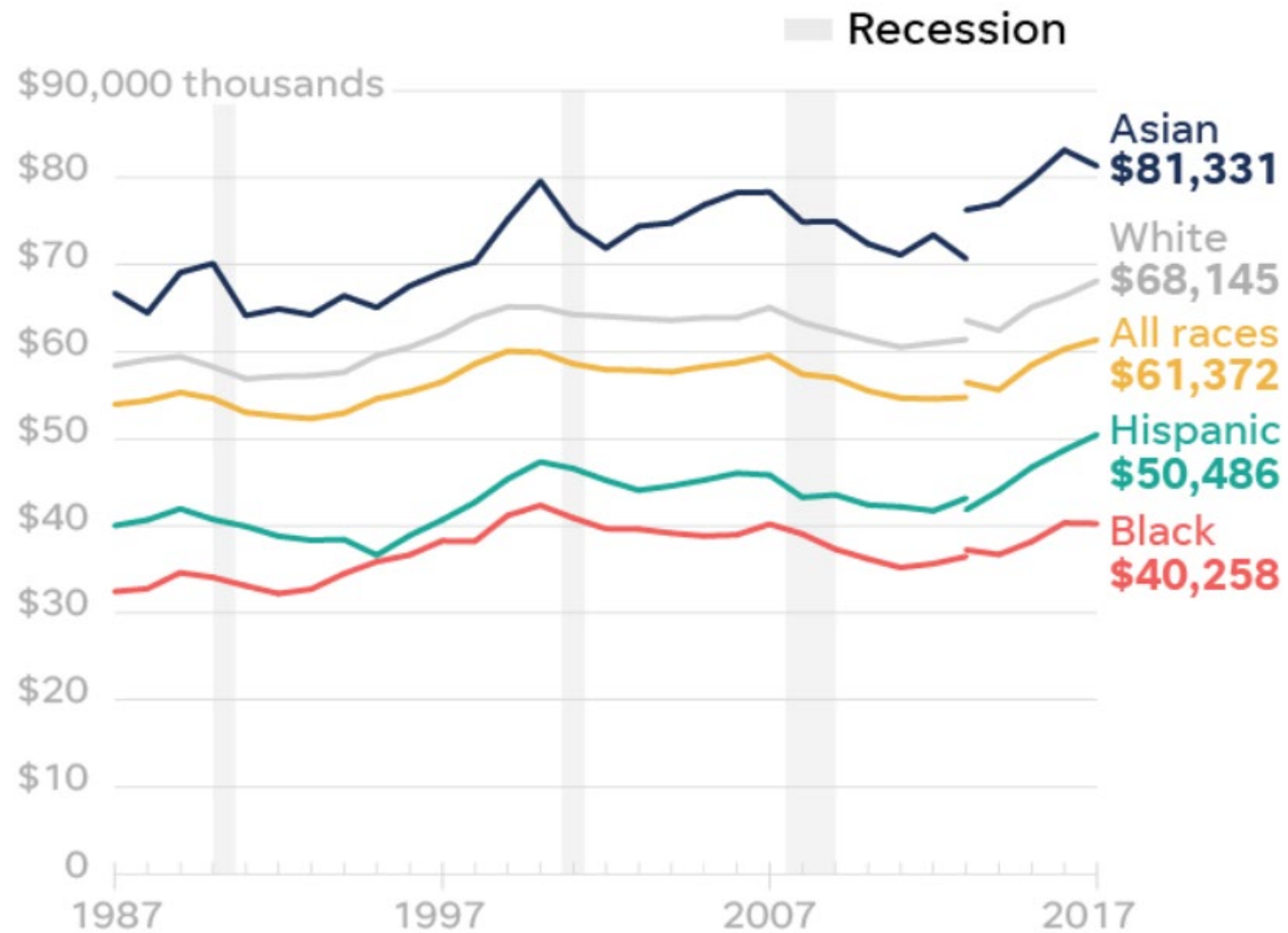


The Business Case For Racial Equity

**Ron Clewer, Gorman & Company, Illinois/Indiana Market President
Cupid Alexander, City of Spokane, Division Director- Neighborhoods, Housing &
Human Services**

Historic Conditions A Case for Change

Black median household income trails other races

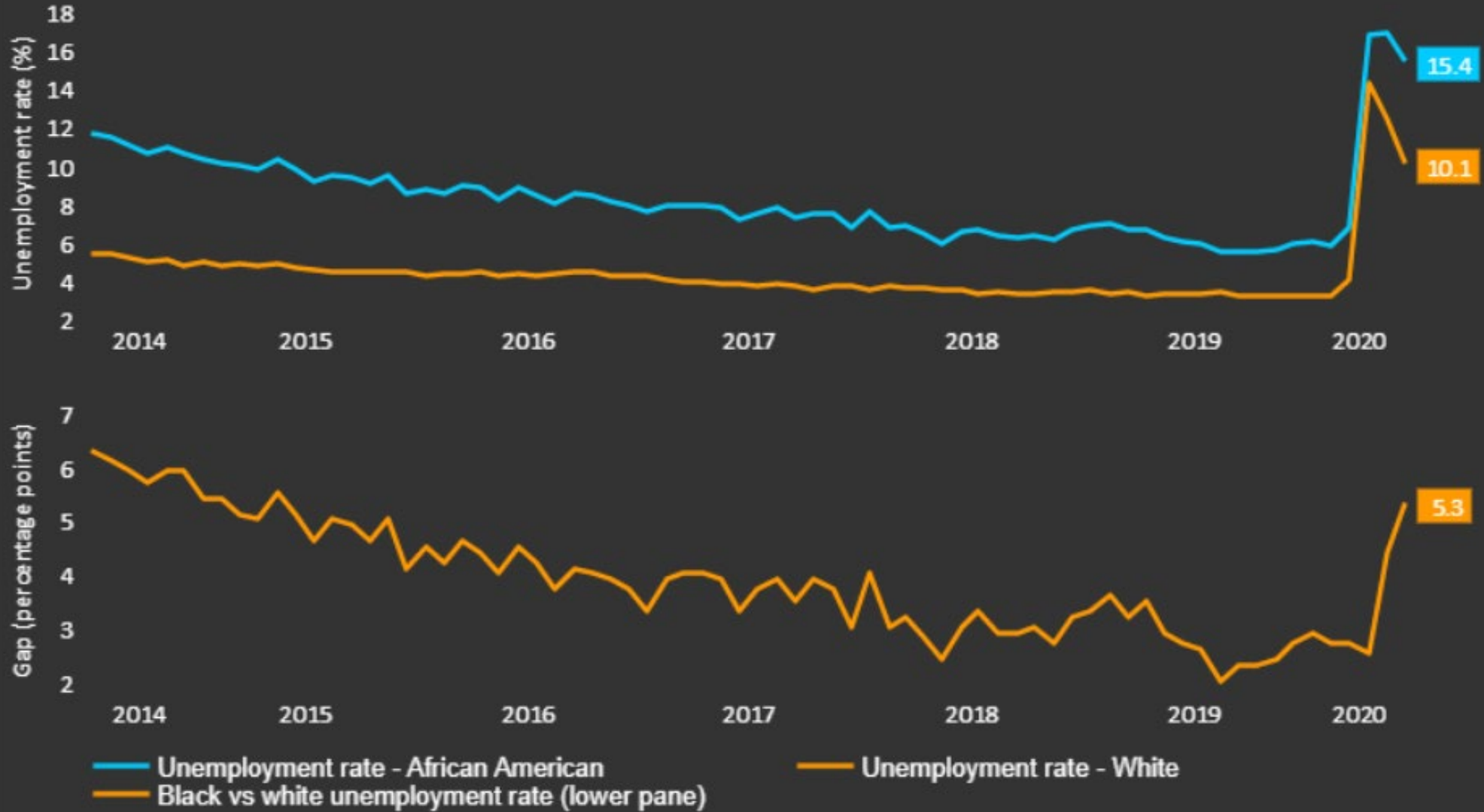


NOTE Median household income data in 2017 dollars. Break in trend lines reflect the change in the income question for 2013

SOURCE Census Bureau

Black vs white unemployment

The racial jobless gap moved to the widest in five years in June



Source: Refinitiv Datastream/

Reuters graphic/Dan Burns 02/07/2020 @Dan__Burns

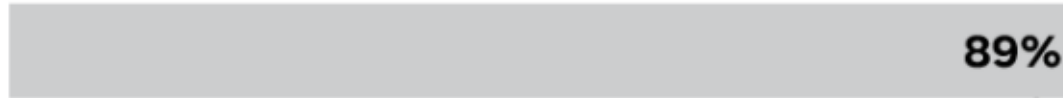
Percent of high school students who graduate on time

2017-2018 average: 85%

Asian American/Pacific Islander



White



Hispanic or Latino



Black



American Indian/Alaska Native



SOURCE National Center for Education Statistics. Rates adjusted for students who left or joined school after freshman years.

Table 1: Graduation, Default, and College Success Rates of Bachelor's Degree Completers with Federal Loans by Race/Ethnicity at 4-Year Public and Private, Nonprofit Institutions

Race	6-year Grad Rate	6-year Grad Rate Gap	12-year Default Rate	12-year Default Rate Gap	100% minus 12-year Default Rate	College Success Rate*	College Success Rate Gap
White	69.6%	N/A	5.2%	N/A	94.8%	65.9%	N/A
Black	51.5%	18.1	28.0%	22.8	72.0%	37.1%	28.8
Latino	51.5%	18.1	13.3%	8.1	86.7%	44.7%	21.3

Note: Author's analysis of the National Center for Education Statistics' 04/09 Beginning Postsecondary Student Survey. The college success rate is: [Graduation Rate X (100 – Default Rate)] = College Success Rate.

Source: Authors' analysis of U.S. Department of Education, National Center for Education Statistics, 2003-04 Beginning Postsecondary Students Longitudinal Study, Second Follow-up (BPS:04/09).

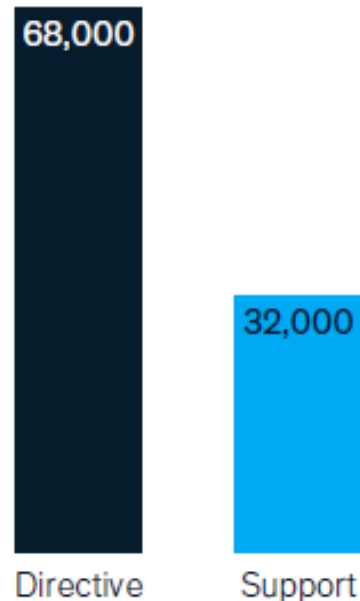
Employment Inequity

Black workers are more likely than white workers to be in support roles, which are slower growing and lower paying than directive roles.

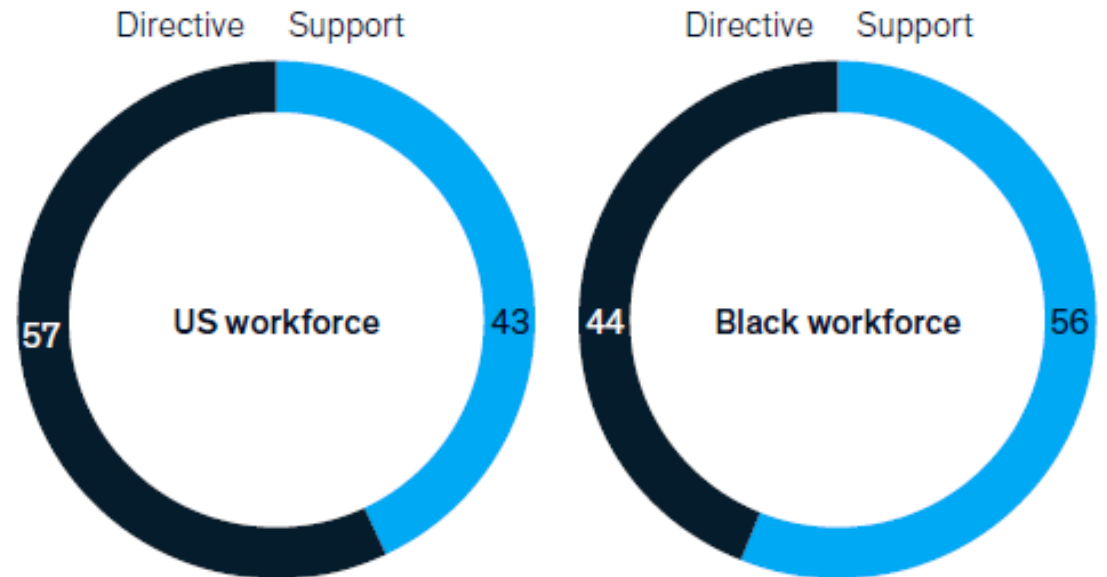
2016–26 estimated average job growth, %



Estimated annual median income, \$



Share of workforce by type of role, %



¹ Such as executive/senior-level officers and managers, first/middle-level officers and managers, professionals, craft workers, salespeople, and technicians.

² Such as administrative-support workers, laborers and helpers, operatives, and service workers.

Source: US Bureau of Labor Statistics; US Equal Employment Opportunity Commission; McKinsey Global Institute analysis

Employment Inequity - Male

The pipeline to highly compensated executive roles sheds professionals of color, especially black professionals, at every level.

Share of professionals by role category, %¹

A Entry-level professional, B manager, C senior manager/director, D vice president, E senior vice president, F C-suite professional



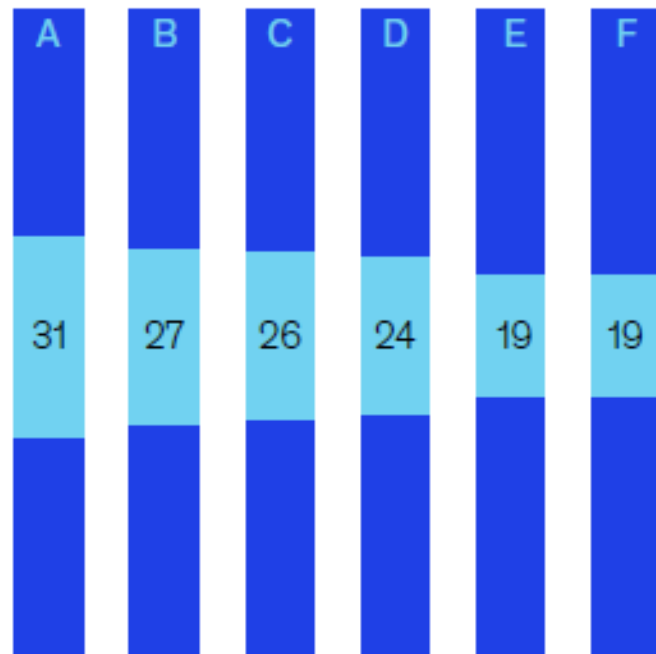
Employment Inequity - Female

The pipeline to highly compensated executive roles sheds professionals of color, especially black professionals, at every level.

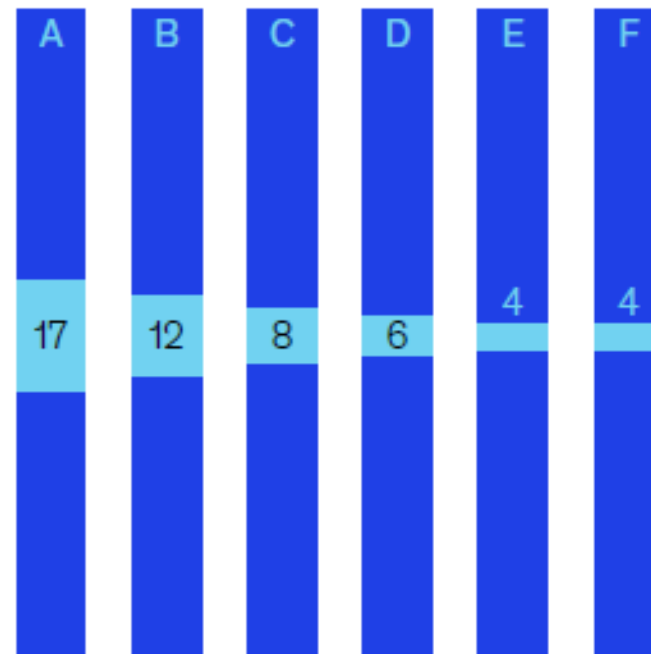
Share of professionals by role category, %¹

A Entry-level professional, B manager, C senior manager/director, D vice president, E senior vice president, F C-suite professional

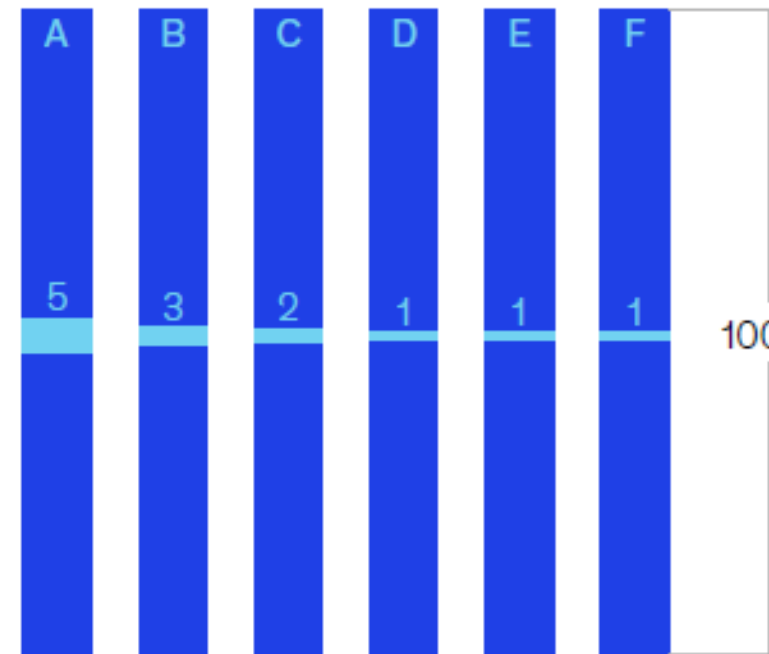
White women



Women of color



Black women



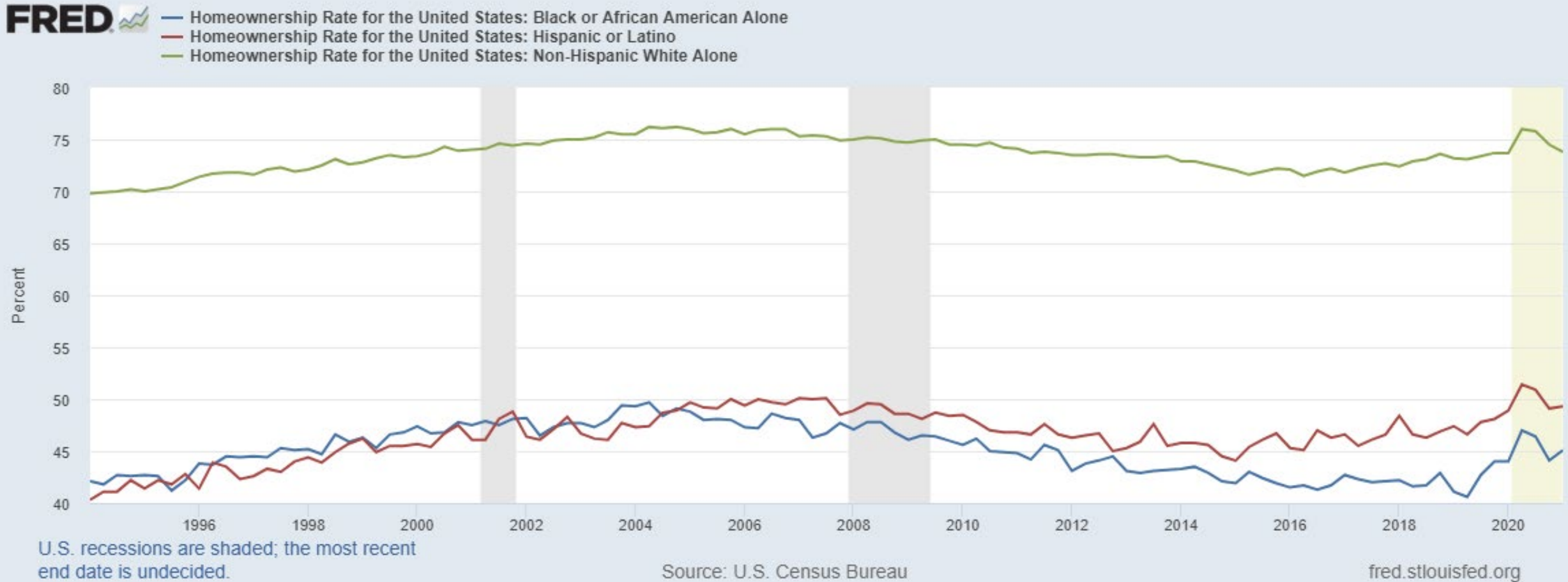
100%

Entry level → C-suite

¹From study of 270 North America-focused companies. Figures may not sum to 100%, because of rounding.
 Source: Women in the Workplace 2018, joint report by LeanIn.Org and McKinsey, October 2018, womanintheworkplace.com

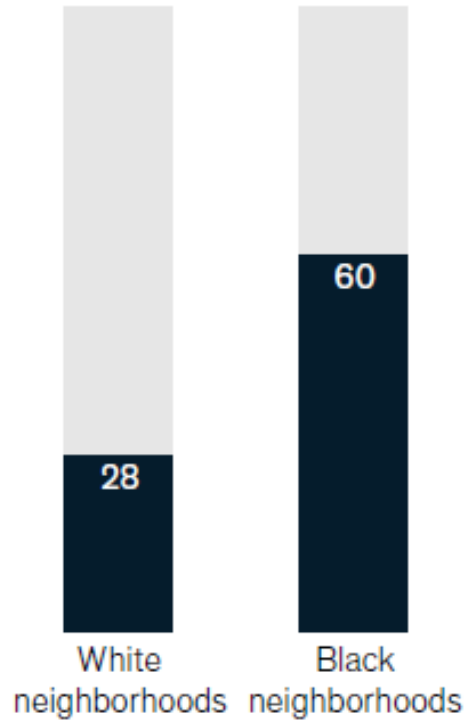
There is a wide and persistent gap in homeownership between white and black families.

Homeownership Rates by race/ethnicity 1994-2020

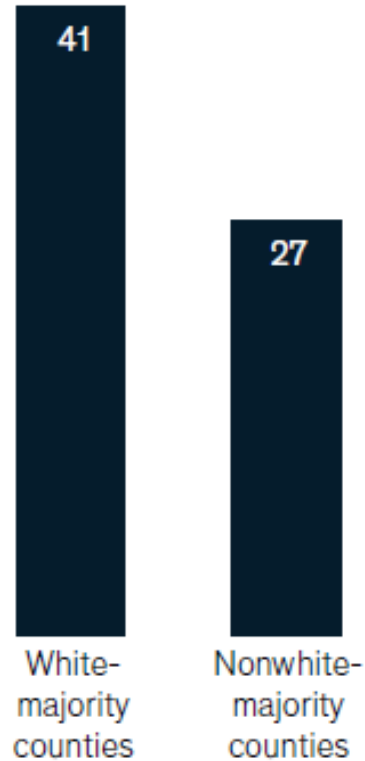


Banking with traditional institutions can be expensive—as well as harder to access in communities of color.

Share of paycheck that must be kept deposited to avoid fee or account closure



Financial institutions per 100,000 people

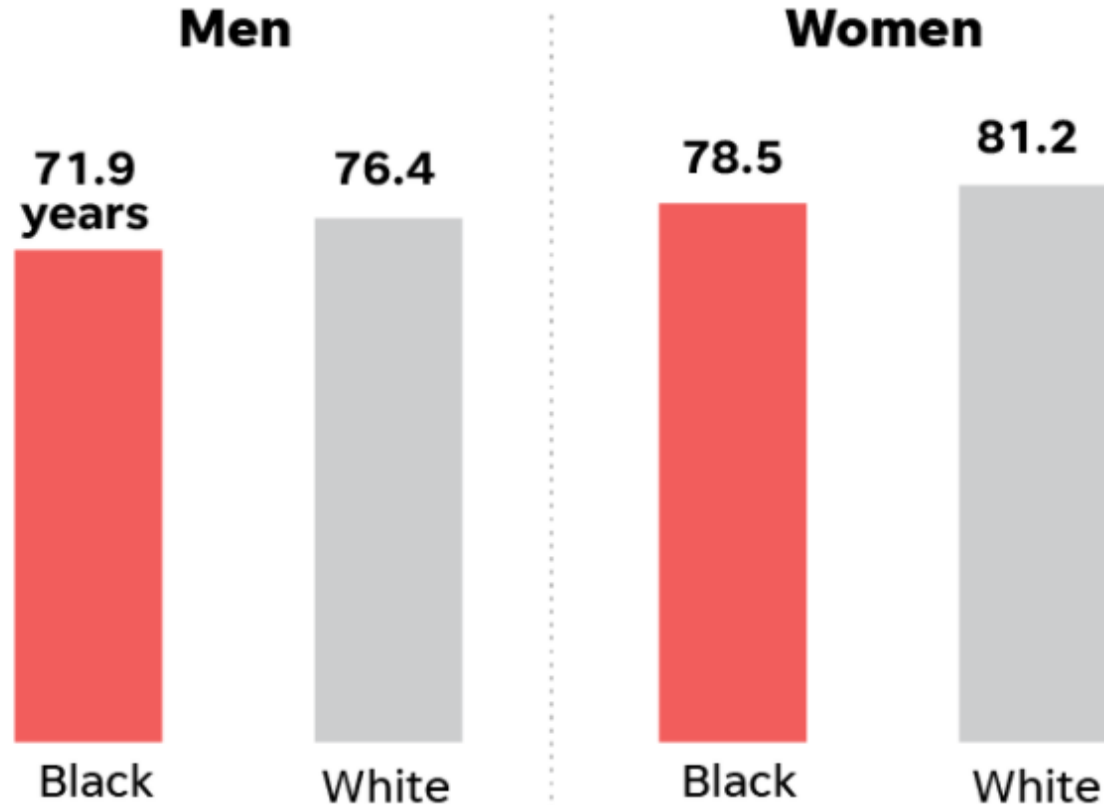


Source: Parker Cohen, Stephanie Landry, and Santiago Sueiro, "Analyzing the landscape of saving solutions for low-income families part 1: The savings crisis and the need for holistic solutions," Prosperity Now, April 2019, prosperitynow.org; Jacob Faber and Terri Friedline, "The racialized costs of banking," New America, June 21, 2018, newamerica.org



Health Disparity

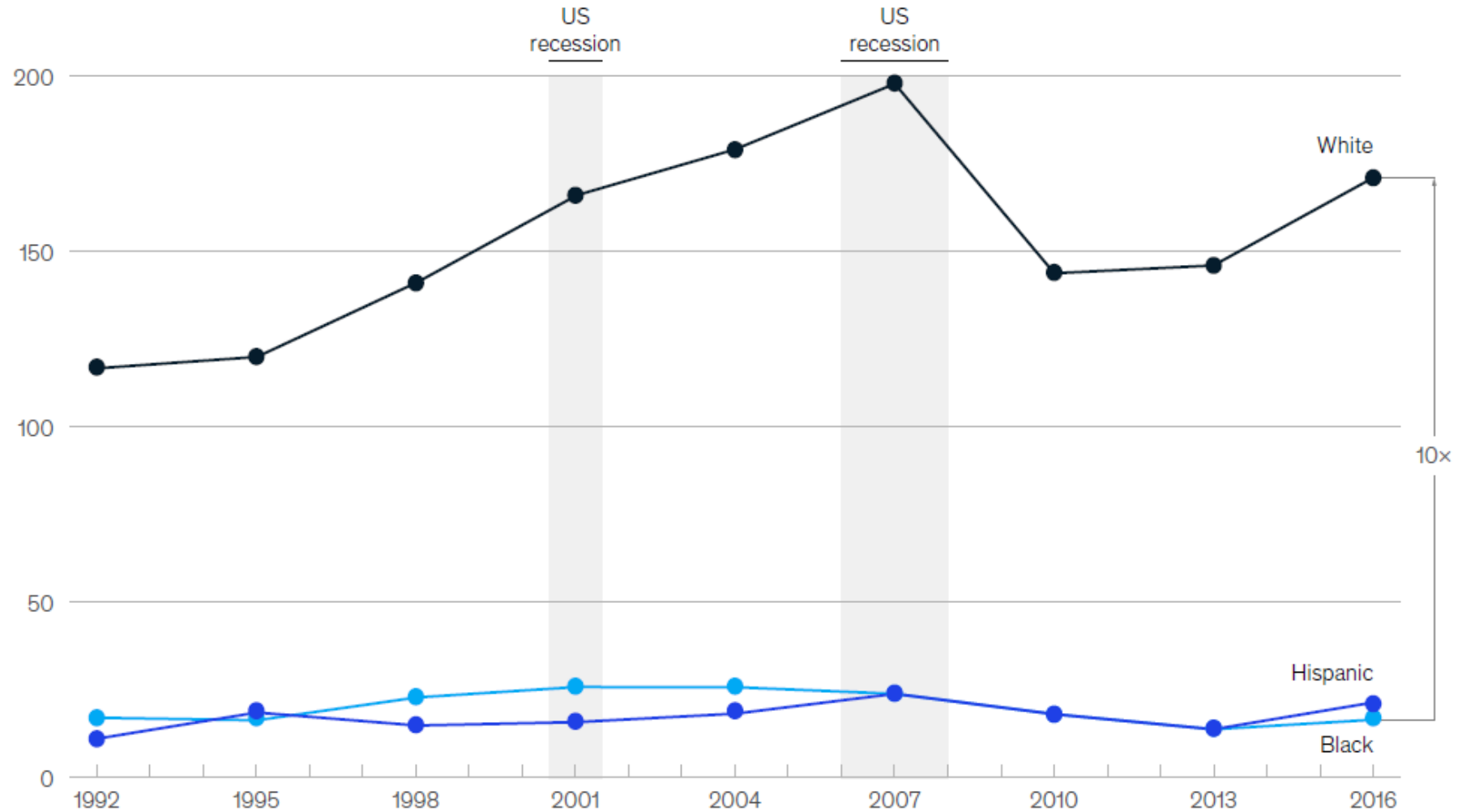
Black men and women live shorter lives



SOURCE Centers for Disease Control and Prevention

There is a wide and persistent gap in wealth between white and black families.

Median family wealth in 1992–2016 by ethnicity/race, \$ thousand¹



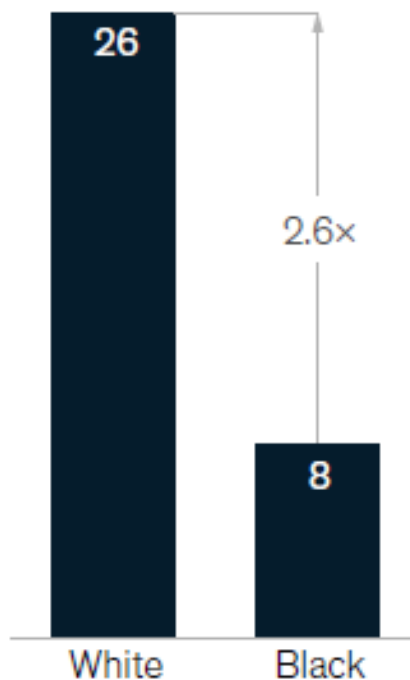
¹2016 dollars.

Source: "2016 survey of consumer finances," Federal Reserve Board, September 2017, [federalreserve.gov](https://www.federalreserve.gov)

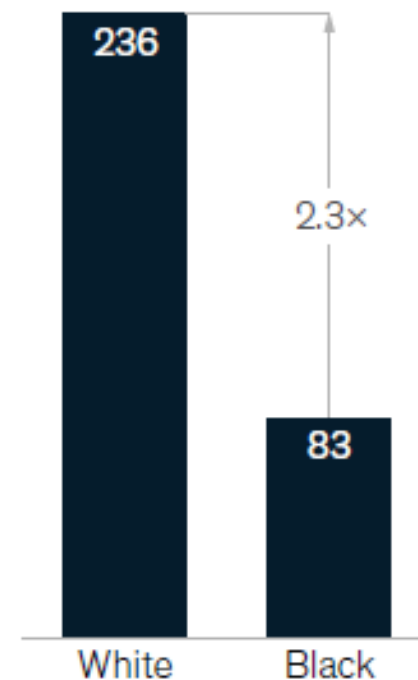


Black families begin with lower endowments of equity capital because of differences in rates of inheritance.

Share of population receiving inheritance in 2016, %



Average inheritance value in 2013, \$ thousand



Source: "2016 survey of consumer finances," Federal Reserve Board, September 2017, federalreserve.gov; Jeffrey P. Thompson and Gustavo A. Suarez, "Exploring the racial wealth gap using the survey of consumer finances," Federal Reserve Board, August 2015, federalreserve.gov



Black poverty rate

21.2%



White
8.7%





Breaking the Cycle

The Business Case for Advancing & Achieving Equity

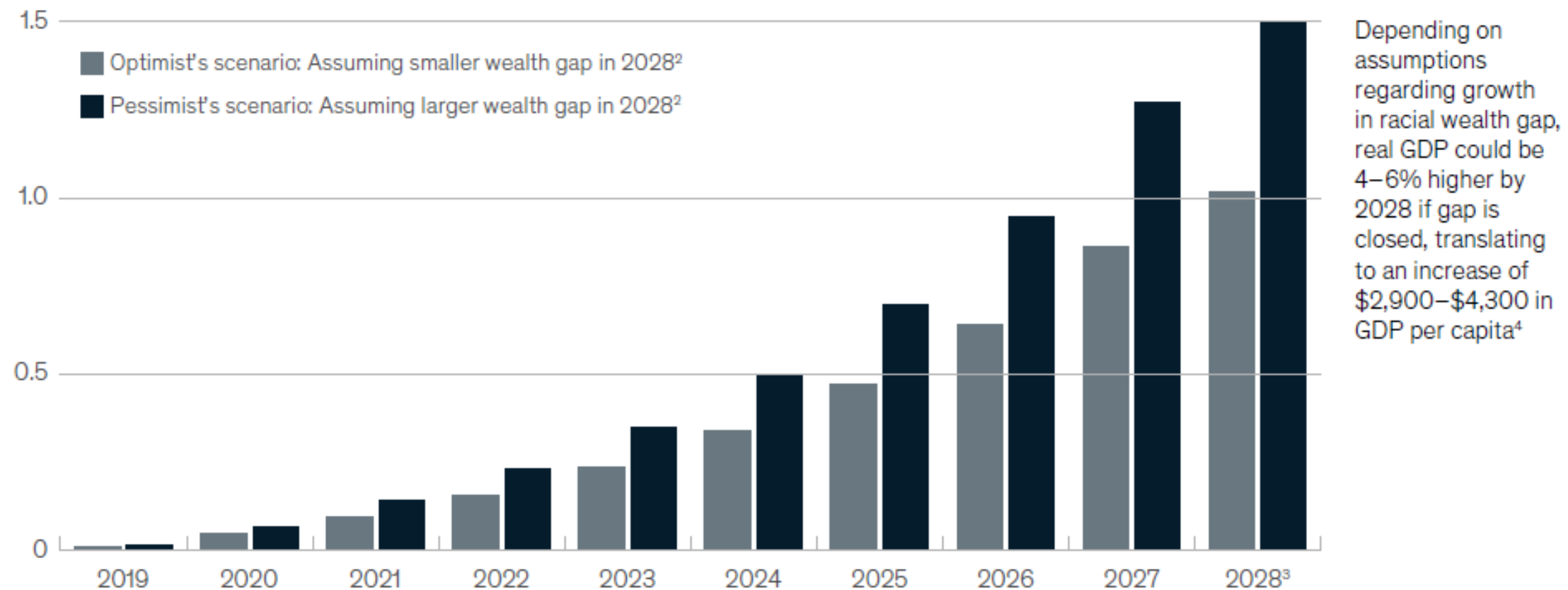
• NAHRO – Diversity, Equity & Inclusion •

Leveraging our Programs to Improve Outcomes?

- **Contracts/Purchases**
 - MBE/WBE/DBE
 - Section 3
- **HCV/Mobility**
- **PBV/Mobility**
- **FSS/ROSS**
- **Moving to Work**
- **CDBG/HOME**
- **LIHTC**

By closing the racial wealth gap, the US GDP could be 4 to 6 percent higher by 2028.

Real GDP increase from closing racial wealth gap, \$ trillion¹



¹2018 dollars.

²Assumes that, over time, wealth gap will close in linear fashion, reaching scenario's assumed targets by 2028.

³\$2,631 billion–\$3,990 billion in nominal dollars.

⁴\$7,500–\$11,400 in nominal dollars.

Source: "2016 survey of consumer finances," Federal Reserve Board, September 2017, [federalreserve.gov](https://www.federalreserve.gov); Oxford Economics;

McKinsey Global Institute analysis

What does it Mean?

- 25% of GDP growth from the 60s to now due to women and minorities in the workplace
 - Projecting 4-6% growth by 2028
 - Projecting \$8 trillion in increased economic output by 2050
 - \$ 2.6T in spending power by 2050.
- By 2050 >50% of US population will be BIPOC
- 49% of Illinois' youngest learners are children of color – Do you know what % this in your state?
- Increased local revenues, less folks needing safety-net services



The Business Case for More Diversity

Wall Street Journal, October 26, 2019

“Diversity helps create long-term shareholder value,” says Lottie Meggitt, responsible-investment analyst at Newton Investment Management, a unit of Bank of New York Mellon. “Too often we have seen companies fail or make poor decisions where teams are populated with individuals who all think the same, or who are unwilling or unable to challenge the status quo.”

Operating margin of top 20 firms: 12%

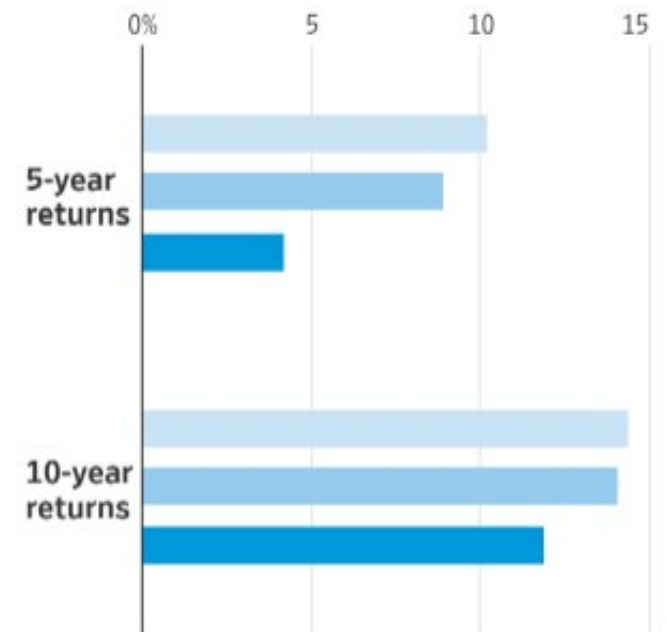
Operating margin of bottom 20 firms: 8%

Diversity and the Market

The stocks of companies that score well in diversity have outperformed low scorers.

Diversity and inclusion performance

■ Top 20 performers ■ Mid performers ■ Bottom 20 performers



Note: Average compounded annual total stock return data is for the five and 10 years ended June 28.
Source: WSJ environment, social and governance research analysts

Board Diversity

Board Diversity

	Score			
	0-25 Weak	26-50 Mid-to-weak	51-75 Mid-to-strong	76-100 Strong
	Board			
	Gender diversity	Age diversity	Independence	
Financials	13	79	93	
Communication services	20	89	77	
Consumer staples	14	89	88	
Consumer discretionary	23	90	90	
Health care	13	84	95	
Information technology	9	85	91	
Industrials	6	85	93	
Real estate	14	88	95	
Utilities	11	66	96	
Energy	5	81	93	
Materials	11	73	95	
S&P 500	13	83	92	

17 companies in the S&P 500 fully report ethnic diversity at the board level.

Millennials also are largely absent from top positions at S&P 500 companies, with only 22 firms having at least one board member under the age of 40

- NAHRO – Diversity, Equity & Inclusion •



Senior Mgmt Diversity

Senior Management/Workforce Diversity



20 companies in the S&P 500, or 4%, fully disclose ethnic diversity in senior management.

- NAHRO – Diversity, Equity & Inclusion •





Business Benefits

- Diversity and business performance are correlated – Leadership inclusion matters
- Penalty in performance without diversity - competitive advantage
- Employee turnover - Belonging helps people stay
- Reduction in skills gap: More workers available
- Forbes: Jan 2020: Companies with above average diversity
- EBIT margins 10% higher (Performance)
- 45% Revenue comes from products introduced in the last 3 years vs only 26% (innovation)

What systems need to change?

Housing: Where we live dictates economic outcome

Education:

Early childhood education

Equitable school funding

Reduce expulsions

Inclusive school zoning to encourage diversity

Entrepreneurship/Workforce

Health outcomes - improve access, targeted prevention

Criminal Justice and restorative justice

Advancing Equity Measuring What Matters

<https://nationalequityatlas.org/> **PolicyLink**

The National Equity Atlas is a first-of-its-kind data and policy tool for the community leaders and policymakers who are working to build a new economy that is equitable, resilient, and prosperous. It is a comprehensive resource for data to track, measure, and make the case for racial equity and inclusive prosperity in America's regions, and states, and nationwide.

Demographics	Economic Vitality	Readiness	Connectedness	Economic Benefits
Race/ethnicity	Wages: \$15/hr	Educational attainment	Commute time	Eliminate rent burden
Nativity and ancestry	Wages: Median	Disconnected youth	Housing burden	Racial equity in income
People of color	Poverty	School poverty	Car access	
Population growth	Working poor	Life expectancy	Air pollution	
Racial generation gap	Unemployment		Neighborhood poverty	
Diversity index	Income growth			
Median age	Income inequality			
	Homeownership			
	Business ownership			
	Business revenue			
	Job and wage growth			
	Job and GDP growth			

Thank you!

Ron Clewer

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