McKinsey & Company

Public Sector Practice

Zooming in: Using local insights to inform US racial-equity efforts

Neighborhood-level data could help cities across the United States strategically craft interventions to effect real change for Black and Hispanic residents.

This article is a collaborative effort by Darius Bates, Liz Coon, Esenam Dogoe, Kweilin Ellingrud, Arzu Singh, and Ramesh Srinivasan, representing views from McKinsey Global Social Responsibility, McKinsey's Institute for Black Economic Mobility, McKinsey's Public Sector Practice, McKinsey's Transformation Practice, McKinsey's FinLab CityX Team, and the McKinsey Global Institute.

February 2023

Racial inequity manifests in many ways. Consider the effects of the COVID-19 pandemic: job losses were greater for people of color, children of color experienced outsize learning loss, and Black workers—who make up a disproportionate share of frontline workers—had both more exposure to the virus and inadequate access to healthcare. These inequities cost lives and widened a preexisting racial gap in life expectancy.[1]

These trends and others are national in scope, but the specific ways racial inequity manifests may be vastly different from one state, one city, and one neighborhood to another. Each locality experiences a specific combination of interconnected factors that shape the lives of its Black and Hispanic residents. To properly diagnose racial inequity in the United States, then, it is crucial to understand the historical context of each locality and the lived experiences of its residents in addition to collecting data that reveals differences in economic outcomes and living standards across racial groups, cities, and communities.

This thinking is consistent with the findings in a previous McKinsey report, *The case for inclusive growth,*[2] which outlines a three-stage approach for embedding equity into economic and community-focused growth strategies: diagnosing the current state and developing a bold vision for change, designing comprehensive community- and human-centered interventions, and taking coordinated action to ensure long-term accountability and momentum. This article focuses on the first stage.

To gain greater insights into the current state of racial inequity in US communities, we analyzed data[3] from eight cities with large Black and Hispanic populations and compared it with national-level data. Our analysis revealed crucial differences in equity from one city and one neighborhood to another in areas such as education, banking access, food security, and financial inclusion. These findings suggest that complementing data aggregated nationally with a greater understanding of issues at the city and even neighborhood levels could inform targeted approaches for redressing inequities and help stakeholders deliver more meaningful change for Black and Hispanic residents.

Many communities are actively working to understand the challenges Black and Hispanic residents face, and publicly available data exists—but local leaders may struggle to weave it all together to form an effective action plan. As part of our work to keep our Action 9 commitment to advancing equity,[4] we've developed a three-part diagnostic approach that combines macro- and microlevel data with input from residents and historical context to help stakeholders prioritize interventions that improve residents' lives and outcomes: (1) evaluate a city's overall equity gaps, (2) understand relative inequity at the neighborhood level, and (3) benchmark a community with peer cities to reveal opportunities for improvement. While this approach will not solve racial inequities, it can provide a fact base to help good-faith actors begin to address inequities and embark on the path to inclusive growth.

To properly diagnose racial inequity in the United States, it is crucial to understand the historical context of each locality and the lived experiences of its residents in addition to collecting data that reveals differences in economic outcomes and living standards across racial groups, cities, and communities.

[1] "The economic state of Black America: What is and what could be," McKinsey Global Institute, June 17, 2021.
[2] *The case for inclusive growth,* McKinsey, April 28, 2021.
[3] Data compiled by the US Census Bureau and other publicly available sources.
[4] Action 9 is McKinsey's commitment to provide $200 million in pro bono work globally by 2030 to advance racial equity and economic empowerment among Black communities.

The local journey to understanding inequity

Given competing priorities and limited resources, local leaders often focus on programs with the potential to deliver the highest impact. To this end, several questions regularly arise about defining the nature and scope of the challenges facing communities and understanding which efforts have the strongest potential to effect meaningful change:

— *Defining the nature and magnitude of the challenge.* How big of a challenge is racial inequity in my city? How is racial inequity showing up in residents' lives? How do we compare with peer cities, and have other cities found solutions for the challenges we face?

— *Understanding where and on what to focus.* Are certain neighborhoods experiencing racial inequity more acutely than others? Given resource constraints, how do we prioritize across issues and neighborhoods? What should we tackle first, and what needs to be worked on in conjunction with other challenges?

Once local leaders have asked these questions, stakeholders can collect and explore the data as one input to help answer them (see sidebar "Collecting quantitative data on racial equity"). The following three-part approach could help guide this effort.[5]

While this approach is not intended to reveal the root causes of inequities or deliver a specific intervention design, the analysis can be used in conjunction with other important inputs from local stakeholders, such as a community's broader historical context, the local ecosystem, and its residents' lived experiences, to create a starting point for driving more equitable outcomes.

[5] For additional insights on diagnosing the current state and aligning on which efforts to prioritize, see "The case for inclusive growth," April 28, 2021.

Collecting quantitative data on racial equity

When collecting data on a city and its neighborhoods, more data is usually viewed as better. Consequently, local leaders may find themselves considering up to 50 or 60 different metrics, depending on geography. In our experience, these metrics can be aggregated into approximately 16 categories of outcomes (such as food security and civic infrastructure) for ease of interpretation. Additionally, data sources may be prioritized based on recency (with preference for sources from 2015 onward), uniformity (with preference for sources that can be compared across metropolitan statistical areas), and granularity (with preference for data that can be analyzed at the census tract level or below).

Three categories of data are typically available to local leaders as inputs to the state of inequity:

1. *Nationally available data.* These data sources typically offer a uniform comparison but may not provide the granularity needed for a neighborhood-level comparison. Examples include government data sources—such as the Census Bureau, the US Department of Housing and Urban Development, Home Mortgage Disclosure Act data, and the Federal Deposit Insurance Corporation—and data from research institutions, such as Opportunity Insights, the Vera Institute of Justice, and the Stanford Open Policing Project.
2. *Local publicly available data.* These sources provide local-level detail and neighborhood granularity but are not comparable with peer cities. Examples include statistics from local departments of education, transportation, or human services.
3. *Local proprietary data.* Proprietary sources provide more granularity and choice than public sources, but it may take longer to get permission to use the data, and there may be limits on how widely analysis can be shared. Examples include data collected by local private businesses, not-for-profit organizations, or academia, such as bespoke surveys or research.

1. Evaluating equity gaps and opportunities
Evaluating equity gaps and related opportunities by outcome (for example, health, education, and wealth) and in the aggregate could help stakeholders better understand outcome disparities for Black and Hispanic residents relative to White residents. While this type of analysis is not new, many evaluations tend to focus on four to five metrics, such as graduation rates, employment rates, and household wealth. In our experience, expanding metrics to capture 16 outcomes, including access to civic infrastructure and technology, can provide a more robust picture of the magnitude and scope of equity gaps and the opportunities to close them (see sidebar "Our framework for metrics of inequity"). These metrics are not exhaustive, and additional data points could yield useful insights depending on a city or neighborhood's specific context, such as environmental quality, resilience to natural disasters, and access to basic services.[6]

[6] Our analysis and the insights it reveals are based on the best available data, including census data. We recognize that this data may not show the full picture because the most marginalized populations are typically the least likely to be counted in such wide surveys. We therefore acknowledge that inequity in the areas we analyzed could be potentially worse or better than what we show here. Therefore, while we believe the information shared here to be directionally correct, we acknowledge that there is an opportunity to continue to improve data collection.

Our framework for metrics of inequity

Our framework is grounded in 16 outcomes that represent core dimensions of socioeconomic performance for which data is commonly available at the neighborhood level. Each outcome has a set of associated metrics, such as rent burden and mortgage rejection rates, that allow leaders to measure performance quantitatively:

1. *housing quality and affordability:* for example, overcrowded housing and rent burden
2. *health:* for example, rates of obesity and uninsured people
3. *transportation:* for example, car ownership and commute time of more than 45 minutes
4. *food security:* for example, population that's more than one mile from a grocery store
5. *education and skills:* for example, pre-K enrollment and high school graduation rate
6. *technology access:* for example, number of households without broadband
7. *civic capacity and engagement:* for example, voter turnout
8. *stability and social cohesion:* for example, number of vacant housing units
9. *civic infrastructure:* for example, proximity to parks
10. *public safety:* for example, local crime rates
11. *financial inclusion and access:* for example, percentage of population that is unbanked and mortgage rejection rate
12. *savings and wealth:* for example, home value and homeownership rate
13. *size and health of the private sector:* for example, small-business ownership rates
14. *employment and jobs:* for example, unemployment rate and median household income
15. *economic growth:* for example, income growth and home value growth
16. *economic inclusion and mobility:* for example, poverty rate and share of residents in top 5 percent of income

This framework was heavily grounded in the McKinsey Institute for Black Economic Mobility's model for understanding drivers of economic performance and racial-disparity performance gaps. It is supported by an academic understanding of what spurs economic growth, mobility, and development. A standardized framework such as this one creates a common language across geographies, allowing cities and regions to learn from and compare themselves with peers.

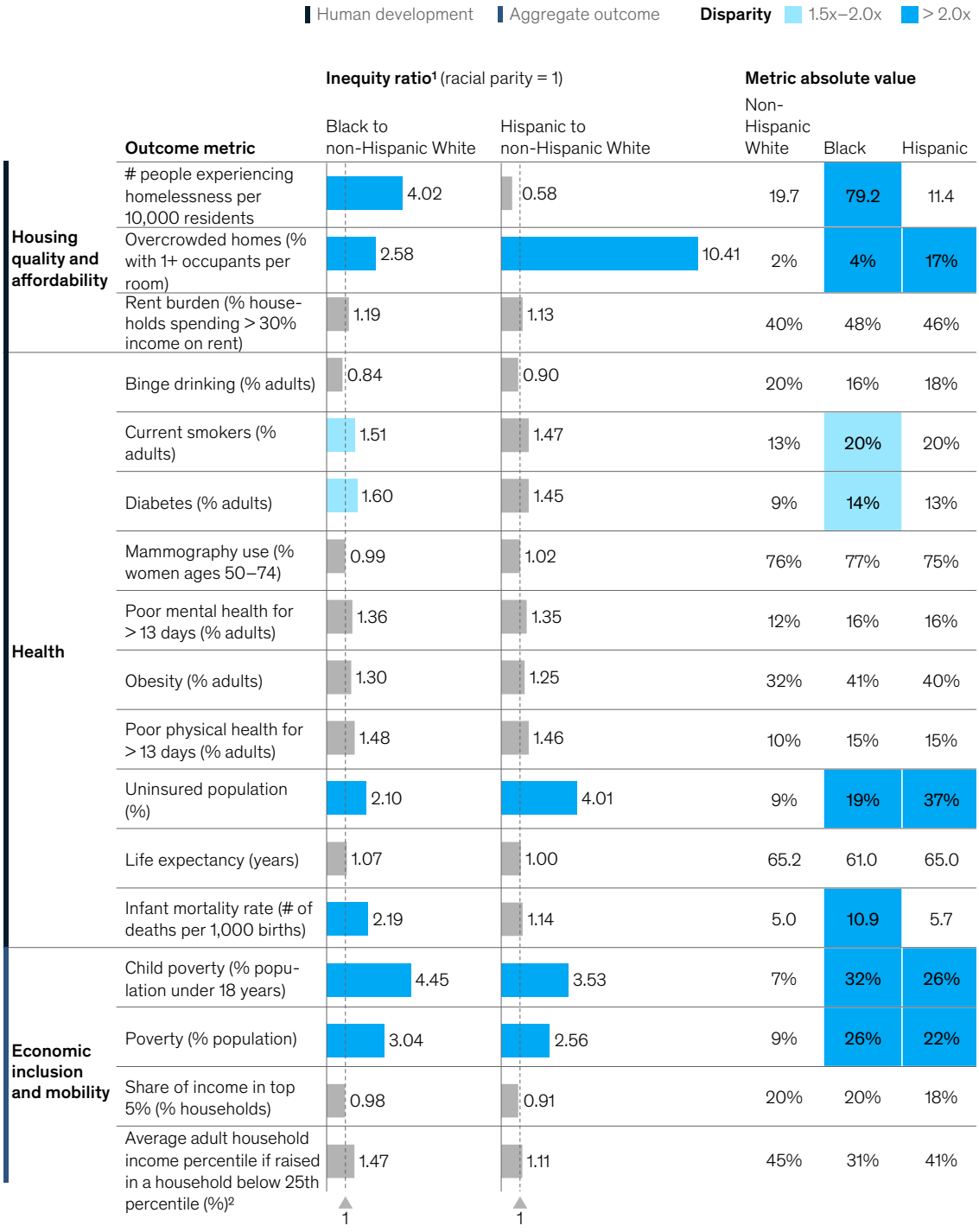
For example, in Dallas, 41 percent of Hispanic residents own homes, compared with 53 percent of non-Hispanic White residents. Even more stark: the median home value for Hispanic homeowners is $166,000, compared with $375,000 for White homeowners. If stakeholders looked only at homeownership rates, they would underestimate the equity gap between White and Hispanic residents.[7]

Additionally, while stakeholders tend to expect to see gaps along racial lines, the prevalence and magnitude of those gaps can affect the nature and urgency of the conversation about making changes. Exhibit 1 shows inequity ratios and actual values for a selection of metrics for Black and Hispanic residents in Dallas when compared with their non-Hispanic White counterparts. For example, while overall life expectancy in Dallas is 6 percent lower for Black residents than for non-Hispanic White residents (61.0 years versus 65.2 years, respectively),[8] Black residents experience 118 percent higher infant mortality than non-Hispanic White residents (10.9 deaths per 1,000 births versus 5.0 deaths per 1,000 births, respectively).[9] Local leaders may, therefore, choose to prioritize efforts to reduce infant mortality.

[7] McKinsey analysis based on 2019 data from "American Community Survey, 5-year data (2009-2021)," US Census Bureau, December 8, 2022.
[8] Ibid.
[9] McKinsey analysis based on infant mortality rate data from Texas Health Data and the Texas Department of State Health Services.

Exhibit 1

In Dallas, inequity ratios vary across outcomes and metrics.



[1]Inequity ratios are the ratio of the value of a given metric of one population group compared with another, using the average performance of each group in the metropolitan statistical area or city; eg, Black vs non-Hispanic White. A value of 1 implies equity in this metric between the groups; ratios > 1 signify that Black (or Hispanic) residents are faring worse than non-Hispanic White residents; ratios < 1 signify that Black (or Hispanic) residents are faring better than non-Hispanic White residents. Output gaps for some metrics are imputed, if the data was not available. An estimated value for the Black, White, and Hispanic populations is calculated from a weighted average of census tract values for each metric, based on the distribution of each group across census tracts.
[2]Includes children born in the 1978–83 birth cohort whose parents were at the 25th percentile of national income distribution.
Source: Centers for Disease Control and Prevention (CDC) PLACES project (2018); Opportunity Atlas (2014–15); Texas Department of State Health Services (DSHS); US Census Bureau American Community Survey, 5-year estimates (2019); US Department of Housing and Urban Development Continuum of Care Point-in-Time estimates (2020)

McKinsey & Company

Understanding how inequities change over time. Examining how inequities evolve over time can help stakeholders understand a city's inequity trajectory. This approach can also reveal whether critical metrics are moving together—positively or negatively—to further help identify opportunities to improve intervention design.

In Dallas, for example, majority-Black census tracts saw a 19 percent increase in median household income from the 2010–14 period to the 2015–19 period, in line with the city's overall average increase of 21 percent.[10] However, during this time, majority-Black census tracks lagged behind in home value appreciation, with an average increase of only 26 percent compared with the overall city average of 38 percent.[11] Dallas leaders may want to prioritize understanding these uneven outcomes and acting on them.

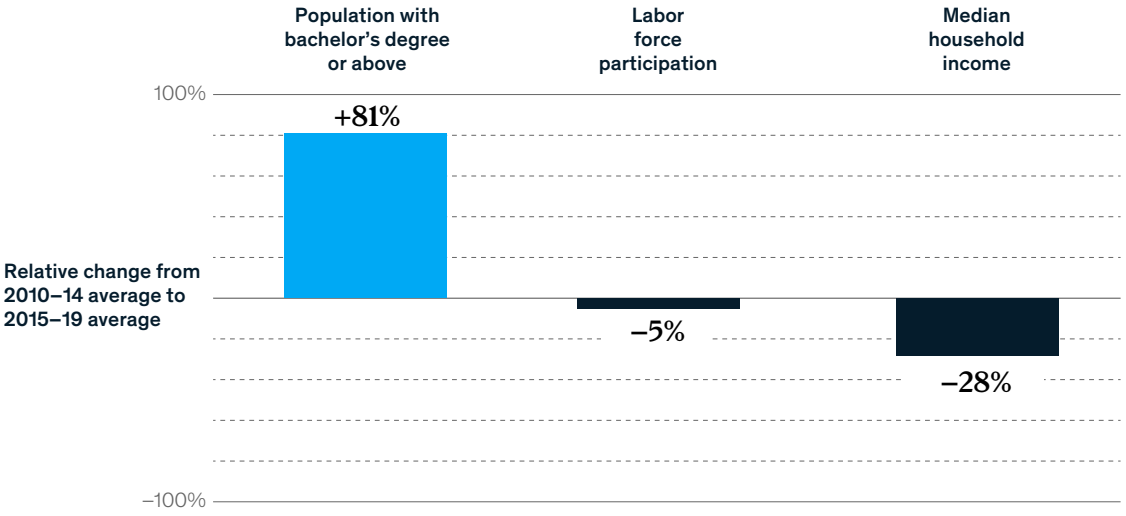
Similarly, in several Black and Hispanic neighborhoods in Houston, an increase in bachelor's degrees is not necessarily matched by an increase in labor force participation or income. Indeed, in one predominantly Black neighborhood, an 81 percent increase in bachelor's degrees from the 2010–14 period to the 2015–19 period coincided with a decline in both labor force participation and median household income (Exhibit 2).[12] These divergences suggest that individuals may be earning bachelor's degrees in fields with low hiring rates, lower wages, or lower local presence. While such neighborhoods do not necessarily represent a trend throughout Houston, they do indicate potential opportunity areas that local stakeholders can examine and address.

Though local stakeholders may have already used these data points, tracking these metrics over time could reveal important trends to inform solutions.

Exhibit 2

In Houston, an increase in bachelor's degrees does not always correspond with increased labor force participation or income.

Example: Settegast neighborhood of Houston



Source: US Census Bureau American Community Survey, 5-year estimates (2019); McKinsey analysis

McKinsey & Company

[10] McKinsey analysis based on 2019 data from "American Community Survey," December 8, 2022.
[11] Ibid.
[12] Ibid.

Mapping inequities over a lifetime. For the eight cities for which we ran analysis, the data shows that Black and Hispanic residents often face inequity across life stages. They may experience less support in schools; less access to affordable, quality healthcare; and limited access to capital or funding. Individually, such inequities may constrain a person's outcomes. Combined, these inequities compound and may significantly diminish opportunities across a lifetime (see sidebar "How inequity is experienced across a lifetime").

While this is true across US metro areas, racial inequity is more acute in some regions. For example, while child poverty is generally more prevalent in Philadelphia across races, the racial inequity of child poverty is more acute in Dallas, where Black children are 4.5 times more likely to live in poverty than White children (Exhibit 3). In Philadelphia, Hispanic and Black residents are 4.0 and 1.8 times more likely, respectively, to not have graduated high school than their non-Hispanic White counterparts; in Dallas, the Hispanic and Black differential is even more stark, at 12.3 and 3.3 times less likely, respectively.[13]

Local stakeholders often have an intuitive sense that certain residents face inequities across life stages. Bringing the facts together in one view, however, illuminates the life stages during which those challenges might be more concentrated and, therefore, where leaders could take a holistic approach to addressing them.

How inequity is experienced across a lifetime

How do people experience inequity across their lifetimes? Consider Alicia, a fictionalized Black woman from an underserved community in Atlanta. While her experiences may seem improbable to some, she is a composite of the kinds of challenges that are all too familiar for the many individuals living with the compounding effects of inequity daily.

Alicia was born in Atlanta's Thomasville Heights neighborhood, where 60.9 percent of all families live below the federal poverty line.[1] Because her community had limited resources, Alicia's early learning needs went unidentified, and she became one of the 18 percent of students who did not graduate from her local high school.[2] Without a high school diploma, she couldn't go to college—the typical path to a high-paying job—so Alicia decided to open her own day care center. However, her application for a small-business loan was denied because she had a poor credit history and no collateral or securable assets, such as an owned home or vehicle. Alicia therefore settled for a job that neither fulfilled her nor made use of her talents, and over time her mental health deteriorated. Without access to mental-health education and providers, Alicia's condition went undiagnosed and worsened until she was unable to perform her job duties. After being fired for what had been defined as a "just cause," Alicia did not qualify for unemployment support and, as a result, could no longer afford her rent payments. She eventually was evicted from her apartment and is now one of 3,200 people experiencing homelessness in metro Atlanta.[3]

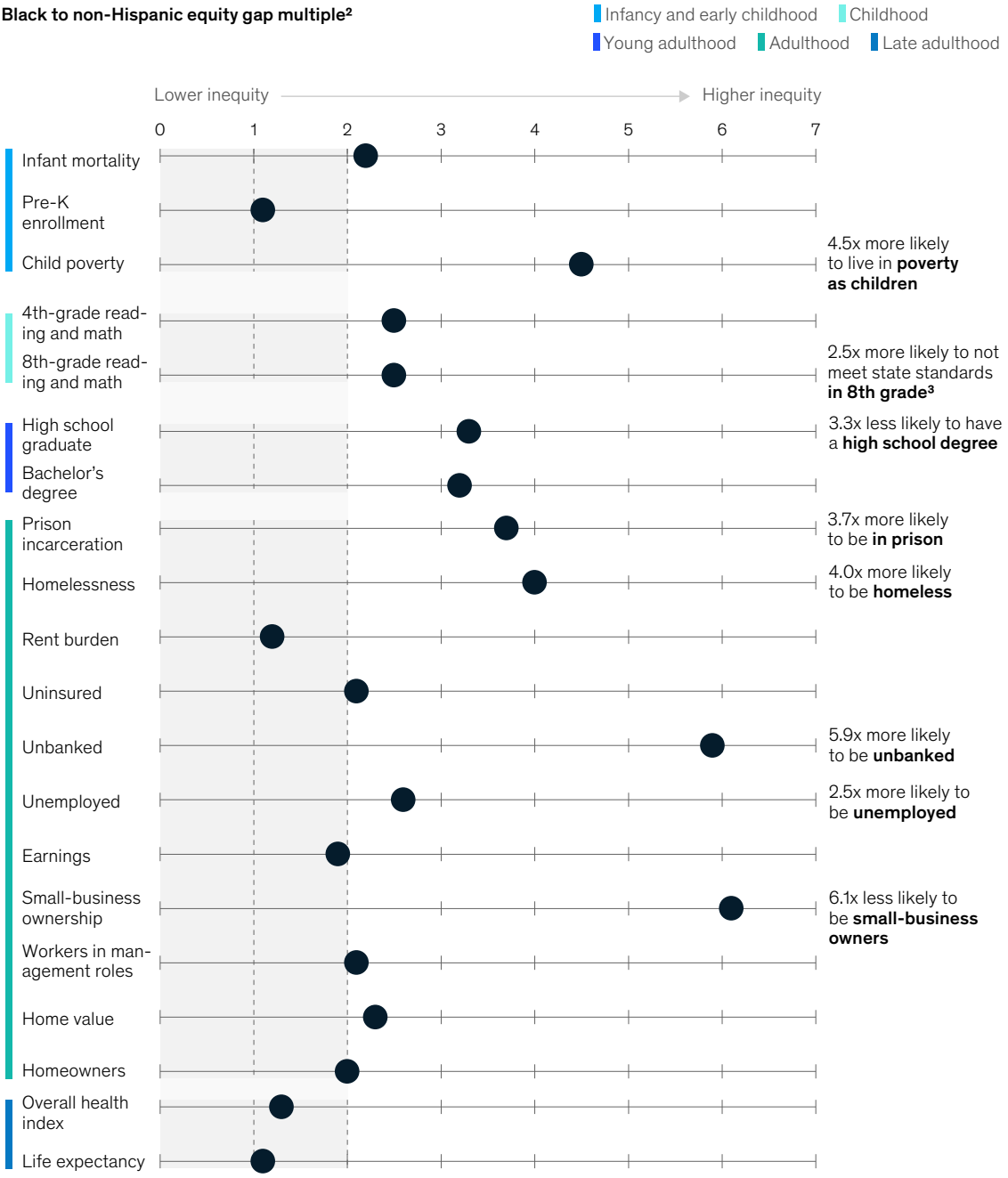
1 "Honor Farm," Framework for Equitable Public School Facility Planning, accessed January 23, 2023.
2 "Maynard H. Jackson- Jr. High School," *U.S. News & World Report*, 2022.
3 "Understanding the numbers in Atlanta," Midtown Atlanta, October 7, 2021.

[13] Ibid.

Exhibit 3

Black residents are more likely than non-Hispanic White residents to experience worse outcomes throughout their life.

Likelihood that Black residents will experience worse outcomes throughout different points in life compared with non-Hispanic White residents in Dallas[1]



[1]Example inequities, tracked to indicative life stages; not exhaustive.
[2]Inequity ratios are the ratio of the value of a given metric of one population group compared with another, using the average performance of each group in the metropolitan statistical area or city; eg, Black vs non-Hispanic White. A value of 1 implies equity in this metric between the groups; ratios > 1 signify that Black (or Hispanic) residents are faring worse than non-Hispanic White residents; ratios < 1 signify that Black (or Hispanic) residents are faring better than non-Hispanic White residents. Output gaps for some metrics are imputed, if the data was not available. An estimated value for the Black, White, and Hispanic populations is calculated from a weighted average of census tract values for each metric, based on the distribution of each group across census tracts.
[3]Composite of percentage of children who do not meet "basic" standard in reading and math in National Assessment of Educational Progress (NAEP) tests.
Source: Centers for Disease Control and Prevention (CDC) PLACES project (2018); Federal Deposit Insurance Corporation (FDIC) (2015–19 5-year estimate); Johns Hopkins University (2021); National Assessment of Educational Progress (NAEP) (2019); Texas Education Agency (TEA), Academic Performance Reports (2019–20); US Census Bureau American Community Survey, 5-year estimates (2019); US Census Bureau Annual Business Survey (2017); Vera Institute (2018)

McKinsey & Company

2. Understanding inequity and opportunities across neighborhoods

Analyzing relative inequities across neighborhoods could help stakeholders understand the spatial nature of challenges and prioritize places for intervention and investment. Stakeholders can also examine factors that may reinforce inequity across neighborhood lines and consider how to address them. For example, railroad tracks in some communities, coupled with limited street crossing points, can create natural dividing lines, making it difficult for residents to access more prosperous parts of town.

Spatial mapping can reveal stark disparities among adjacent neighborhoods with differing demographics (Exhibit 4). In Houston, for example, the 63 percent White Bellaire neighborhood sits alongside the 5 percent White Gulfton neighborhood. Despite the proximity, Gulfton lags behind Bellaire on numerous metrics. For instance, 3 percent of Bellaire households lack broadband access, compared with nearly half in Gulfton; and the child poverty rate is 1 percent in Bellaire, compared with 54 percent in Gulfton.[14] These disparate outcomes are not unique to Houston. All eight cities analyzed as part of our research showed similar imbalances across neighborhoods, reinforcing the value of this more granular approach to understanding racial inequities.

Our experience evaluating cities suggests that if a neighborhood has significantly lower outcomes in one dimension, it often struggles across several dimensions. These compounding effects come as no surprise, considering long-standing policies and practices of disinvestment in many of these communities in areas such as transportation, schools, parks, and public health.[15] The confluence of challenges across multiple dimensions suggests that while improving one dimension may fix a point in the system, it may not dramatically change outcomes for residents. The comprehensive view of challenge areas that a spatial representation provides could equip city stakeholders to develop a coordinated set of interventions to drive change.

3. Comparing against peer cities

Local stakeholders can look to data from cities of similar demographic makeup and economic indicators, as well as self-identified peer cities, to uncover the city's relative inequity across outcomes and metrics (Exhibit 5). While the neighborhood view could prove crucial for prioritizing interventions, stakeholders can also use the high-level city view as a starting point for benchmarking their progress toward racial equity. This view may also reveal unexpected pockets of equity in cities that have been working to address their unique challenges.

Statistical peers could be selected based on similarity against three criteria: median household income, GDP, and percentage of the population that is Black and Hispanic. Cities may be surprised to learn who their peers are in terms of equity. For example, people may commonly look to Atlanta, New York, and Pittsburgh as cities comparable to Philadelphia, with similar situations across many equity metrics. However, comparison against the 16 outcomes reveals that Philadelphia's inequity challenges are more closely aligned with those of Detroit and Newark.

Cities can also learn from peer cities that perform well on specific metrics. With the fact base in hand, local stakeholders can ask, for instance, "What is it about City X that enables it to excel on equity on the health and food security outcome, and what can we bring back to our locality?"

[14] Ibid.

[15] Nick Noel, Duwain Pinder, Shelley Stewart, and Jason Wright, "The economic impact of closing the racial wealth gap," McKinsey, August 13, 2019.

Exhibit 4

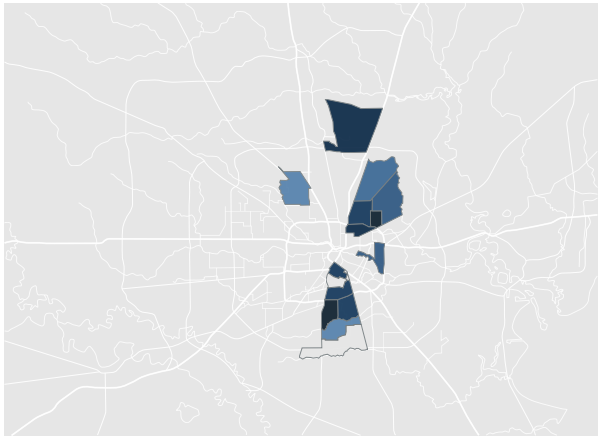
Majority Black and Hispanic neighborhoods experience worse outcomes, on average.

Analysis of relative neighborhood performance in Houston across 15 measured outcomes[1]

Better — Worse

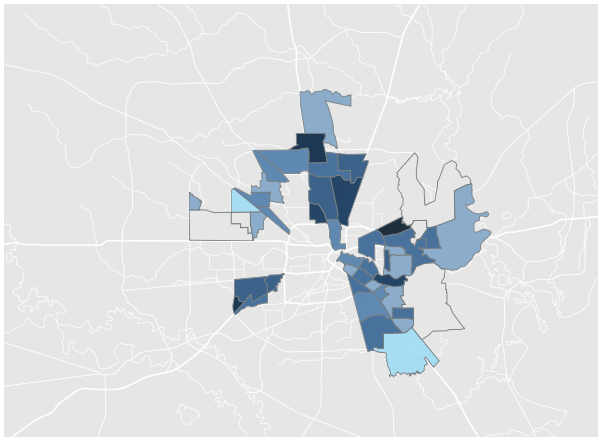
Majority-Black neighborhoods[2]

Out of 15 majority-Black neighborhoods, 14 (93%) perform worse than the mean composite value for Houston across the measured outcomes.



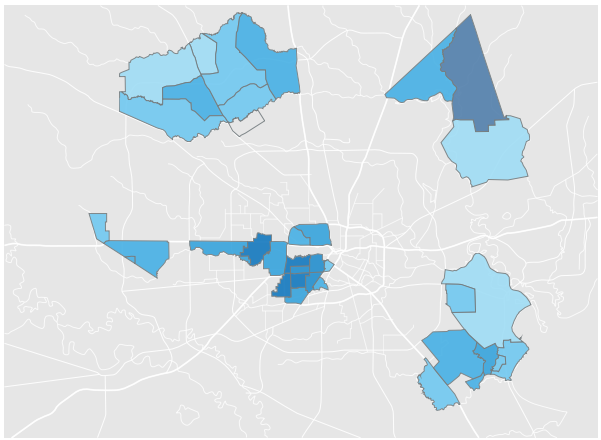
Majority-Hispanic neighborhoods[2]

Out of 49 majority-Hispanic neighborhoods, 44 (90%) perform worse than the mean composite value for Houston across the measured outcomes.



Neighborhoods that are majority non-Hispanic White[2]

Out of 37 neighborhoods that are majority non-Hispanic White, 36 (97%) perform better than the mean composite value for Houston across the measured outcomes.

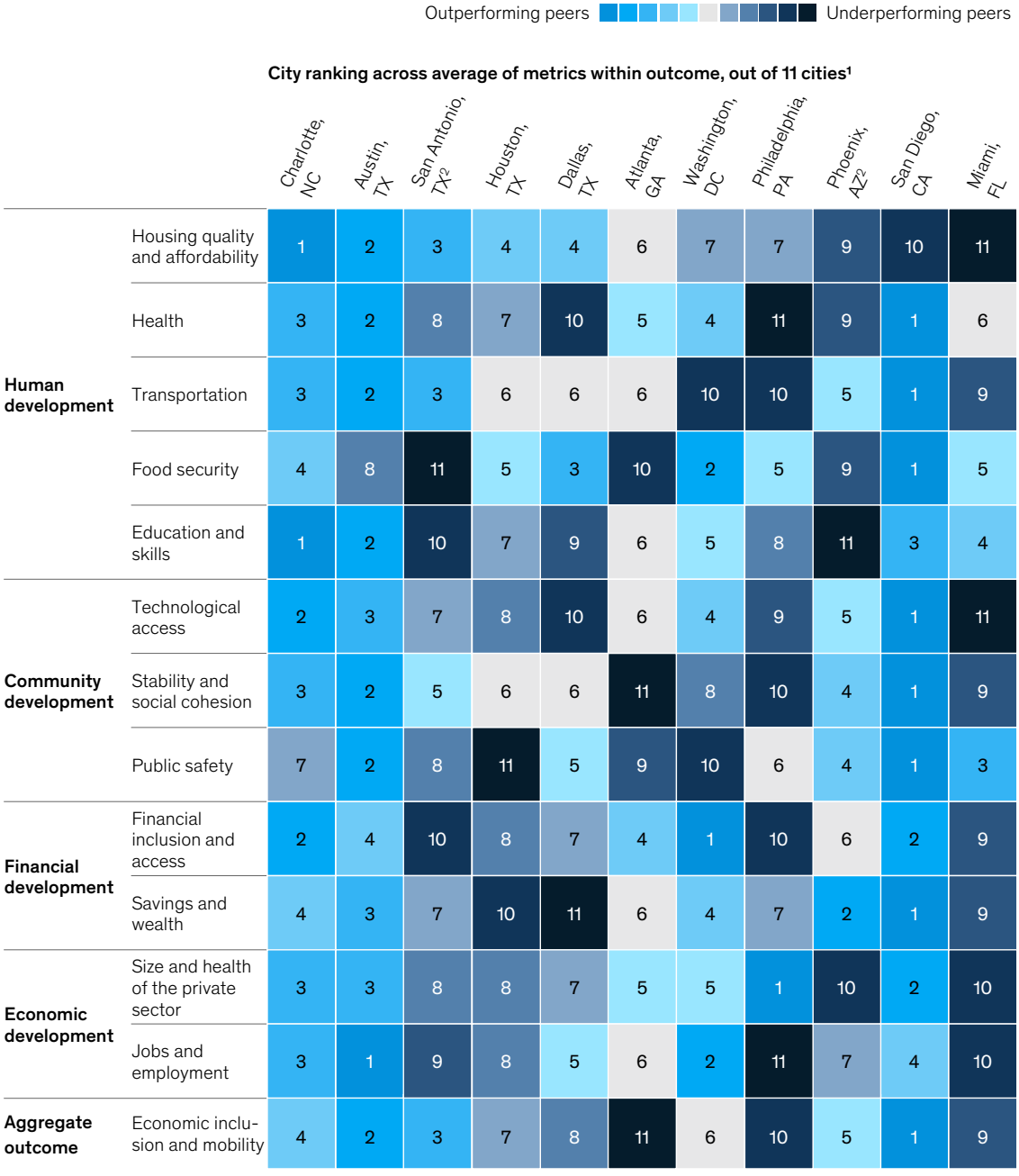


[1]Based on a composite overall score of 39 metrics to measure performance across 15 outcomes relevant to socioeconomic welfare.
[2]Neighborhoods as defined by the Kinder Institute Community Tabulation Area. Majority is defined as 50% or more.
Source: Census Non-Employer Statistics (2017); Centers for Disease Control and Prevention (CDC) National Environmental Public Health Tracking Network (2015); CDC PLACES project (2018); FBI Uniform Crime Reporting (2017–18); Federal Deposit Insurance Corporation (FDIC) (2015–19 5-year estimate); Food Access Research Atlas (2015); Home Mortgage Disclosure Act (HMDA) (2019); Institute of Museum and Library Services; Integrated Postsecondary Education Data System (IPEDS); National Assessment of Educational Progress (NAEP) (2019); Opportunity Atlas (2014–15); Stanford Open Policing (2016–18); Texas Department of State Health Services (DSHS); US Census Bureau American Community Survey, 5-year estimates (2019); US Census Bureau Annual Business Survey (2017); US Department of Housing and Urban Development Continuum of Care Point-in-Time estimates (2020); Vera Institute (2018)

McKinsey & Company

Exhibit 5

Local stakeholders can examine their city's relative inequity with peer cities across equity outcomes and metrics.



[1]The outcomes represented in each row include performance on two to five metrics. For example, "economic inclusion and mobility" includes child poverty (% population under 18 years), poverty (% population), share of income in top 5% (% households), and average adult income percentile if raised in a household below 25th percentile (percentile); "financial inclusion and access" includes unbanked population (% households), bank branches per 1,000 people, and mortgage rejection rate (%).

For each included metric, the percentile performance for a city as compared to the peer set is calculated. Rankings for cities are determined by the average of the percentile rankings for the metrics associated with a given outcome.

[2]4th- and 8th-grade data not included in the education and skills category because this district is not split out in National Assessment of Educational Progress (NAEP) reporting.

Source: Census Non-Employer Statistics (2017); Centers for Disease Control and Prevention (CDC) National Environmental Public Health Tracking Network (2015); CDC PLACES project (2018); FBI Uniform Crime Reporting (2017–18); Federal Deposit Insurance Corporation (FDIC) (2015–19 5-year estimate); Food Access Research Atlas (2015); Home Mortgage Disclosure Act (HMDA) (2019); Institute of Museum and Library Services; Integrated Postsecondary Education Data System (IPEDS); National Assessment of Educational Progress (NAEP) (2019); Opportunity Atlas (2014–15); Stanford Open Policing (2016–18); Texas Department of State Health Services (DSHS); US Census Bureau American Community Survey, 5-year estimates (2019); US Census Bureau Annual Business Survey (2017); US Department of Housing and Urban Development Continuum of Care Point-in-Time estimates (2020); Vera Institute (2018)

McKinsey & Company

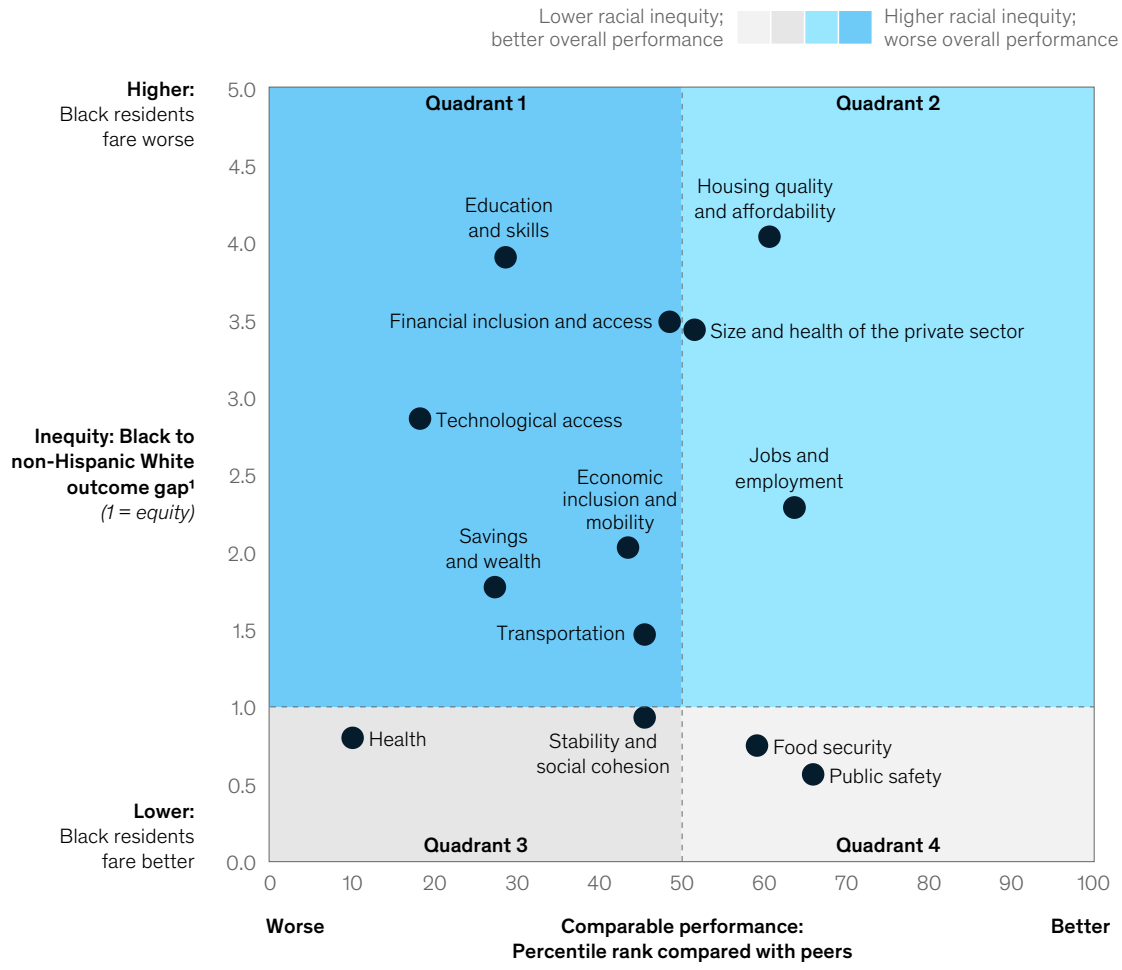
Bringing it all together

In addition to providing stand-alone insights, the core sets of analyses above provide further insights when considered together. Observing the overlaps between a city's equity gaps and relative inequity compared with peer cities can provide a fuller picture of where and how a city is struggling or excelling. It may be helpful to think about relative performance in quadrants, with the top left quadrant representing both high racial inequity and worse overall performance compared with peers for a particular outcome, and the bottom right quadrant representing low racial inequity and average or better performance compared with peers (Exhibit 6).

Exhibit 6

Cities can map their equity gaps and relative inequity compared with peers on a performance matrix.

Illustrative city equity gap matrix



[1]Outcome gaps can be calculated as an average of inequity ratios for metrics associated with the given outcome (eg, for "education and skills," the outcome gap is calculated as an average of inequity ratios for the metrics associated with that outcome—for example, pre-K enrollment and high school graduation rate). There are exceptions to this methodology; some metrics are averaged into an overall index (eg, index of health indicators), and this composite index is used as an input to the average for the outcome, rather than the individual metrics within the index. Values are expressed as a ratio, where 1 implies equity; ratios > 1 signify that Black residents are faring worse than non-Hispanic White residents; ratios < 1 signify that Black residents are faring better than non-Hispanic White residents.

McKinsey & Company

Understanding where the city falls on various outcomes can inform potential priorities for the city or region (see sidebar "Understanding the four quadrants"). By revealing comparative depth and relative performance for a range of inequities, this analysis can support strategic conversations such as whether the geography would be best served by focusing on addressing inequities in a single quadrant or by taking a portfolio approach across quadrants.

The quadrants can also inform how geographies think about addressing challenges. For example, in Dallas's inequity performance matrix, food security falls in quadrant 2. That is, it has better overall performance compared with peers in terms of food security (ranking above the 50th percentile) but has high inequities across Black and White residents (an inequitable outcome for Black residents occurs three times more often than for White residents). By contrast, in Philadelphia's inequity performance matrix, food security falls in quadrant 3. This shows that the city has worse overall performance compared with peers in terms of food security (ranking below the 20th percentile) but has lower inequity across Black and White residents (an inequitable outcome for Black residents occurs less than two times more often than for White residents). These two cities could thus take different approaches in addressing food insecurity, with Philadelphia likely benefiting from citywide interventions to improve the outcome for all residents and Dallas benefiting from focusing on Black residents.

Understanding the four quadrants

Quadrant mapping can reveal whether a city is experiencing high or low inequity by race on specific outcomes (y-axis) while also comparing the city's overall performance on the outcome with that of peers, irrespective of race (x-axis). This understanding provides a foundation for action.

Quadrant 1: High racial inequity; worse overall performance compared with peers. A locality's inequity is rated as being relatively high across the different inequity outcomes, and the locality is regarded as performing below its peers across inequity dimensions. In such a case, a locality may consider leveraging learnings from peers when designing interventions.

Quadrant 2: High racial inequity; average or better overall performance compared with peers. A locality's inequity is rated as being relatively high across the different inequity dimensions, and the locality is regarded as performing at par or above its peers across inequity dimensions. In such a case, localities may consider doing the following:

- comparing their interventions with those of higher-performing, nonpeer localities to uncover potential learnings
- evaluating how effective current interventions have been in local neighborhoods with the greatest disparities and update approaches as necessary
- identifying neighborhoods where interventions have been effective and addressing any factors preventing higher impact in neighborhoods facing the greatest disparities

Quadrant 3: Low racial inequity; worse overall performance compared with peers. A locality's inequity is rated as being relatively low across the different inequity dimensions, and the locality is regarded as performing below its peers across inequity dimensions. In such a case, a locality may consider leveraging learnings from peers when designing interventions. Additionally, a locality may consider whether "low inequity" translates to a below-average performance for all residents regardless of race and whether interventions that target better outcomes for the entire population are needed.

Quadrant 4: Low racial inequity; average or better overall performance compared with peers. A locality's inequity is rated as being relatively low across the different inequity dimensions, and the locality is regarded as performing at par or above its peers across inequity dimensions. Locations can consider whether performing average or better than peers is acceptable or if there is room to improve even further, building on what is working in the geography. Alternatively, if performance is acceptable and stable, locations can consider whether resources being applied to this quadrant may make a higher impact if applied to challenges in quadrants 1, 2, or 3.

Turning insights into action

How can stakeholders harness the insights we've described to design effective actions for closing equity gaps? In our experience, three paths can help prioritize efforts and lay a foundation for lasting change:

A use case approach, in which stakeholders identify specific use cases for data and analyses and use insights to design interventions in collaboration with community partners. For example, a large Southern city is considering an effort focused on reducing housing evictions and increasing pathways to good and promising jobs. A locale might select this approach to address an especially pressing need or to demonstrate a proof of concept before taking one of the broader approaches listed below.

A topic-focused racial-equity transformation, in which community partners select one or more topical areas, such as healthcare, for targeted efforts (see sidebar "Using data to inform action: A case study on childcare"). For example, a metro area in the Northwest is embarking on an equity transformation focused on a few topics, with emerging priorities including housing quality and affordability, education, and technological access. This approach might be a good fit when inequities are especially pronounced in a few topical areas, or if convening stakeholders have capabilities and influence within a specific topical area (for example, if multiple local healthcare companies want to make a positive impact).

A comprehensive racial-equity transformation effort cutting across topics (such as education, wealth creation, health and wellness, and neighborhoods and housing) in collaboration with community partners. For example, a midsize Midwestern city is launching a comprehensive, cross-stakeholder effort to advance racial equity in its metro area. This approach may be a good fit when a broad coalition of stakeholders and funders is committed to partnering to make a comprehensive change over a longer period.

Using data to inform action: A case study on childcare

The data-based framework described in this article is designed to help organizations and coalitions identify and prioritize areas where they can resolve inequities; however, it does not elaborate on which actions to take once organizations and coalitions pinpoint these areas. Before acting, stakeholders can investigate specific realms further to better understand the root causes of underlying issues and match initiatives with relevant, apparent needs.

For example, one Midwestern city using this analysis discovered inequities in jobs as well as in savings and wealth. To alleviate these obstacles, teams comprising stakeholders throughout the city focused on addressing specific job market barriers, such as access to childcare. The childcare team looked at challenges across five areas—affordability, accessibility, convenience, reliability, and quality—and interviewed practitioners and parents within the community. It found that the interrelated challenges of affordability and accessibility were the biggest barriers facing parents, and that difficulties with recruitment and retention in the childcare sector were causing a significant undersupply of staff and driving these challenges. This information allowed community stakeholders to develop initiatives to better support the workforce and improve equity, focusing on enhancing childcare in areas of the city with the highest need.

© Thomas Barwick/Getty Images

To prioritize and implement the most effective and enduring interventions to address racial inequities, stakeholders can consider an approach that involves understanding the degree of inequity within the region, inequities at the neighborhood level, and how their locality compares with peers. This expanded fact base, combined with other critical inputs such as the local historical context and residents' lived experiences, can bring the story of residents' unique challenges to life and serve as a catalyst for local transformations, helping stakeholders address root causes to improve outcomes for all those facing compounding inequities.

Darius Bates leads McKinsey's North America Action 9 efforts and is a partner in McKinsey's Atlanta office; **Liz Coon** is a manager in the Chicago office, where **Esenam Dogoe** is a consultant and **Arzu Singh** is an alumna; **Kweilin Ellingrud** is a director of the McKinsey Global Institute and a senior partner in the Shanghai office; and **Ramesh Srinivasan** is the North America Social Responsibility leader and a senior partner in the New York office.

The authors wish to thank Jennifer Bright, Christopher Copeland, Kelly Lamble, Emma Livingston, Jon Mesadieu, Nick Noel, Ankita Satpathy, Sulay Solis, Neal Stewart, Tre Tennyson, Michael Zhang, and Nicole Zuber for their contributions to this article, along with the McKinsey Black Network, the McKinsey FinLab CityX Team, McKinsey Global Social Responsibility, the McKinsey Hispanic and Latino Network, and the McKinsey Institute for Black Economic Mobility.