move in search of something better.

62 For more on this topic, see William Julius Wilson, *The truly disadvantaged: The inner city, the underclass, and public policy*, University of Chicago Press, 1985.
Outcomes for Black residents generally improved over the past decade, but unevenly and with some exceptions

First the good news: progress, though not always swift, did occur for Black residents in most types of American communities over the past decade. Overall Black outcome scores improved in 73 percent of US counties, which are collectively home to some 34 million Black residents. (For more on county-level results, see sidebar “A more granular view.”) Stable cities, trailing rural counties, and high-growth hubs experienced the largest gains in overall Black outcome scores, which rose about 6.5 percent on average from 2012 to 2021 (Exhibit 11).

The drivers of improved Black resident outcomes

Looking more closely at the changes driving these outcomes reveals differences across community profiles:

— **Stable cities**: Progress over the past decade was driven by improvement in job opportunities (including lower unemployment and a shift away from Black representation in service roles and toward management roles); stable and secure homes (with a reduction in the rent burden); and stable communities (with reductions in both vacancy and incarceration rates).

— **Trailing rural counties**: These counties saw a similar degree of overall improvement as stable cities. Here, progress reflects increases in the standard of living (with the largest reductions in poverty and food insecurity); long and healthy lives (reflecting increased insurance coverage, and the largest increases in both physical and mental health); and stable
Acknowledging the pandemic’s influence on our results

We use 2021 data to analyze the current state of Black and White resident outcomes since that is the most recent date for which county-level information was available for all metrics. In this chapter, where we discuss change over time, we look back from 2012 to 2021.

Our results are a snapshot of a time that was influenced by the COVID–19 pandemic. It is important to note that the pandemic had outsize negative effects on Black Americans. Black residents were nearly twice as likely to live in counties at highest risk of health and economic disruption during the early peak of the pandemic.\(^1\) These included urban areas that were hit first and hardest by the virus, followed by some rural regions with patchier access to healthcare resources.

Job opportunity data may also be affected. In a McKinsey survey from the summer of 2020, 36 percent of Black Americans reported negative impacts on their employment (versus 29 percent of White Americans).\(^2\) The Black unemployment rate peaked at 16.9 percent in April 2020, matching highs not seen since March 2010 (when the Black employment rate hit 16.8 percent in the aftermath of the Great Recession).\(^3\) Black children also sustained higher levels of unfinished learning, since they were less likely to have access to digital devices, internet access, and live contact with teachers.\(^4\)

However, in other ways, the pandemic may have spurred changes that led to gains for Black Americans. Health insurance coverage, for example, grew not only due to Affordable Care Act expansion but also due to revised eligibility for Medicaid as part of the pandemic response, which could be reflected in our data.\(^5\)

While we do not have complete county-level data for 2022 and 2023, it is worth noting some national-level trends. With the official end of the COVID–19 public health emergency, millions have lost Medicaid coverage in a trend that is expected to grow.\(^6\) This puts the coverage gains in our results at risk (not to mention the potential impact on health outcomes for individuals who lose coverage). The strong recovery in the labor market drove the Black unemployment rate down to 5.2 percent as of December 2023; however, this is still above the White unemployment rate of 3.5 percent.\(^7\) In addition, the impact of COVID–19 lingers in the form of lower life expectancy for all races. According to the latest Centers for Disease Control and Prevention (CDC) statistics, Black life expectancy at birth fell from 74.8 years in 2019 to 70.8 years in 2021; White life expectancy also declined but sustained a smaller drop over this period, going from 78.8 to 76.4 years.\(^8\)

---

5 On the increase in Medicaid enrollment during the pandemic, see Jennifer Tolbert and Meghana Ammula, “10 things to know about the unwinding of the Medicaid continuous enrollment provision,” KFF (Kaiser Family Foundation), June 9, 2023.
6 Akeisa Coleman, “Almost 3.8 million people have lost their Medicaid coverage since the end of the COVID–19 public health emergency,” Commonwealth Fund, August 2023.
8 “Provisional life expectancy estimates for 2021,” Centers for Disease Control and Prevention, report number 23, August 2022.
graduates or workers who may be more likely to move into these areas to take advantage of those opportunities. Some researchers have noted a “brain drain” phenomenon in rural America, with college graduates often leaving in search of better jobs. In effect, skill gains in rural communities may eventually translate into better urban outcomes.63

― Independent economies, stable rural counties, and urban periphery: These community profiles made either average or slower progress across all our aspiration categories. It is worth noting, however, that the areas where the urban periphery made the smallest gains over the decade—in health, housing, and connectivity—are also areas where it was already a top performer.

Shared challenges
Community profiles share some common challenges. All saw declining Black homeownership and increasing commute times. Longer commutes may be attributable to increased displacement and gentrification around hubs of activity, with higher housing costs pushing poorer and middle-class Black families farther away from places of work and community engagement.64

Other common challenges likely resulted from the COVID-19 pandemic. Most community profiles saw reduced Black labor force participation rates, except for megacities and high-growth hubs, where there was almost no change.65 Black preschool enrollment rates also declined everywhere except in high-growth hubs, reflecting a nationwide trend shaped by both school closures and some parents’ decisions not to send their children to school.66 A final common challenge was in Black residents’ self-reported mental health, which declined across almost all community profiles (except trailing rural counties)—consistent with national declines during the pandemic.67 (For more on the impacts of the pandemic and post-pandemic trends, see “Acknowledging the pandemic’s influence on our results,” earlier in this chapter).

Results are mixed when it comes to progress toward racial parity
Within the seven community profiles that are home to 90 percent of the Black population in the United States, Black outcomes improved in most counties. But only about half of those counties reduced the gaps between outcomes for Black and White residents (as discussed in the sidebar “A more granular view”).

The quality of life is improving on multiple dimensions for everyone, whether through economic and demographic forces or intentional policies—a trend that is worth celebrating. Yet progress has been slower to filter through to Black residents. Their gains have not been sufficiently rapid or dramatic to erase the effects of disadvantaged starting points. In short, progress does not automatically produce parity or even put the nation on a trajectory to achieve it. It is also worth noting that our data does not cover the accumulation of wealth; taking it into account would add yet another dimension with considerable racial gaps.68

63 See, for example, Stephanie Sowl, Rachel A. Smith, and Michael G. Brown, "Rural college graduates: Who comes home?" Rural Sociology, volume 87, issue 1, 2022.
65 Approximately 67 percent of all US counties registered a decline in Black labor force participation rates over the period we analyzed. For more on this dynamic, see Andreas Hornstein and Marianna Kudlyak, "The pandemic’s impact on unemployment and labor force participation trends," Federal Reserve Bank of Richmond, April 2022. On the recovery of overall labor force participation as of 2023, see “Labor force participation rate for people ages 25 to 54 in May 2023 highest since January 2007,” The Economics Daily, US Bureau of Labor Statistics, June 2023.
67 Approximately 65 percent of all counties saw a decline in the share of Black residents self-reporting good mental health. As noted in the separate technical appendix, due to data availability, we examine the change in mental health between CDC surveys administered in 2018 and 2020; this is a shorter period than we examine for most other metrics, and one that may coincide more closely with the impacts of COVID-19. On the uptick in poor mental health during the pandemic, as well as its impact on Black Americans in particular, see Nimita Panchal, Heather Saunders, and Nambi Ndugga, "Five key findings on mental health and substance use disorders by race/ethnicity," KFF (Kaiser Family Foundation), September 2022; and Nimita Panchal et al., "The implications of COVID-19 for mental health and substance use," KFF (Kaiser Family Foundation), March 2023.
68 The economic impact of closing the racial wealth gap, McKinsey Institute for Black Economic Mobility, August 2019.
While this research considers community profiles with some common characteristics, those groupings are not monoliths. Each one is a collection of individual counties, each with its own variations in outcomes. While roughly three-quarters of counties have shown improvements in overall outcomes for Black residents, only about half—home to roughly 28 million Black residents—made strides toward racial parity (exhibit). High-growth hubs and megacities had the greatest share of counties with rising overall Black outcomes and narrowing gaps between White and Black residents. By contrast, less than half of stable and trailing rural counties made the same kind of progress.

This serves as a reminder of the diverse experiences across counties within each community profile. For example, parity improved in only 57 percent of urban periphery counties, but this community profile ranks second overall for increased parity over the past decade. When looking at averages across categories, gains in some counties may offset stagnation or backsliding in others.

Exhibit

Almost three-quarters of counties saw improved Black outcomes, but just under half made any progress toward parity.

Counties with improvement in Black outcomes or parity, by community profile, 2012–21

<table>
<thead>
<tr>
<th>Community profiles</th>
<th>BLACK OUTCOMES</th>
<th></th>
<th>PARITY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Counties with overall improvement</td>
<td>Black population in counties that improved, million</td>
<td>County</td>
<td>Black population in counties that improved, million</td>
</tr>
<tr>
<td>High-growth hubs 13 cities (19 counties)</td>
<td>100% 19</td>
<td>2.5</td>
<td>95% 18</td>
<td>2.5</td>
</tr>
<tr>
<td>Megacities 12 cities (46 counties)</td>
<td>100% 46</td>
<td>12.2</td>
<td>78% 36</td>
<td>10.2</td>
</tr>
<tr>
<td>Stable cities 36 cities (81 counties)</td>
<td>88% 71</td>
<td>7.5</td>
<td>70% 57</td>
<td>6.4</td>
</tr>
<tr>
<td>Independent economies 94 cities (173 counties)</td>
<td>80% 137</td>
<td>2.7</td>
<td>60% 103</td>
<td>2.1</td>
</tr>
<tr>
<td>Urban periphery 275 counties</td>
<td>82% 225</td>
<td>4.6</td>
<td>57% 157</td>
<td>3.3</td>
</tr>
<tr>
<td>Trailing rural counties 975 counties</td>
<td>71% 694</td>
<td>2.3</td>
<td>45% 438</td>
<td>1.2</td>
</tr>
<tr>
<td>Stable rural counties 1,125 counties</td>
<td>70% 785</td>
<td>3.1</td>
<td>43% 484</td>
<td>2.0</td>
</tr>
<tr>
<td>Total</td>
<td>73% 1,977</td>
<td>34.0</td>
<td>48% 1,293</td>
<td>28.0</td>
</tr>
</tbody>
</table>

1Most historic year metrics are from the 2012 American Community Survey, and most recent year metrics from the 2021 ACS, with some exceptions due to data availability. Dates for comparison are 2011–21 for share without broadband (ACS), 2012–18 for incarceration rates (Vera Institute), and 2018–20 for mental and physical health (CDC). Granular historical data was not available for child poverty, life expectancy, and income-to-cost of living ratio. Source: US Census Bureau; Economic Policy Institute; US Centers for Disease Control; Vera Institute; McKinsey Institute for Black Economic Mobility analysis
Over the past decade, megacities and the urban periphery made the largest improvements in parity (Exhibit 12), although their gaps in outcomes for Black and White residents shrank by only about 4.2 to 5.5 percent overall. The nation’s best balance of positive overall Black outcomes and narrowing gaps seems to be found in its suburbs and exurbs. Yet, as noted above, progress toward parity was not universal; 43 percent of urban periphery counties had stagnant or widening gaps.

This view of change over time shows trailing rural counties starting and finishing the decade with the highest level of parity among the seven community profiles in our focus, closing racial gaps by about 3.9 percent overall. But as discussed above, these economically struggling rural parts of the United States also deliver the poorest overall outcomes for all residents, and for Black residents in particular. Moreover, Black residents of more prosperous stable rural counties saw the smallest improvements in parity, with racial gaps shrinking by only 1.7 percent overall.

**Progress toward parity across each aspiration**

In addition to considering overall parity gaps, it is instructive to look at racial gaps across each of the aspirations articulated in chapter 1 (long and healthy lives, standard of living, financial

---

**Exhibit 12**

**Black outcomes have improved in all community profiles over the past decade, but Black–White gaps persist.**

**Black outcomes compared with Black-White parity, historic year vs most recent year**

![Exhibit 12: Black outcomes compared with Black-White parity](image)

---

*Most historic year metrics are from the 2012 American Community Survey, and most recent year metrics from the 2021 ACS, with some exceptions due to data availability. Dates for comparison are 2017-21 for share without broadband (ACS), 2015-16 for incarceration rates (Vera Institute), and 2018-20 for mental and physical health (CDC). Granular historic data was not available for child poverty, life expectancy, and income-to-cost of living ratio.*

*Source: US Census Bureau; Economic Policy Institute; US Centers for Disease Control; Vera Institute; McKinsey Institute for Black Economic Mobility analysis*

McKinsey & Company
stability, stable and secure homes, job opportunities, opportunities for skill development, connectivity, and stable communities). This view shows that gaps between White and Black residents have narrowed only slightly—and in most community profiles, some gaps have widened or barely budged over the most recent decade (Exhibit 13).

**Areas of progress**

In four of the aspirational categories, there was at least some progress toward parity across all seven community profiles.

— **Standard of living**: Rates of poverty and food insecurity for Black residents ended the decade lower in relation to the rates for White residents.

— **Stable homes**: While there was a growing racial gap in homeownership across all seven community profiles, this was offset by narrowed gaps in rent burdens and overcrowding.

— **Connectivity**: There was mixed progress in racial disparities in commute time, although racial gaps shrank across the board in households without car access and without a broadband subscription. Notably, trailing rural counties saw the least progress: expanded broadband use among Black households, while welcome, was closely matched by that of White households.

— **Stable communities**: Most places saw narrowed racial gaps in incarceration and vacancy rates (although stable rural counties saw almost no movement on either metric, and trailing rural counties saw widening disparities in vacancy rates).

### Exhibit 13

**Black–White gaps have slightly narrowed in most areas but have widened in a few.**

<table>
<thead>
<tr>
<th>Community profiles</th>
<th>Standard of living</th>
<th>Financial stability</th>
<th>Job opportunities</th>
<th>Long, healthy lives</th>
<th>Developing skills</th>
<th>Stable, secure homes</th>
<th>Connectivity</th>
<th>Stable communities</th>
<th>Overall score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Megacities</td>
<td>8.2</td>
<td>1.0</td>
<td>0.6</td>
<td>0.2</td>
<td>0.9</td>
<td>9.6</td>
<td>10.7</td>
<td>14.2</td>
<td>5.0</td>
</tr>
<tr>
<td>Urban periphery</td>
<td>7.3</td>
<td>0.5</td>
<td>1.5</td>
<td>0.5</td>
<td>0.8</td>
<td>2.5</td>
<td>10.4</td>
<td>10.1</td>
<td>4.2</td>
</tr>
<tr>
<td>Trailing rural counties</td>
<td>2.9</td>
<td>-1.4</td>
<td>4.2</td>
<td>1.3</td>
<td>2.5</td>
<td>8.8</td>
<td>0.7</td>
<td>12.8</td>
<td>3.8</td>
</tr>
<tr>
<td>High-growth hubs</td>
<td>4.3</td>
<td>0.04</td>
<td>0.0</td>
<td>-1.7</td>
<td>0.9</td>
<td>6.1</td>
<td>10.3</td>
<td>12.2</td>
<td>3.3</td>
</tr>
<tr>
<td>Stable cities</td>
<td>4.0</td>
<td>-0.2</td>
<td>0.2</td>
<td>0.4</td>
<td>-1.8</td>
<td>7.9</td>
<td>5.4</td>
<td>11.5</td>
<td>3.2</td>
</tr>
<tr>
<td>Independent economies</td>
<td>3.4</td>
<td>0.1</td>
<td>-0.7</td>
<td>0.5</td>
<td>0.6</td>
<td>3.6</td>
<td>7.5</td>
<td>9.9</td>
<td>2.9</td>
</tr>
<tr>
<td>Stable rural counties</td>
<td>1.8</td>
<td>-0.9</td>
<td>0.4</td>
<td>1.7</td>
<td>1.3</td>
<td>4.0</td>
<td>3.1</td>
<td>2.1</td>
<td>1.6</td>
</tr>
</tbody>
</table>

1 Most historic year metrics are from the 2012 American Community Survey, and most recent year metrics from the 2021 ACS, with some exceptions due to data availability. Dates for comparison are 2017–21 for share without broadband (ACS), 2012–18 for incarceration rates (Vera Institute), and 2018–20 for mental and physical health (CDC). Granular historical data was not available for child poverty, life expectancy, and income-to-cost of living ratio.

Source: US Census Bureau; Economic Policy Institute; US Centers for Disease Control; Vera Institute; McKinsey Institute for Black Economic Mobility analysis

McKinsey & Company
**Areas of stagnant or worsening disparity**

The other aspirational categories generally saw either limited progress or widening disparities over the last decade.

- **Financial stability**: Racial disparities in household income widened across rural America and in stable cities and high-growth hubs; elsewhere, there was scarcely any movement.

- **Job opportunities**: Racial gaps in unemployment and labor force participation narrowed slightly in most community profiles, but gaps in the shares of Black and White workers in management roles widened. There was little overall change in this category as a result. The one exception to this is trailing rural counties, which saw a notable reduction in the gap between Black and White workers in service roles.

- **Long and healthy lives**: Gaps in the uninsured share of the Black and White populations widened in cities, narrowed in rural areas, and remained little changed in the urban periphery. Progress was mixed across community profiles for disparities in self-reported physical health, although we do observe narrowing gaps in mental health across the board.89

- **Skill development**: Racial gaps in bachelor’s degree attainment improved slightly in all community profiles, but disparities in residents who started college but did not graduate worsened. Moreover, gaps between the Black and White populations without high school diplomas barely changed.

**At current rates of change, how long would it take to achieve both improved outcomes and racial parity?**

We explored some hypotheticals to put the recent pace of change in context and to describe where Black residents would likely land in the future unless progress accelerates.

**Bringing Black outcome scores across the country to the level of today’s top performers**

First, we consider how long it would take to lift all other Black residents to the levels of prosperity and well-being enjoyed by those in the urban periphery (currently the top-performing community profile for Black residents). At the current pace of change, it would take all other community profiles anywhere from 10 to 30 years to catch up with America’s suburbs and exurbs in absolute outcomes for Black residents (Exhibit 14). Since the recent rate of change has been fastest in cities, they would catch up sooner, while rural communities could take the longest.

Importantly, average Black suburban outcomes are not the ceiling for Black prosperity. Some Black residents do better still in individual counties (for example, several counties in the Washington, DC, area stand out for having large Black populations and top-tier Black outcomes). It would take up to 2.5 times longer for all community profiles to reach similar levels of prosperity.70

---

89 This finding contradicts other research identifying worsening racial disparities in mental health over the period we study (namely as affected by the pandemic). See, for example, Mieke Beth Thomeer, Miles D. Moody, and Jenjira Yahirun, “Racial and ethnic disparities in mental health and mental health care during the COVID-19 pandemic,” *Journal of Racial and Ethnic Health Disparities*, volume 10, issue 2, April 2023. This discrepancy may reflect differences in data collection or methodology, or it may reflect changes that manifested later in the pandemic, as the CDC data we use to capture current state outcomes is from 2020.

70 Fourteen of 24 counties in the greater Washington, DC, metropolitan area have top-decile performance for overall Black outcomes, and 11 of these also have more than 10,000 Black residents.
The timeline to racial parity
Second, we estimate the time it would take for Black Americans to reach parity with their White neighbors in various dimensions if recent rates of change hold steady into the future. This assumption gives us a stark picture.

Despite some recent improvements, based on the rate of change between 2012 and 2021, it could take more than three centuries for all community profiles to reach parity for Black and White residents at the current pace of progress. In megacities and stable cities, where nearly half of America's Black population lives, it would take 160 to 240 years for Black residents to catch up with White residents if improvements do not accelerate. For simplicity, this analysis holds outcomes for White residents the same, although history indicates that they are likely to continue improving. The implication here is that the true number of years is likely even greater.

In short, recent improvements have taken a small chisel to a large mountain of past inequities that have accrued over time. Unless change accelerates, the United States would not achieve racial parity in our lifetimes—or even in our children’s or grandchildren’s lifetimes (Exhibit 15).
Unless progress accelerates, it would take community profiles anywhere from 110 to 320 years to eliminate gaps in outcomes for Black and White residents.

Parity score change, 2012–21, by community profile

<table>
<thead>
<tr>
<th>Community profile</th>
<th>2012 score</th>
<th>2021 score</th>
<th>Gap to parity</th>
<th>Target 1.00</th>
<th>Years to goal at current rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trailing rural counties</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>~110</td>
</tr>
<tr>
<td>Urban periphery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>~120</td>
</tr>
<tr>
<td>Megacities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>~160</td>
</tr>
<tr>
<td>High-growth hubs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>~210</td>
</tr>
<tr>
<td>Independent economies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>~220</td>
</tr>
<tr>
<td>Stable cities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>~240</td>
</tr>
<tr>
<td>Stable rural counties</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>~320</td>
</tr>
</tbody>
</table>

'Current rate is based on change observed in overall parity scores in each community profile between 2012 and 2021.
Source: US Census Bureau; Economic Policy Institute; US Centers for Disease Control; Vera Institute; McKinsey Institute for Black Economic Mobility analysis

McKinsey & Company

It has been said that justice delayed is justice denied. Similarly, glacial progress in leveling the playing field denies Black residents both economic and social opportunities. Since the resident experience has cascading effects on Black Americans in their roles as workers, consumers, savers, and business owners, the United States is shortchanging the broader economy when millions of residents face barriers to reaching their full potential. Bringing fresh energy to engaging on solutions is the only way to ensure that these challenges and disparities are not left to linger for future generations.

In the context of the struggle for racial justice in the United States, this statement is most famously associated with Martin Luther King Jr.’s 1963 “Letter from Birmingham Jail.”
4. Solutions with scale

The differing outcomes for Black residents and the slow pace of progress toward racial parity described in this research lead to the question of what can be done to change this picture. How can communities move closer to realizing basic aspirations for a better quality of life for all residents?

As described in the previous chapter, the United States is currently on a trajectory that could take decades to improve outcomes and more than three centuries to get to racial parity. Dramatically accelerating that timeline would mean upending the status quo. Both existing and innovative solutions are needed at mass scale, with a commitment to sustain them over time. They also need to resonate with the people they seek to serve, with the voices of Black leaders and communities helping to shape programs. To transform the quality of life for Black residents and create a more equitable society, the United States will need fast, bold, and effective interventions on a bigger scale than anything attempted before.

But where to start?

One option is to take a place-based approach, investing in a range of initiatives within specific communities. The Harlem Children’s Zone is a notable example of this approach, offering comprehensive “cradle-to-career” programming for low-income children and families with an emphasis on educational achievement. Other examples include the East Baltimore Development Initiative, Atlanta’s East Lake Foundation, and San Diego’s City Heights Initiative. Several national nonprofits support local efforts by offering funding and expertise. For instance, StriveTogether leads the Cradle to Career Network, linking 65 local community partnerships committed to improving student outcomes; Purpose Built Communities helps local leaders promote holistic development with a focus on mixed-income housing; and the Government Alliance on Race and Equity brings together state and local governments.

Place-based investment can also be led by public-sector entities (such as the US Department of Education’s Promise Neighborhoods program) and philanthropic funders (for example, Blue Meridian Partners’ national “Place Matters” portfolio, the Walton Family Foundation’s support for...
community-driven solutions, the George Kaiser Family Foundation’s work in Tulsa, or the Kresge Foundation’s work in Detroit, Memphis, and New Orleans.\textsuperscript{75}

Another option is taking a thematic approach with the aim of improving specific outcomes across many communities. Any number of initiatives could pave the way toward the social and economic outcomes all Black residents deserve. Exhibit 16 lists several that touch on some of the primary areas where we found widening parity gaps: financial stability, job opportunities, health and longevity, and skills development. Across each of these aspirations, the parity gap has grown or barely budged over time across nearly all community profiles. We also include stable housing, where we identified mixed progress toward parity, because it is a growing issue with profound impact on residents’ quality of life. All of these priorities would require substantial investment but have the potential to generate real returns to individuals and society as a whole.

Exhibit 16

**Broad-based, bold solutions can change outcomes for millions of Black Americans today while improving parity over time.**

<table>
<thead>
<tr>
<th>Broad-based solution area</th>
<th>Illustrative solutions and potential reach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable, long-term homes in mixed-income, low-poverty neighborhoods</td>
<td>7M+ additional affordable housing units available to extremely low-income renters, relieving pressure on rent-burdened households (including 4.5M Black households)</td>
</tr>
<tr>
<td>Comprehensive birth-to-kindergarten care infrastructure</td>
<td>3.5M additional 3- and 4-year-olds (including 475K Black children) enrolled in high-quality public early childhood programs</td>
</tr>
<tr>
<td>Equitable and high-quality healthcare system</td>
<td>Health insurance for 25.6M nonelderly US residents without coverage (including 3.3M uninsured Black residents)</td>
</tr>
<tr>
<td>Consistent income boost for low- and middle-income families with children</td>
<td>$3K yearly child tax credit to families of 11.1M children living in poverty (including 3.1M Black children)</td>
</tr>
<tr>
<td>Robust skill-to-career pipeline for better-paying jobs</td>
<td>Postsecondary (re)enrollment and completion support, career guidance, and funding for 52.5M potential adult learners, including 9M Black adults\textsuperscript{1}</td>
</tr>
</tbody>
</table>

\textsuperscript{1}Defined as adults aged 18–54 who have only a high school diploma or GED and earn below the median income of residents in their communities who have college degrees. See Fulfilling the potential of US higher education, McKinsey & Company, April 2023.

Source: National Low Income Housing Coalition (affordable housing shortage); ACS 2021 1-year estimates (rent burden); 2022 Current Population Survey (school enrollment figures); KFF (health insurance coverage); Children’s Defense Fund (child poverty); McKinsey & Company analysis (adult learners)

McKinsey & Company

This chapter delves deeper into two of these priority areas: affordable, long-term housing and a comprehensive birth-to-kindergarten care infrastructure, with an emphasis on getting more children into preschool. Overall access and equitable access differ across community profiles (Exhibit 17). Yet these two issues are pressing near-term needs across the board, and both have broad stakeholder buy-in. In a recent YouGov poll, some two-thirds of respondents said it

\textsuperscript{75} For more on Promise Neighborhoods, see promiseneighborhoods.ed.gov. More on Blue Meridian Partners is available at bluemeridian.org/funds/place-matters and on Walton’s community-driven solutions at waltonfamilyfoundation.org/stories/community-driven-change. A case study of the George Kaiser Family Foundation’s work in Tulsa is available from Nation Swell at nationswell.com/what-we-can-learn-from-george-kaiser-family-foundations-place-based-work-in-tulsa/, along with an overview of the foundation at gkff.org/. Detail on the Kresge Foundation’s work is available at kresge.org/.
is difficult to find affordable housing in their area.\textsuperscript{76} Childcare is similarly being recognized as a national priority, not only for families but also for employers.\textsuperscript{77} Addressing these two issues can have almost immediate benefits, including positive spillover effects on multiple aspects of well-being. They would benefit all residents but also set the stage for improving racial parity over the longer term, since Black residents are disproportionately affected by the status quo, whether through lack of access or cost burden. Our discussion further highlights the different approaches that could be appropriate across community profiles and the question of balancing better outcomes for all with greater parity.

\textsuperscript{76} See Jamie Ballard, “Two-thirds of Americans say it’s difficult to find affordable housing in their area,” YouGov, July 19, 2023.

Quality affordable housing is a critical foundation for Black residents

Having a place to call home is a foundational human need. An extensive body of research has established the spillover benefits of affordable, quality housing and the neighborhood environment on residents’ financial stability, physical and mental health, physical security, and commutes. Affordable housing initiatives can also be a powerful lever for reducing child poverty, which is an outsize problem for Black residents (Black children are about three times more likely to experience poverty than White children, even after accounting for tax credits or government transfers). Tackling the affordable housing shortage—particularly by expanding affordable housing in low-poverty neighborhoods and as part of mixed-income developments—would help improve educational outcomes and economic mobility for the next generation.

The scarcity of affordable housing has reached crisis proportions in the United States. Rents and home prices have risen far faster than incomes in many parts of the country, with the number of rent-burdened metro areas (those where rent consumes more than 30 percent of household monthly income) increasing sevenfold since 1999. This issue is particularly acute in places with the strongest job growth. The soaring cost of housing in these local economies, in part due to zoning restrictions, effectively blocks low-wage workers from accessing higher-paying opportunities.

Across the United States, about half of all renter households spend more than 30 percent of their income on housing, and a quarter spend more than 50 percent (which defines them as rent burdened, and one-third are severely rent burdened (that is, they spend more than half of their income on housing). Black women are more likely to face eviction, and for those who head households, the resulting experience is often traumatizing for both themselves and their children. Providing stable, affordable housing and easing the cost and logistics of childcare could relieve two major sources of financial and personal stress for Black women, giving them more flexibility to participate in the labor force while also giving their children a better start in life.

Affordable housing and early childhood education also address outcomes and equity from another angle: they are priorities that can benefit Black women in particular. Just over 30 percent of all Black Americans live in female-headed households, and more than 20 percent of all Black women are living in poverty. In California alone, some 59 percent of Black women are rent burdened, and one-third are severely rent burdened (that is, they spend more than half of their income on housing). Black women are more likely to face eviction, and for those who head households, the resulting experience is often traumatizing for both themselves and their children. Providing stable, affordable housing and easing the cost and logistics of childcare could relieve two major sources of financial and personal stress for Black women, giving them more flexibility to participate in the labor force while also giving their children a better start in life.

---

79 Gender and housing in California, Gender Equity Policy Institute, August 2022.
80 Cleo Bluthenthal, The disproportionate burden of eviction on Black women, Center for American Progress, August 2023; and Julia Craven, “Eviction is one of the biggest health risks facing Black children,” New America, December 2023.
81 International human rights law recognizes the right to adequate housing. See more detail from the Office of the United Nations High Commissioner for Human Rights at ohchr.org/en/housing.
85 For an overview, see “The affordable housing crisis grows while efforts to increase supply fall short,” US Government Accountability Office, October 2023.
86 In Q4 2022, a Moody’s Analytics report identified that the national rent-to-income ratio crossed the rent-burdened threshold (30 percent) for the first time in its nearly 25 years of tracking. While rent burdens declined and incomes increased slightly in Q1 2023, the ratio remained “uncomfortably high” at 29.6 percent. See “Spending 30% of income on rent is the new normal in many US metros,” Moody’s Analytics, May 2023; and Lu Chen and Mary Le, “Key takeaways from the 1st quarter housing affordability update,” Moody’s Analytics, April 2023.
87 Michela Zonta, Expanding the supply of affordable housing for low-wage workers, Center for American Progress, August 2020; and Peter Ganong and Daniel W. Shoag, Why has regional income convergence in the U.S. declined? NBER working paper number 23889, July 2017.
By contrast, only 22 percent of homeowners are either moderately or severely cost burdened. Together, these dynamics make housing unaffordability particularly acute for Black residents, who are both less likely to own homes and more likely to feel a squeeze on their monthly budgets (Exhibit 18). Rent burdens are still high among Black homeowners, at 30 percent—but for the majority of Black households who rent, almost twice that share (57 percent) are cost burdened.

Overspending on housing reduces what families have left over for healthcare, education and enrichment activities, transportation, and savings for emergencies and retirement; it often leads to difficult decisions and doing without. One recent study found that families without stable housing were 40 percent more likely to face food insecurity.

**Sizing the need for rental units—and the cost**

Recent research has produced a range of estimates of the size of the current US housing shortage. One notable figure comes from the National Low Income Housing Coalition, which estimates that some 7.3 million additional affordable rental homes would be required to meet the

---

**Exhibit 18**

**The affordable housing shortage disproportionately affects Black Americans.**

**Homeownership rates, %, 2021**

<table>
<thead>
<tr>
<th></th>
<th>White non-Hispanic</th>
<th>Asian</th>
<th>Hispanic</th>
<th>Black</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Severely cost burdened</td>
<td>74</td>
<td>61</td>
<td>49</td>
<td>45</td>
</tr>
</tbody>
</table>

**Share of households that are moderately or severely cost burdened, %, 2021**

<table>
<thead>
<tr>
<th></th>
<th>White</th>
<th>Black</th>
<th>White</th>
<th>Black</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homeowners</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Severely cost burdened 1</td>
<td>8</td>
<td>14</td>
<td>11</td>
<td>16</td>
</tr>
<tr>
<td>Moderately cost burdened 2</td>
<td>20</td>
<td>30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renters</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Severely cost burdened 1</td>
<td>23</td>
<td>31</td>
<td>23</td>
<td>26</td>
</tr>
<tr>
<td>Moderately cost burdened 2</td>
<td>47</td>
<td>57</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

1 Spending 50% or more of household income on housing costs (rent/mortgage).
2 Spending 30% or more of household income on housing costs (rent/mortgage).

Source: US Census Bureau (ACS 1-year estimates for 2021); McKinsey Institute for Black Economic Mobility analysis
needs of extremely low-income renters across the country. (Importantly, the lack of affordable housing for this group is a critical driver of the overall housing shortage; most extremely low-income renters have no choice but to rent homes that are unaffordable for them but that would be affordable if rented to slightly higher-income tenants.\textsuperscript{91}) Adding this number of units could involve building about 366,000 new affordable units annually for the next 20 years.

This scale of building activity is not out of reach. In fact, the United States nearly met that number in 2022, with 342,000 new multifamily rental builds. Yet only about 5 percent of those new units were offered with affordable rents.\textsuperscript{92} While increasing the supply of market-rate housing in a neighborhood can help lower rents, a large share of the market is nonetheless going unaddressed as many developers focus on upscale projects where they see higher profit potential.\textsuperscript{93}

We estimate that the total investment required to construct the needed units could run anywhere from $1.7 trillion to $2.4 trillion. To arrive at the lower figure, we assume an average cost of $187,000 to $313,000 to build a 1,000-square-foot apartment in low-, mid- and high-rise developments, mapped against the potential need for each kind of development across community profiles.\textsuperscript{94} Using another approach in which we examine the average cost reported by states and cities to build affordable units, the average cost ranges from $178,000 to $600,000 per unit.\textsuperscript{95} This results in the higher estimate (see sidebar “The financing challenge”).\textsuperscript{96} By way of comparison, these estimates are close to the size of the first COVID crisis relief package in 2020.\textsuperscript{97} Note that this is only for building the 7.3 million additional affordable rental units needed to meet the shortage estimated by the National Low Income Housing Coalition. Additional funding would also be needed for renovating existing properties and providing rental assistance (not to mention investing in expanded homeownership opportunities).

There is a clear need to find ways to change the economics and add to the supply of affordable units through some combination of policies, new financing mechanisms, increased public and social finance, partnerships, and greater productivity in the construction sector.\textsuperscript{98}

**How do the challenges and solutions differ in urban areas?**

In major cities that are already dense, a scarcity of land drives up its cost. In some, this scarcity is exacerbated by constraints due to terrain (such as coastlines and mountains) or zoning regulations (such as height limits, minimum lot sizes, and parking requirements for new

---

\textsuperscript{91} Extremely low-income renters are defined as households with incomes at or below either the federal poverty line or 30 percent of area median income, whichever is higher. Andrew Aurand et al., *The gap: A shortage of affordable homes*, National Low Income Housing Coalition, March 2023.

\textsuperscript{92} In this instance, units with affordable rents are defined as having rents lower than $1,050 per month. *The state of the nation’s housing 2023*, Joint Center for Housing Studies of Harvard University, 2023.

\textsuperscript{93} On the effect of new housing supply on housing affordability, see Shane Philips, Michael Manville, and Michael Lens, *The effect of market-rate development on neighborhood rents*, Lewis Center for Regional Policy Studies, University of California, Los Angeles, February 2021.

\textsuperscript{94} Building cost estimates based on Hannah Hoyt and Jenny Schuetz, *Making apartments more affordable starts with understanding the costs of building them*, Brookings Institution, May 2020. We use poverty rates across all US community profiles as a proxy to estimate the likely distribution of need for affordable housing in markets where low-, mid-, or high-rise housing developments are more likely to be constructed.

\textsuperscript{95} Range based on reported average building costs for 15 states and cities in different regions of the United States. As with our previous estimate, we use poverty rates across community profiles to estimate how much need exists in higher versus lower cost markets.

\textsuperscript{96} This is based on a simplifying assumption for costs. In practice, building costs could run far higher in some of the nation’s most expensive markets.

\textsuperscript{97} See, for example, “What’s in the $2 trillion coronavirus relief package?” Committee for a Responsible Federal Budget, March 2020.

\textsuperscript{98} Low productivity in the construction sector is a consistent problem not only in the United States but worldwide. The sector has averaged only 1 percent annual productivity growth over the past two decades, compared with 2.8 percent for the total world economy and 3.6 percent in the case of manufacturing. Some of the solutions for jump-starting performance include greater adoption of digital tools and new building techniques, standardizing projects, and introducing more industrialized approaches (such as modular and prefab construction). See *Reinventing construction: A route to higher productivity*, McKinsey Global Institute, February 2017.
The financing challenge

While the estimated cost of building sufficient new affordable units to meet the current need involves an enormous sum, it is important to remember that this investment that yields returns to developers, while the projects themselves generate jobs and economic activity. But some public capital may be needed to help projects pencil out.

Financial institutions, social investors, and philanthropic funders can also help to design and scale up new financing models, such as community-invested real estate investment trusts. Community land trusts are another option; in this model, the trust retains ownership of land on behalf of a community and sells only the buildings that sit on the land to qualified buyers.1

Major employers, too, have incentives to get involved with housing, since shortages directly affect their ability to attract new workers and cut down on commuting time for their existing workforces. Companies such as Disney, JBS, and Meta have begun to focus on their employees’ housing needs.2

Financing for an affordable housing project can involve lining up multiple types of government funding and tax credits, philanthropic support, and loans. Each source may have its own administrative burden and timeline, which increases complexity. Cities and states can bring greater coordination and predictability to this process. For example, they could offer a single digital application portal that consolidates all public funding sources (and that potentially tracks philanthropic and private funding sources as well).

Recent legislation, including the Inflation Reduction Act and the Bipartisan Infrastructure Law, has allocated more federal funding for affordable housing initiatives.3 The challenge now will be putting that money to work in the most effective and equitable ways to meet the needs of Black residents and communities—and recognizing that even more sustained work and investment will be needed. These one-time infusions, while welcome and large in scale, are not wholly sufficient to erase shortfalls and gaps that are also large in scale and have been compounding for many years.

1 See, for example, Zoie Matthew, “How community land trusts could make LA more affordable,” LAist, February 2, 2021. For more on community land trusts, an overview from Local Housing Solutions (a joint project of the NYU Furman Center and Abt Associates) is available at localhousingsolutions.org/housing-policy-library/community-land-trusts/.


In some cases, resistance from existing residents is rooted in a desire to keep their neighborhoods affluent and homogeneous.49 While institutions are no longer allowed to actively consolidate all public funding sources (and that potentially tracks philanthropic and private funding sources as well).

Recent legislation, including the Inflation Reduction Act and the Bipartisan Infrastructure Law, has allocated more federal funding for affordable housing initiatives. The challenge now will be putting that money to work in the most effective and equitable ways to meet the needs of Black residents and communities—and recognizing that even more sustained work and investment will be needed. These one-time infusions, while welcome and large in scale, are not wholly sufficient to erase shortfalls and gaps that are also large in scale and have been compounding for many years.


Unlocking land. MGI has estimated that unlocking land to the fullest extent could reduce the cost of owning a standard housing unit by up to 20 percent. Many cities and state government agencies are sitting on parcels of publicly owned land that could be earmarked for housing. They can also allow bigger developments around transit, which will hopefully reduce commutes and congestion, and adjust regulations to maximize what is built on private land. One approach that helped Houston jump-start affordable housing construction was reducing its minimum lot size. Smaller lot sizes are one example of “light-touch density” housing, which has been found to positively affect housing supply and affordability. Infill housing can also be built on vacant parcels. Detroit’s mayor has proposed taxing vacant lots and buildings, contending that it would not only create an incentive to build but would also address blight, which is a particular issue in stable cities.

Dismantling regulatory barriers. Well-intended approval processes can add delays, which increase development costs. A dedicated government unit with a mandate to accelerate housing delivery from end to end is one potential solution, perhaps with fast-track permitting for affordable projects. Other ways to remove barriers and reduce delays include large-scale zoning changes that permit more multi-tenant developments (including nontraditional formats) and simplified building codes.

Investing in social housing. Public housing was once a major part of federal housing policy in the United States, and it is the norm in places such as Singapore and Vienna, Austria. Montgomery County, MD (which is part of greater Washington, DC), has adopted Vienna’s approach of mixed-income public housing, which uses rents paid by higher-income tenants to subsidize affordable units. Legislation to develop public housing is under consideration

---


104 See Affordable housing in Los Angeles: Delivering more—and doing it faster, McKinsey Global Institute, November 2019.


106 Emily Hamilton, “Learning from Houston’s townhouse reforms,” Mercatus Center, George Mason University, April 2023.

107 Edward Pinto, Tobias Peter, and Emily Hamilton, Light touch density: A series of policy briefs on zoning, land use, and a solution to help alleviate the nation’s housing shortage, American Enterprise Institute, January 2022.


109 One national-level example of this approach comes from the American Planning Association and the National League of Cities, which have formed the Housing Supply Accelerator to enable communities and developers to increase and improve the quality of housing stock (an overview is available at planning.org/housing-supply-accelerator/).

110 More detail is available from the Housing Opportunity Commission of Montgomery County, which is the county’s public housing agency. See hocmc.org/about-hoc/faq-s.html.
in other places around the country. Another effective tool is allowing developers to build bigger projects in exchange for setting aside a certain percentage of units for low-income renters. This can be an effective way to both increase the supply of affordable housing in mixed-income settings and ensure that housing gets to those who need it.  

— **Converting commercial spaces.** In the post-pandemic world of remote work and reduced demand for commercial space, developers can work with cities to convert properties into housing (while revitalizing downtown areas at the same time). As MGI has noted, conversions are logistically difficult and may expand residential space by only a small percentage. Yet as many distressed properties are being sold to international investors at a discount, there is a potential missed opportunity for social investment. Shifting opportunity costs may make conversion a more popular option going forward.

**Rural America may need a different housing approach**

While the scarcity of land is a major driver of the housing crunch in dense cities, rural areas have the opposite problem. They have land, but their more fragmented nature and smaller populations can make it difficult to attract capital.

It can be harder for large-scale developments to pencil out in rural counties. These regions can prioritize rehabbing existing homes and repurposing existing structures that have been abandoned. This type of effort can inject new life into main streets that have been withering away. Economic development programs could also jointly prioritize housing and transportation investments in rural areas, taking advantage of more land area and less density. Just as in cities, however, private developers are more likely to add market-rate housing; some kind of public or philanthropic element may be needed to build affordability into such revitalizations.

Rural counties can also find ways to pool projects in portfolios to achieve scale. Some state and federal programs are promising. One example is the US Department of Agriculture’s Rural Development Program, which offers low-income homeowners grants and low-cost loans for repairs. The agency regularly partners with Habitat for Humanity chapters to bring people into their programs and to carry out renovations and new builds.

**What are other ways stakeholders can affect housing?**

Across community profiles, actors can undertake several other strategies to improve housing outcomes.

Along with private and public developers, nonprofits can build or acquire affordable housing. Mercy Housing, for example, opened seven new housing communities in 2022, adding 1,000 units to its portfolio. The group acquires and renovates residential communities to preserve affordable housing that already exists but might be lost when owners sell. Another example comes from Enterprise Community Partners, a nonprofit whose Faith-Based Development Initiative works with houses of worship to convert underutilized church-owned land into affordable homes. Enterprise recently announced a partnership with the nondenominational

---


112 For more on mixed-income housing development, see an overview from Local Housing Solutions (a joint project of the NYU Furman Center and Abt Associates) at localhousingsolutions.org/refine/developing-mixed-income-housing.


115 For more on the intersecting housing and transportation affordability challenges for many rural area residents, see Sierra Latham, “Intersecting costs: Housing and transportation in the rural fifth district,” Federal Reserve Bank of Richmond, May 2022.


117 See, for example, Nikki Gillespie, “USDA highlights programs to support rural housing,” USDA, June 30, 2020. Further detail about USDA’s single-family housing repair loans and grants, also known as the Section 504 Home Repair program, is available at rd.usda.gov/programs-services/single-family-housing-programs/single-family-housing-repair-loans-grants.

118 Detail on Mercy Housing’s communities is available at impact.mercyhousing.org/development.
Church of God in Christ that aims to work with more than 200 congregations to create 18,000 new affordable homeownership and rental opportunities.119

Builders of all kinds can also begin to adopt prefab construction, which involves producing standardized components of a structure off-site in a factory setting. MGI has estimated that this can reduce the development cost of multifamily housing by 5 to 15 percent.120 In downtown Los Angeles, for example, a 232-unit interim housing project for people experiencing homelessness was built in just four months using prefab modular units (including repurposed shipping containers).121

Adding more affordable housing units is a prerequisite to achieving the aspiration of all Black residents having safe and secure homes. But the push to build needs to be undertaken with an eye toward racial parity so that the revitalization of underserved neighborhoods does not lead to displacement. Even affordable new builds can spark gentrification. One study found that gentrification, primarily in megacities, caused the displacement of 135,000 households of color from 2000 to 2013.122 Projects would need careful community input and fair processes for allocating new units, balancing the needs of new arrivals and current Black residents.

Building and renovation are not the only ways to secure housing for Black families. Financial assistance for homebuyers and renters can be impactful as well. Today most rental assistance is delivered through federally funded Section 8 vouchers, but the program has issues with long wait lists and tenants struggling to find landlords who will accept them.123 In addition to addressing these issues, other policies, such as tax credits, could lower the financial burden of rent for low-income families. Tax credits can also broaden access to mortgages, along with strategies such as down payment assistance for first-time homebuyers.124

Once residents are connected to affordable housing, it is equally important to keep them in their homes. Many community groups provide legal assistance to low-income renters, but these efforts can be scaled up dramatically. Emergency rental assistance funds can also be a lifeline that prevents families from falling into homelessness.

Finally, there is an opportunity for public-sector stakeholders to close the racial gap in people’s experiences of government services related to housing. In McKinsey’s State of the States benchmark survey of nearly 80,000 Americans, Black respondents were more likely than White respondents to report recent use of government services related to affordable housing assistance but less likely to report a positive experience (Exhibit 19).125

119 Eden Staffman, “To stem the housing crisis, religious congregations are building homes,” Associated Press, May 10, 2023; “Enterprise and Church of God in Christ CEDC announce collaboration to build 18,000 affordable homes,” Enterprise Community Partners, November 2023.

120 Affordable housing in Los Angeles: Delivering more—and doing it faster, McKinsey Global Institute, November 2019.

121 Detail on the Hilda L. Solis Care First Village is available at weingart.org/weingart-blog/introducing-hilda-l-solis-care-first-village-weingart-centers-interim-housing-solution.

122 Jason Richardson, Bruce Mitchell, and Juan Franco, Shifting neighborhoods: Gentrification and cultural displacement in American cities, National Community Reinvestment Coalition, 2019. See also Justin Dorazio, Localized anti-displacement policies, Center for American Progress, September 2022.


124 See, for example, Ted Tozer, “Expanding who can offer down payment assistance funds could benefit first-time homebuyers,” Urban Institute, July 2023; and Michael A. Stegman, Sarah F. Riley, and Roberto G. Guercia, “A cautionary tale of how the presence and type of down payment assistance affects the performance of affordable mortgage loans,” Federal Reserve Bank of St. Louis, October 2019.

125 Survey respondents were asked to report their recent usage of and satisfaction with “applying for, receiving, and/or renewing eligibility for affordable housing assistance (e.g., rental assistance, mortgage assistance),” Survey included representative samples across all 50 states and Washington, DC. For more insights from the State of the States benchmark, see Governments can deliver exceptional customer experiences—here’s how, McKinsey & Company, November 2022.
Early childhood education prepares Black children for academic and professional success

High-quality early childhood development programs can change the trajectory of disadvantaged children’s lives. In addition to gaining an academic foundation, children learn to cooperate, regulate themselves, and take care of themselves. Early childhood education is similarly effective in mitigating the impacts of child poverty on a range of economic, social, and physical outcomes.¹²⁶

Enrolling all Black children in high-quality early childhood programs could be a major step forward in parity. For example, in New York City, the racial achievement gap in standardized test scores for third graders was significantly reduced for the first cohort of students to attend universal preschool.¹²⁷ This effect can be long-lasting. One study following attendees of Child-Parent Centers in Chicago found that, later in life, they had higher educational attainment, lower rates of substance abuse and incarceration, and greater economic well-being than peers who did not attend.¹²⁸

Childcare is also critical to parents’ ability to work and provide for their families. Half of both Black and White families pay for childcare, but this eats up 23 percent of Black families’ income on average, versus 15 percent for White families.¹²⁹ This can leave many Black parents with the dilemma of either spending an unsustainable amount on childcare or exiting the workforce—which can affect their lifetime earning potential. Full-day, state-funded pre-kindergarten lightens this load, at least once children are of preschool age: a randomized study in Washington, D.C., found that children who attended universal preschool showed higher educational attainment and economic well-being later in life.¹³⁰

¹²⁶ Jorge Luis García et al., The lifecycle benefits of an influential early childhood program, NBER working paper number 22993, December 2016.
¹²⁷ Leslie Brody, “NYC reading-test scores suggest free preschool’s potential benefits,” Wall Street Journal, August 22, 2019. As one of the earliest and largest examples of a citywide universal preschool program, New York City’s program also has been the subject of research investigating other benefits for children who participated, such as on their health; see, for example, Kai Hong, Kacie Dragan, and Sherry Glied, “Seeing and hearing: The impacts of New York City’s universal pre-kindergarten program on the health of low-income children,” Journal of Health Economics, volume 64, March 2019.
¹²⁹ According to US Census Bureau Household Pulse Surveys (September 14, 2022, to May 8, 2023).

Exhibit 19

Black residents are less likely than White residents to have positive experiences with state services related to affordable housing.

Experience with state services related to affordable housing assistance,¹ %

<table>
<thead>
<tr>
<th>Used/received service in past two years</th>
<th>White</th>
<th>Black</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20</td>
<td>38</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Satisfied with service</th>
<th>White</th>
<th>Black</th>
</tr>
</thead>
</table>

¹Respondents were asked about applying for, receiving, and/or renewing eligibility for affordable housing assistance (e.g., rental assistance, mortgage assistance).

McKinsey & Company
Formal childcare and pre-K can also deliver more structured developmental opportunities than informal caregiving. All children, regardless of background, gain greater language skills and experience social, emotional, and cognitive benefits from interacting with classmates of different backgrounds. Universal programs have a higher likelihood of achieving this diversity than targeted or means-tested programs, since they are open to everyone and have simpler application processes. Indeed, low-income families are more likely to enroll in a universal program than a targeted program for which they are eligible. And finally, universal programs that benefit all children are more likely to enjoy broad and sustained support.

**What is the scale needed to get universal pre-K, and what might it cost?**

As of 2022, 53 percent of children aged three to four were enrolled in preschools, representing a strong recovery from pandemic-era lows (including among Black children). However, this means some 3.5 million children in that age group are not in preschool.

While enrollment in state-funded preschool has more than doubled over the past two decades, only one-third of four-year-olds (and 6 percent of three-year-olds) are being reached by public preschool programs; most of those who do attend are in privately funded programs. If we aspire to the goal of all children being able to access to high-quality public preschool, the estimated need increases to a total of six million more student places.

This also implies the need for another 614,000 educators and paraprofessionals, and a cost of some $78 billion annually. This is based on a study estimating the cost of high-quality, full-day pre-K at $12,700 per child, a figure that approaches national spending per child on K–12 education. This also reflects the cost of full-day programs, since studies have shown that they produce better student outcomes as well as making life easier for working parents.

The cost is also crucially linked to attracting and retaining childcare workers and preschool teachers with dedicated training in early childhood care and education—and ensuring that

---


136 Enrollment data based on the 2022 Current Population Survey and including all children of each age enrolled in “nursery or kindergarten.” Enrollment rates for all races dropped during the pandemic, but Black children saw larger declines than their White peers: Black preschool enrollment fell to 39.6 percent in 2021 (compared with 53.0 percent in 2019), whereas White preschool dropped only from 53.2 percent to 46.0 percent over the same period. In 2022, however, Black preschool enrollment among three- and four-year-olds surpassed that of all other races, jumping to almost 62 percent. Whether these gains will persist remains to be seen. See Adrienne Griffiths, “School enrollment rates of 3- and 4-year-olds returned to prepandemic levels in 2022,” US Census Bureau, November 2023; and Jacob Fabina, Erik L. Hernandez, and Kevin McElrath, *School enrollment in the United States: 2021 American Community Survey Reports*, US Census Bureau, June 2023.

137 These percentages reflect enrollment in state preschools and do not capture participation in other publicly funded early childhood programming, such as Head Start or special education programs. *The state of preschool 2022*, National Institute for Early Education Research and Rutgers Graduate School of Education, 2023.

138 We assume a maximum student-teacher ratio of 10:1, per the quality standards published by the National Institute for Early Education Research. See *The state of preschool 2022*, National Institute for Early Education Research and Rutgers Graduate School of Education, 2023.


these professionals receive living wages.143 Black women make up about 17 percent of the early childhood workforce, meaning that equitable pay in this industry could also be an investment in their upward mobility.144 Investing in quality early childhood instruction could also help address the reality that, today, many Black children who are enrolled in preschool may be in lower-quality programs.145 Research has shown that poor-quality early childhood education can actually be detrimental, and quality goes hand-in-hand with teacher qualifications.146 Success depends on the interactions between teachers and students, and on both teachers’ and students’ well-being.147

Average state spending per child is only about half the estimated cost required to provide high-quality pre-K, a level that has barely budged in two decades.148 To fund high-quality programs, states would need to narrow this gap, which is no small challenge. In fact, cuts are being proposed to Head Start, the national program that supports early learning and development, health, and family well-being for low-income children under five. In addition, COVID-era federal funding is coming to an end; this is creating what has been called a “childcare cliff,” with more than 70,000 centers serving 3.2 million children at risk of closing.149

If stakeholders can find the resources to expand access to preschool, the returns could be substantial. Nobel laureate James Heckman has shown that high-quality early childhood programs for disadvantaged children can deliver a return on investment of anywhere from 7 to 13 percent. This estimate factors in better outcomes for enrolled children (who go on to contribute more tax revenue and require fewer public services over their lifetimes) as well as higher incomes for their mothers.150 However, there is an inherent time-horizon mismatch at work: the costs of programs are incurred today, but the full payoff comes over the long term, in ways that are not always easy to measure.151 Nevertheless, in jurisdictions across the country, voters have been approving various types of tax increases to fund high-quality public programs.152

---

143 Average wages vary depending on classroom setting and instructor qualifications, but early childhood education professionals across the board tend to earn considerably less than their peers who teach kindergarten. One analysis found that an early childhood teacher with at least a bachelor’s degree earns $18.77 per hour—only 57 percent of what they might earn teaching kindergarten ($32.80 per hour), Maureen Coffey, Still underpaid and unequal: Early childhood educators face low pay and a worsening wage gap, Center for American Progress, July 2022.

144 Maureen Coffey, Still underpaid and unequal: Early childhood educators face low pay and a worsening wage gap, Center for American Progress, July 2022. In addition to addressing low wages for all early childhood education teachers, there is a further opportunity to address racial disparities within the profession: Black early childhood educators earn 78 cents less per hour than their White peers. This more than doubles to a gap of $1.71 per hour when comparing Black and White women who work with preschool-age children (which tends to pay more than working with toddlers and infants). See Caitlin McLean et al., Early childhood workforce index 2020, Center for the Study of Child Care Employment, University of California, Berkeley, 2021.

145 Karen Babbs Hollett and Erica Frankenberg, Racial disparities in preschool access: Differences in enrollment and quality within and between two state programs in Pennsylvania, Penn State Center for Education and Civil Rights, 2022; and Young learners, missed opportunities: Ensuring that Black and Latino children have access to high-quality state-funded preschool, Education Trust, November 2019.

146 Matthew Manning et al., “Is teacher qualification associated with the quality of the early childhood education and care environment? A meta-analytic review,” Review of Educational Research, volume 89, issue 3, 2019. For more on the risk that poor-quality early childhood education may leave students worse off, see discussions about the Vanderbilt University evaluation of Tennessee’s Voluntary Pre-K program, which found that voluntary pre-K attendance predicted slightly negative impacts on third-grade academic outcomes. See, for example, Jackie Mader, “Behind the findings of the Tennessee pre-K study that found negative effects for graduates,” The Hechinger Report, February 2022; and Christina Weiland et al., “What does the Tennessee pre-K study really tell us about public preschool programs?” Brookings Institution, February 2022.


148 The average state spend per child was $6,532 in the 2001–02 school year and $6,571 in the 2021–22 school year (both in 2022 dollars), approximately half of the estimated $12,700 cost per child to provide high-quality pre-K. The state of preschool 2022, National Institute for Early Education Research and Rutgers Graduate School of Education, 2023.


151 On the impact of early childhood education over the long term, and evidence of its positive return on investment across a range of positive economic and social outcomes, see the summary from the CDC’s Office of Policy, Performance, and Evaluation at cdc.gov/policy/hib/earlychildhoodeducation/index.html.

Urban areas are making strides in early childhood education, but equity remains a challenge

Some states are working toward universal preschool. The most recent annual report from the National Institute for Early Education Research finds that Florida, Iowa, Oklahoma, Vermont, West Virginia, Wisconsin, and the District of Columbia have achieved this. It notes that Georgia, Illinois, Maine, and New York have established goals for universal preschool but have not yet fully implemented it. California, Colorado, Hawaii, and New Mexico have recently passed legislation to make pre-K available to all, and the governors of Michigan and New Jersey have announced their support.

Dozens of the nation’s largest cities are innovating in early childhood education, moving even faster than states. San Antonio set an early example after approving a sales tax to fund high-quality pre-K in 2012, a commitment the city renewed in 2020. Its preschool program requires bilingual abilities among its teachers and actually offers slightly higher pay than the K–12 system. Jacksonville, Atlanta, and Tulsa have maximized the impact of state-level funding for accessible pre-K and have been able to serve most of their four-year-old residents. Cities such as Cincinnati, Cleveland, Columbus, Denver, and New York further invest in early childhood education.

Cities have some advantages when establishing or expanding early childhood programming; they can build on the presence of colleges and universities, and larger school systems, for example. Density and transit mean that preschools and childcare sites are generally more accessible, although density also makes it more expensive to build new capacity in these areas.

Importantly, universal commitments in principle do not automatically create universal access for families in practice; nor do they guarantee universal quality. States and cities need to muster enough funding, teachers, and operational capacity. Inequality in major cities is reflected in the fact that not every child who tries to enroll is able to do so, and parents without resources or information are least likely to navigate the systems successfully. Simplifying application processes and boosting parental awareness through comprehensive family outreach campaigns could help to improve parity.

Rural communities could shift from informal care to programs that deliver developmental benefits

The challenges are somewhat different in rural areas. One study found that rural children were entering kindergarten with fewer academic skills and less readiness than their peers in smaller cities and suburbs. These outcomes were partly explained by the fact that rural families are more likely to rely on informal home-based preschool (or care provided by family members) than on formal programs with trained teachers. Nearly two-thirds of rural families live in “childcare

---


150 “New report on pre-K in cities shows 33 of nation’s largest cities now have public pre-K program,” National Institute for Early Education Research, December 2020.

151 Pre-K in American Cities, CityHealth (an initiative of the de Beaumont Foundation and Kaiser Permanente) and National Institute for Early Education Research, January 2019.

152 Anchorage’s Proposition No. 14 was approved in April 2023; New Orleans’s Property Tax for Early Childhood Education Funding Measure was approved in April 2022; and Multnomah County’s Measure 26-214 (Income Tax to Fund Tuition-Free Preschool Program) was approved in November 2020.


Small populations may make it hard for private providers to stay afloat. Furthermore, the long distances involved potentially mean fewer convenient choices for families; programs may even need to provide transportation.

Scaling up programs can be a particular challenge for these rural communities. Local agencies and school systems may need to pool disparate funding streams. Awareness among parents is also critical; families simply may not know if free public pre-K exists. Indiana, for example, has a family outreach program designed to boost pre-K enrollment, with dedicated funding to push the effort beyond the state’s largest cities and into rural areas. There also may be scope for rural communities to scale quality, publicly funded pre-K provided in home-based childcare settings, which could better meet the needs of less densely populated areas. (This strategy could similarly make sense in urban communities where it is more economical to run home-based programs than to build larger centers.) Notably, many Black and Latino families prefer home-based care settings, and such programs are more likely to be run by Black and Latina women.

Where can stakeholders step in?
Gaps in pre-K will persist across the nation, in all types of communities, unless and until greater and more sustained public funding materializes. Other nations make these commitments; a recent international study by UNICEF ranked the United States in the bottom 15 percent of all high-income countries in both the access and affordability of early childhood education. As long as early childhood education is a patchwork proposition, achieving parity in access and outcomes for Black children will be harder.

Some cities have shown that rapid progress is possible. But in many places, advocating for system-level change is a long game—and every year, children can’t afford to wait. In the meantime, the private sector and philanthropists can fill some of these gaps.

The struggles of working parents during the COVID-19 pandemic and subsequent tightness in the labor market have led some employers to offer childcare subsidies as a benefit. A small but growing number, including Hormel, Marriott, Micron Technology, Patagonia, Tyson Foods, and Walmart, are going even further to offer their own on-site daycare and pre-K programs. While these require a serious commitment, they inspire loyalty and reduce turnover.

---

156 A childcare desert is “an area where there are at least three young children for every licensed child care slot—or no licensed child care providers at all,” as defined in Leila Schochet, “5 facts to know about child care in rural America,” Center for American Progress, June 2019. Based on our categorization of community profiles, more than six million Black residents live in rural areas.
159 For more on the prevalence of publicly funded care in home-based settings and strategies to bolster quality in these programs, see Erin Harmeyer, G.G. Weisenfeld, and Ellen Frede, Including family child care (FCC) programs in publicly-funded pre-K: Conditions for success, National Institute for Early Education Research, March 2023.
160 Erin Harmeyer, G.G. Weisenfeld, and Ellen Frede, Including family child care (FCC) programs in publicly-funded pre-K: Conditions for success, National Institute for Early Education Research, March 2023. Black and Latina women are particularly likely to work at unlisted home-based childcare providers: this workforce is 21 percent Black and 23 percent Latina (in contrast to 17 and 14 percent, respectively, among the center-based workforce). See Marcy Whitebook et al., Early childhood workforce index 2018, Center for the Study of Child Care Employment, University of California, Berkeley, 2019.
162 Washington, DC, for example, committed to expanding its two-year, universal preschool program in 2009, and by 2017 had enrolled approximately 90 percent of four-year-olds and 70 percent of three-year-olds. Boston’s mayor announced a goal in 2005 of providing preschool for all four-year-olds; by 2010, 85 percent of district schools had a preschool classroom. (The city continues to expand access, with a $20 million investment announced in July 2022 and new opportunities for community-based childcare providers to be part of Boston’s universal pre-K program announced in March 2023.) New York City launched its Pre-K for All program in the fall of 2014 and rapidly scaled capacity; by 2016, there were more than 70,000 seats in public school and community-based preschool programs, up from about 19,600 in 2013. See Rasheed Malik, The effects of universal preschool in Washington, D.C., Center for American Progress, September 2018; Jason Sachs and Christina Weiland, “Boston’s rapid expansion of public school-based preschool promoting quality: Lessons learned,” Young Children, 2010; “$20 million investment to expand Boston’s universal pre-K program” and “Steps taken to increase availability, variety of preschool seats for Boston families,” Boston.gov, July 2022 and March 2023; and Sanee Akaba et al., “Pre-K teachers’ professional identity development at community-based organizations during universal Pre-K expansion in New York City,” International Journal of Child Care and Education Policy, volume 16, issue 1, July 2022.
163 See, for example, Emely Tate Sullivan, “What to know about the growing popularity of employer-sponsored child care,” EdSurge, June 2023.
More support can be unlocked from philanthropy. One recent report noted that while few philanthropists currently prioritize early childhood education, their willingness to give rises dramatically when they see evidence of its impact on well-being and learning outcomes. Individuals and foundations with the resources to make a difference are out there; giving them a fact base and clear funding opportunities could mobilize them.\footnote{Big gifts for little learners: Making the case for philanthropic investment from pregnancy through preschool, Silicon Valley Community Foundation, March 2022.}

As with affordable housing, the public sector also has an opportunity to improve customer experiences for residents who engage with state services to use childcare or find childcare centers. McKinsey’s State of the States benchmark found that Black residents across all states were almost twice as likely as White residents to interact with state services in order to find or utilize childcare services, but notably less likely to have a positive experience when doing so (Exhibit 20).\footnote{Respondents were asked about applying for and/or receiving state support for using child care or finding a care center. Survey included representative samples across all 50 states and Washington, DC. For more insights from the State of the States benchmark, see Governments can deliver exceptional customer experiences—here’s how, McKinsey & Company, November 2022.}

### Exhibit 20

**Black residents are less likely than White residents to have positive experiences with state services related to childcare.**

<table>
<thead>
<tr>
<th>Experience with state services related to finding and using childcare centers,¹</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Used/received service in past two years</td>
<td>White 11</td>
</tr>
<tr>
<td>Satisfied with service</td>
<td>White 43</td>
</tr>
</tbody>
</table>

¹Respondents were asked about applying for and/or receiving state support for using child care or finding a care center.


---

While this chapter has focused on two of our aspirations for Black residents, work is obviously needed on many fronts. Our hope with this research is to illustrate the scale of solutions that are needed and to emphasize the importance of tailoring those solutions to each community context. While the path to better outcomes for Black residents is long, and the path to parity even longer, the journey could be shorter if stakeholders step in and step up. No matter where they live, all Black residents across the nation should be able to thrive.
The state of Black residents: The relevance of place to racial equity and outcomes
Acknowledgments

This research builds on a larger body of work from McKinsey’s Institute for Black Economic Mobility (BEM), particularly our 2021 report *The economic state of Black America: What is and what could be*. We hope this work will contribute to our broader mission of inspiring and informing action that will lead to the economic development of Black communities.

The research was led by JP Julien, a McKinsey partner in the Philadelphia office; Duwain Pinder, a partner in the Columbus, OH, office; Shelley Stewart III, a senior partner based in New York; and Dominic Williams, an associate partner in New York. Nina Yancy led the working team, on which Isabella Maina supported the core modeling and analytic work; Brandon Song served as data scientist; and Chanel Washington contributed to research, synthesis, and solution development. Jose Maria Quiros and Michael Zhang also provided instrumental technical expertise.

This project benefited immensely from the perspectives of McKinsey colleagues. Special thanks go to Havelin Autry, Darius Bates, Duncan Bays, Avery Cambridge, Richard Choi, Michael Chui, Katie Colton, Liz Coon, Allison Esho, Nora Gardner, Sarah Gitlin, Danielle Hinton, Mercy Idindili, Jared Katseff, Natasha Korgaonkar, Jeff Li, Ryan Luby, Shea McHenry, Melvin Mezue, Munya Muvezwa, Jennie Nevin, Maka Ngwenya, Nick Noel, Fiyinfolu Oladiran, Kirtiman Pathak, Rima San Pietro, Jimmy Sarakatsannis, Anthony Shorris, Alok Singh, Gurneet Singh Dandona, Ekaterina Stepanova, Sarah Tucker-Ray, and Zooey Wilkinson. We also are grateful to Emmy Liss and Ellen Viruleg, senior external advisers to McKinsey’s Public and Social Sector Practice, for sharing their time and insights.

This report was edited and produced by McKinsey Global Institute executive editor Lisa Renaud, together with senior data visualization editor Juan Velasco and editorial operations manager Vasudha Gupta. We also thank Dennis Alexander, Rishabh Chaturvedi, Alec Habeeb, Denvol Haye Jr., Cindy Parmentier, Nicole Phillips, Sarina Pierson, Diane Rice, Jessica Romeo, and Kelemwork Tariku-Shotts for their support.

As with all McKinsey BEM research, this work is independent and has not been commissioned or sponsored in any way by any business, government, or other institution. While we gathered a variety of perspectives, our views have been independently formed and articulated in this report. Any errors are our own.
All images ©Getty Images.
Cover: JohnnyGreig
Page ii: alvarez
Page iii: Thomas Barwick
Page iv: Hill Street Studios
Page 16: FangXiaNuo
Page 27: Coolpicture
Page 30: Jordi Salas
Page 41: kali9
Page 52: SDI Productions
Page 69: Tony Anderson