

POWERING INCLUSION

Awareness. Action. Accountability.

The Ultimate Economic Multiplier: Closing Racial Wealth Gaps

JANUARY 21, 2020





Tawanna Black
Founder & CEO





CENTER FOR
**ECONOMIC
INCLUSION**

Fueling the Pathway to
Economic Inclusion
& Shared Prosperity



Nation's first organization dedicated exclusively to advancing **cross-sector solutions** to create a regional economy that works for everyone by **disrupting systems** and influencing market forces to **catalyze shared prosperity**.

THE CHOICE IS **OURS.**



Data-Informed, Market-Responsive Solutions That Center People of Color



ECONOMIC DEVELOPMENT	HUMAN CAPITAL	TRANSIT & ACCESS
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Entrepreneurship & Business Growth



Regional Investment



Talent Development



Wages & Employment



Transit & Transportation



Housing

Strategic Objectives

1

Create broad, **measurable shared accountability** for creating an inclusive economy among decision & policy makers

2

Disrupt stagnant, exclusive systems with **productive private and public sector solutions at scale** to move our region forward

3

Partner to enable the regional and **place-based infrastructure of racial and economic opportunity**

Foster **operational excellence** and a high-performance culture



Indicators for an Inclusive Regional Economy



INCLUSIVE
GROWTH



ECONOMIC
DEVELOPMENT



HUMAN
CAPITAL



TRANSPORTATION
AND ACCESS

14 indicators in 4 key dimensions of economic inclusion inform actions

Online Platform allows leaders to explore intersectional and population level data, solutions, and partners...

...and to connect indicators to actions that will increase economic inclusion and grow the regional economy.



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POWERING INCLUSION

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Duwain Pinder

The Economic Impact of
Closing the Racial
Wealth Gap



The economic impact of closing the racial wealth gap

Center for Economic Inclusion: Powering Inclusion

January 21, 2020

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Global firm...

90

years of experience, first office opened 1927

116

Offices in 61 countries, consultants from 130+ nationalities

30,000

Employees worldwide

...with sector shaping insights on Diversity and Inclusion



366

companies studied in North America, Latin America, and the United Kingdom



\$28T

global GDP growth opportunity found in research on closing the global gender gap



1000+

companies studied across

12 countries and **7** industries



250+

companies benchmarked in study conducted with LeanIn.org and WSJ



11

years of Women Matter research building case for change and benchmarking global performance

Black Economic Forum: 200+ Black leaders across all three sectors discussing solutions to close the racial wealth gap

The Alliance: 100+ Global LGBTQ+ leaders discussing recruitment, inclusion and advancement of LGBTQ+ leaders

Hispanic and Latino Economic Forum: 50+ leaders representing 10+ nationalities discussing increasing economic opportunities for the Hispanic and Latino community



Philanthropy and Social Impact: Accelerating the impact of black philanthropic dollars



Expanding Black Businesses: Addressing the obstacles that prevent black business expansion



Future of Work: Re-skilling the black workforce in the face of automation disruption



Wealth Generation: Identifying the underlying factors of the racial wealth gap



Financial Inclusion: Increasing the inclusiveness of the financial services industry

McKinsey
& Company

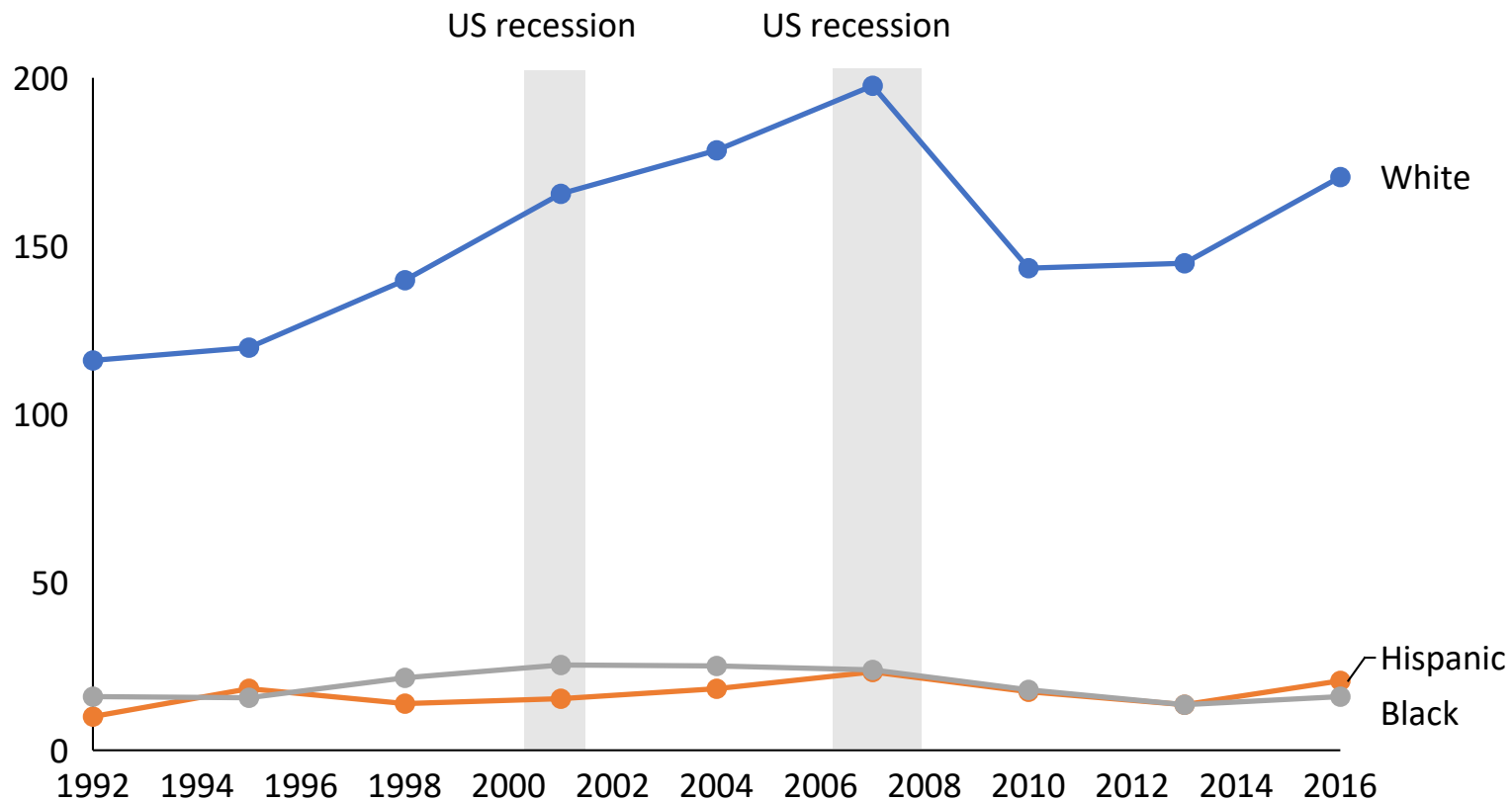


Public Sector Practice

The economic impact of closing the racial wealth gap

August 2019

Median family wealth in 1992-2016 by ethnicity/race. \$ thousand¹



1. 2016 dollars

Source: "2016 survey of consumer finances." Federal reserve Board, September 2017, federalreserve.gov



Human Impact

The US racial wealth gap puts **downward pressure on socioeconomic mobility**, disadvantaging black individuals, families, and communities

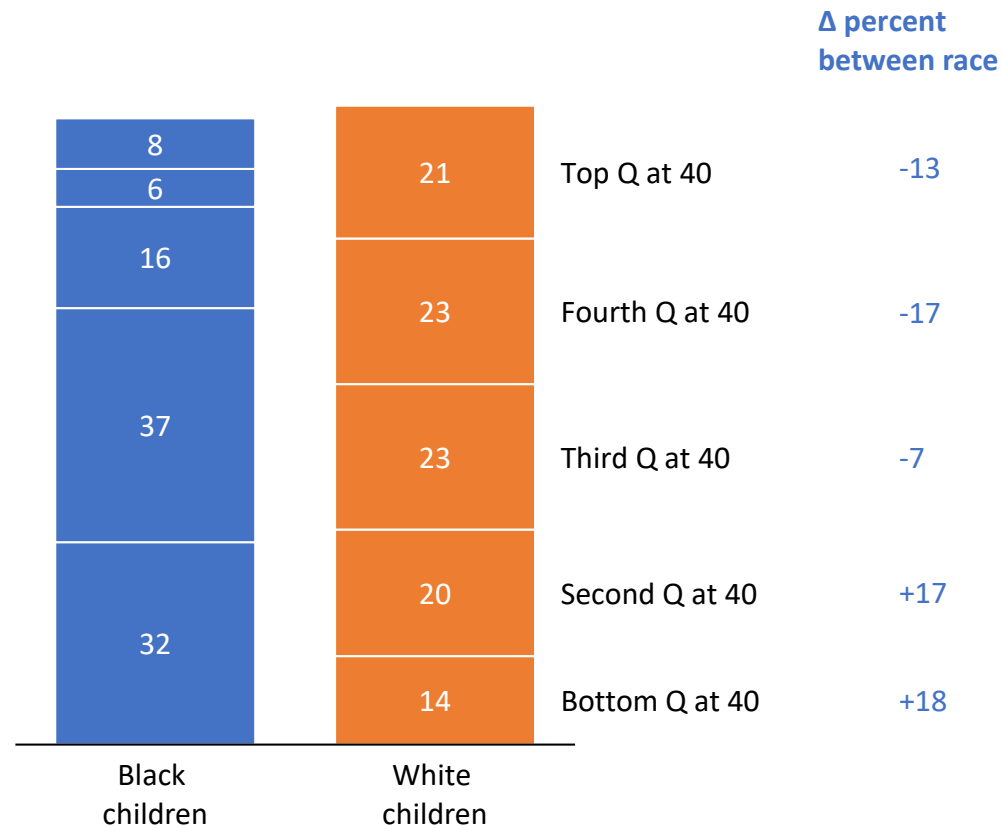


Economic Impact

The US racial wealth gap also **constrains the US economy as a whole** through several channels

Q = Quintile

Intergenerational income mobility for black & white middle class children, Percent, income quintile as adult



70%

Middle class Black children are likely to fall out of the middle class as adults (vs. 34% of White children)

How differences in wealth impact socioeconomic mobility



Individuals: Better access to job networks



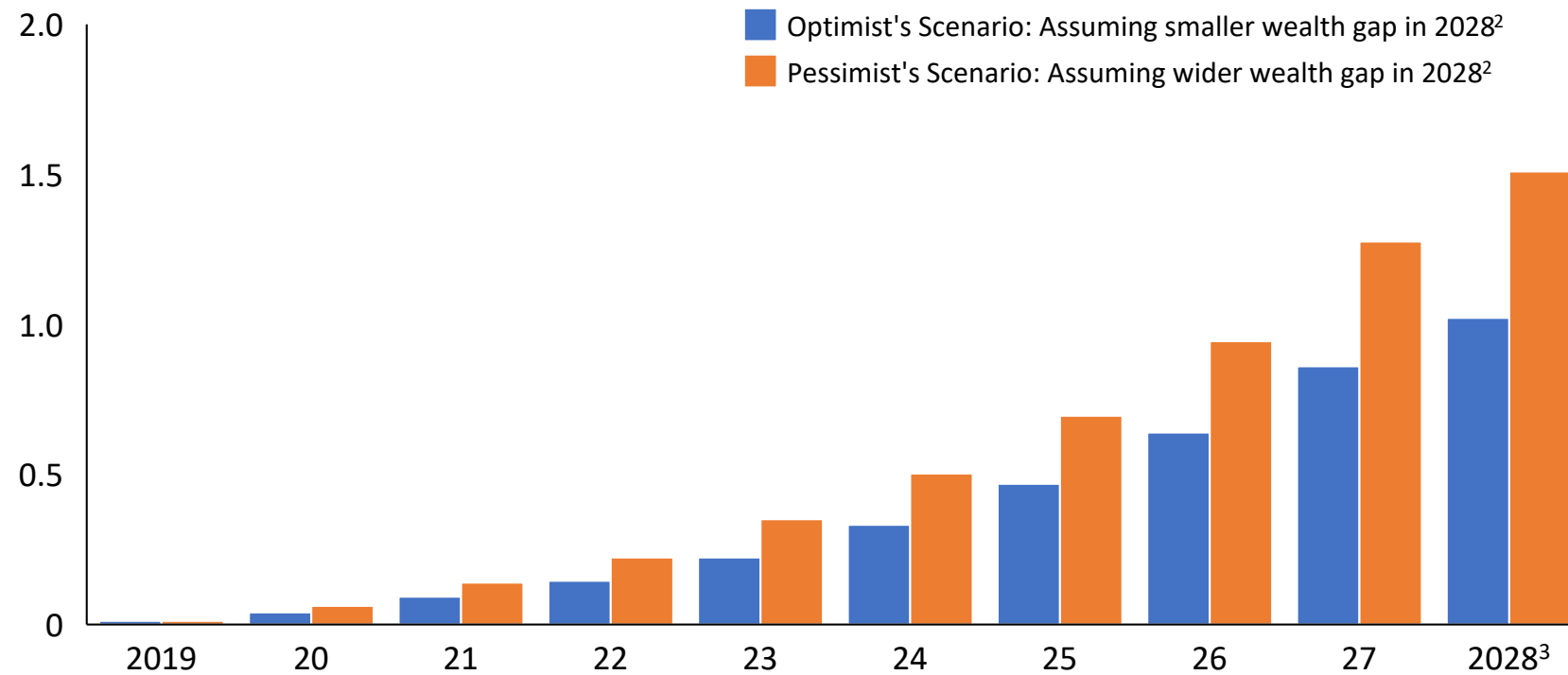
Families: More resources and incentive to invest in children's education



Communities: Upward mobility begets more upward mobility (and vice versa)

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



11-12K

Total increase in GDP⁴ per capita between 2018-2028, greater than any expansion in the last 30 years

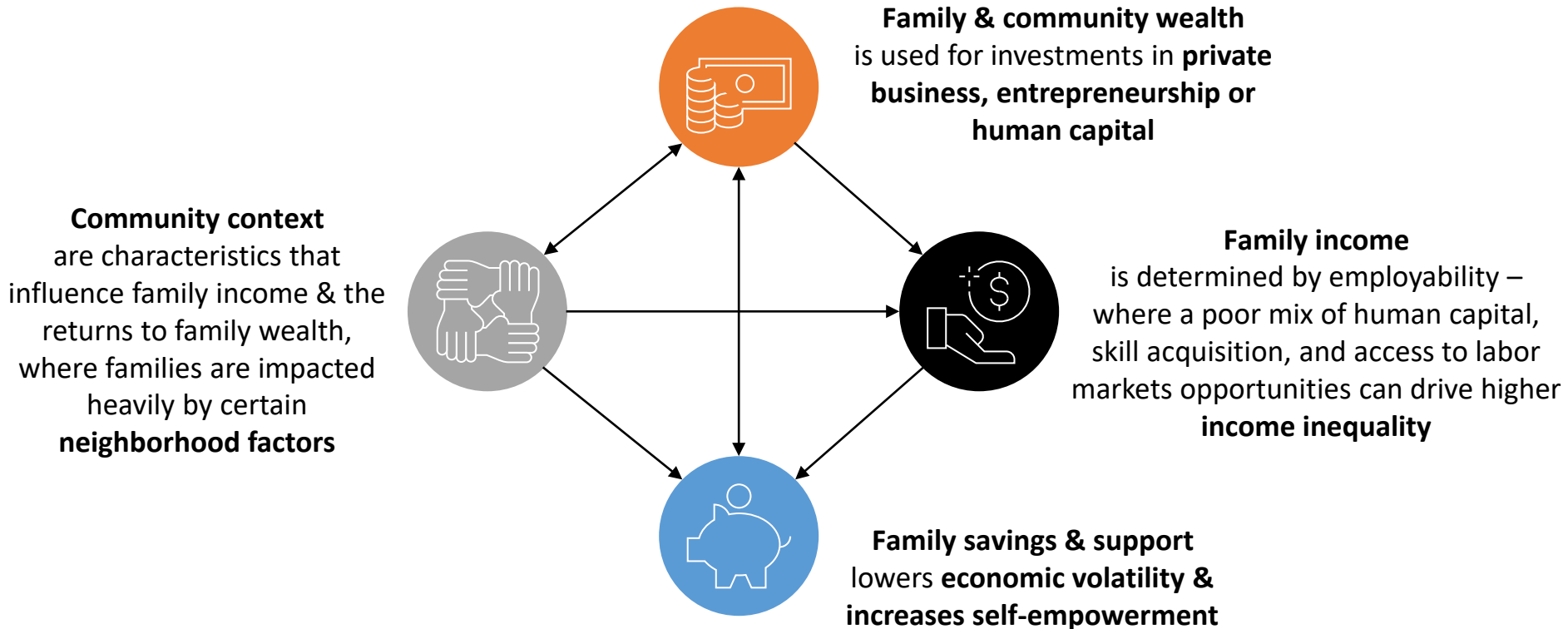
¹ 2018 dollars ² Assumes that over time, wealth gap will close in linear fashion, reaching scenario's assumed targets by 2028

³ \$2,631 billion - \$3,990 billion in nominal dollars

⁴ \$7,500 - \$11,400 in nominal dollars

Interactions among the elements of family-wealth generation can promote economic stability, help propel families toward prosperity, or impede progress

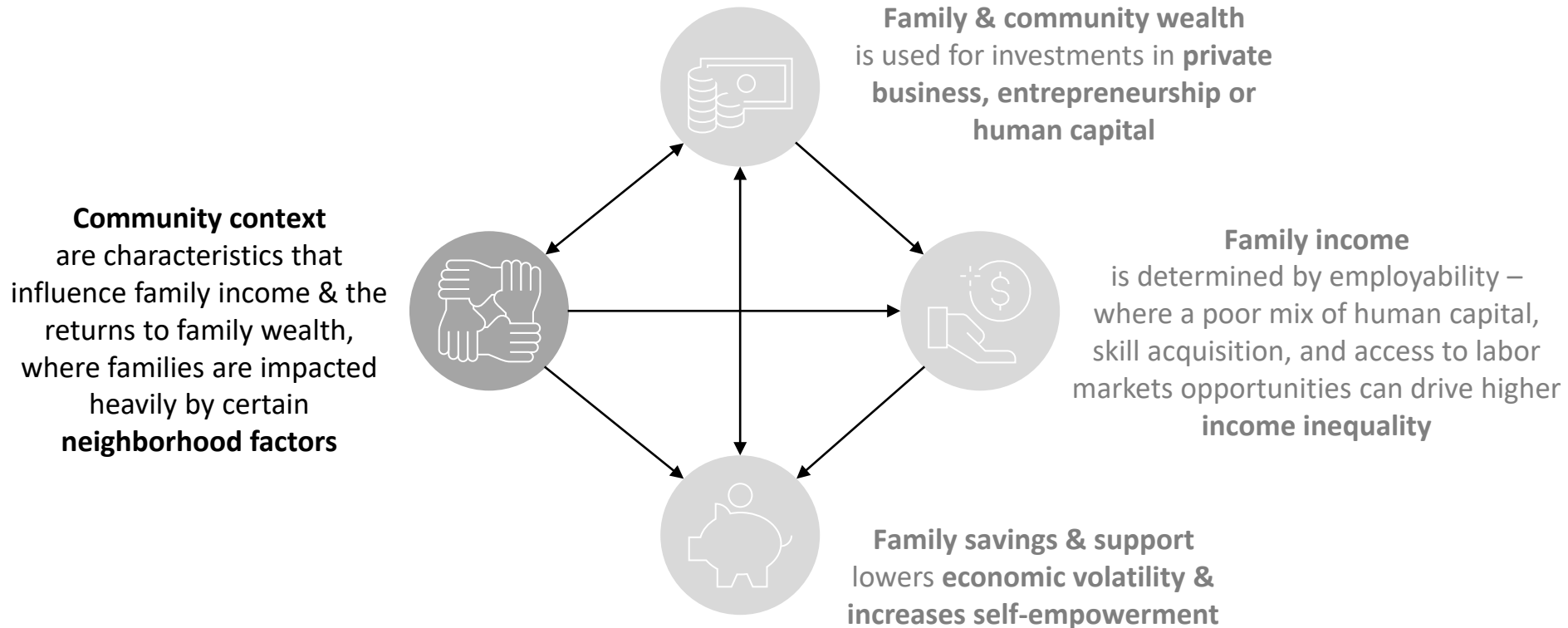
Racial wealth gap framework



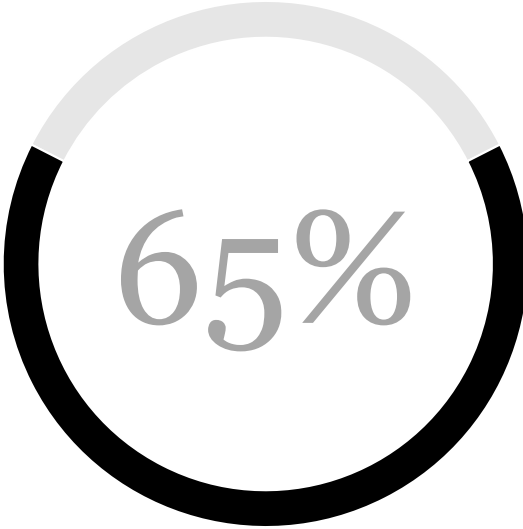
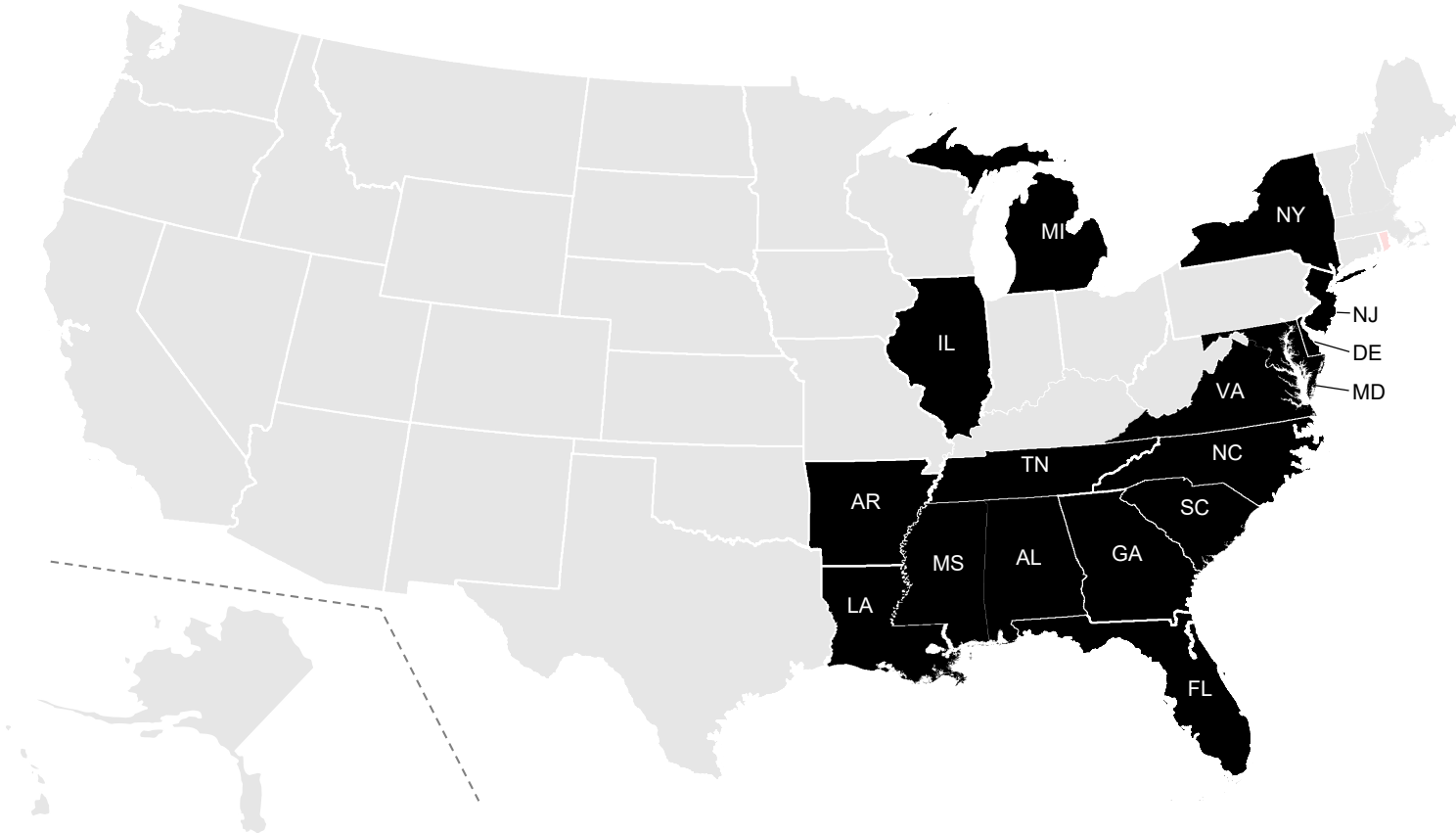
- 1 Understand what created the gap
- 2 ID the differences that drive the gap
- 3 Understand what keeps the gap in place

Interactions among the elements of family-wealth generation can promote economic stability, help propel families toward prosperity, or impede progress

Racial wealth gap framework



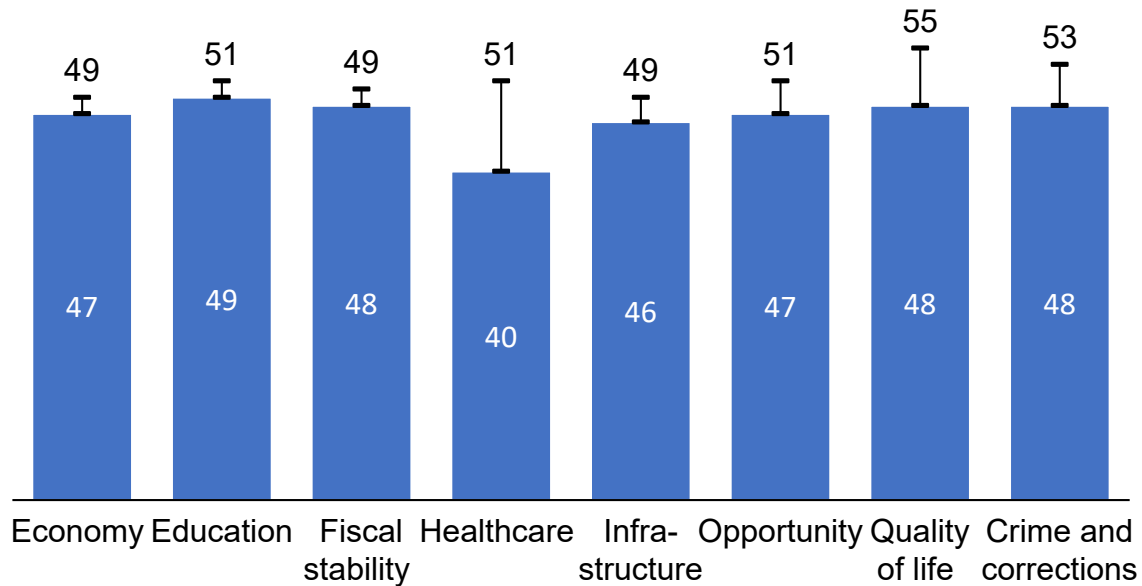
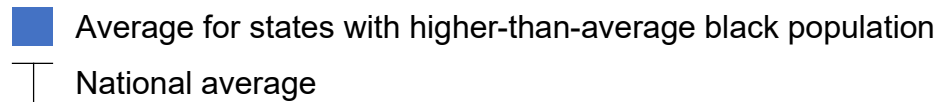
There are 16 states in which black population exceeds national average¹



of the black population
is concentrated in these
16 states

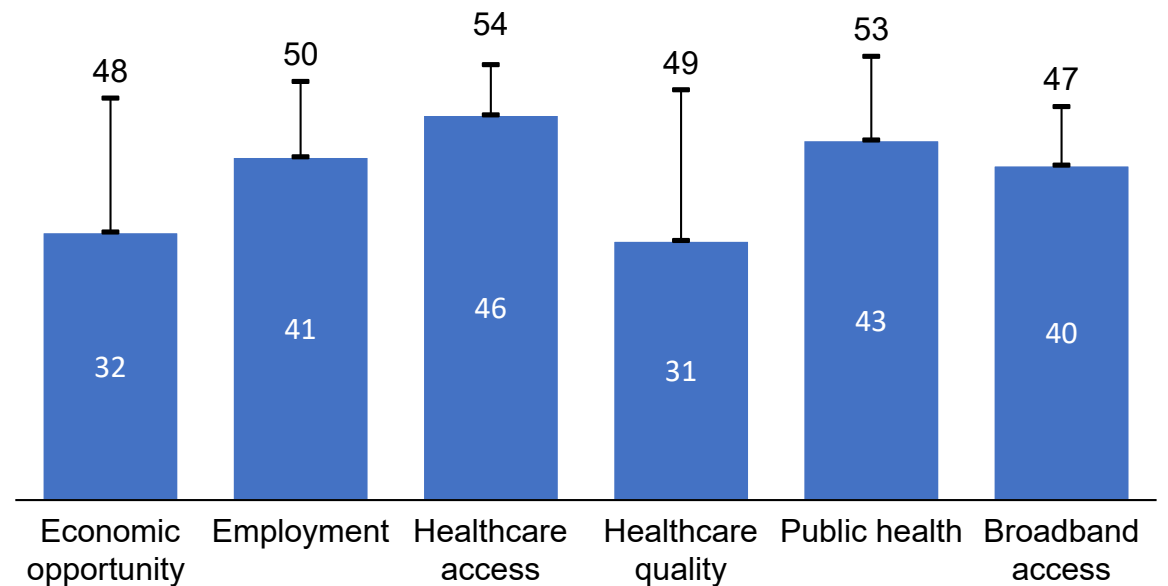
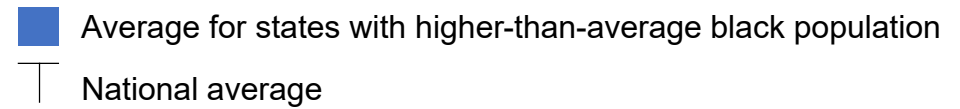
On average, these states score below national average in every Leading States Index² category that includes 77 metrics of state performance

Leading States Index scores



These states score well below national average in Leading States Index² subcategories that can accelerate wealth generation

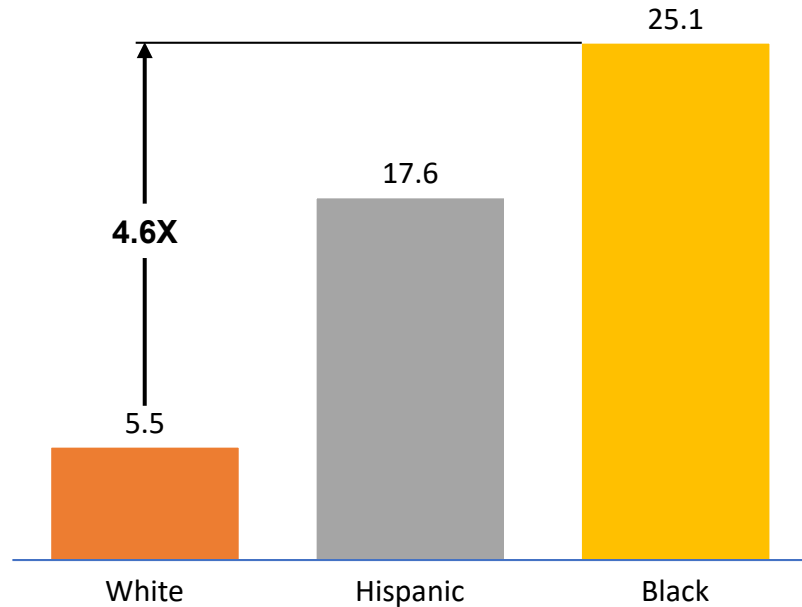
Leading States Index scores



1 Defined as states in which proportion of black residents is greater than national average (13.4%)

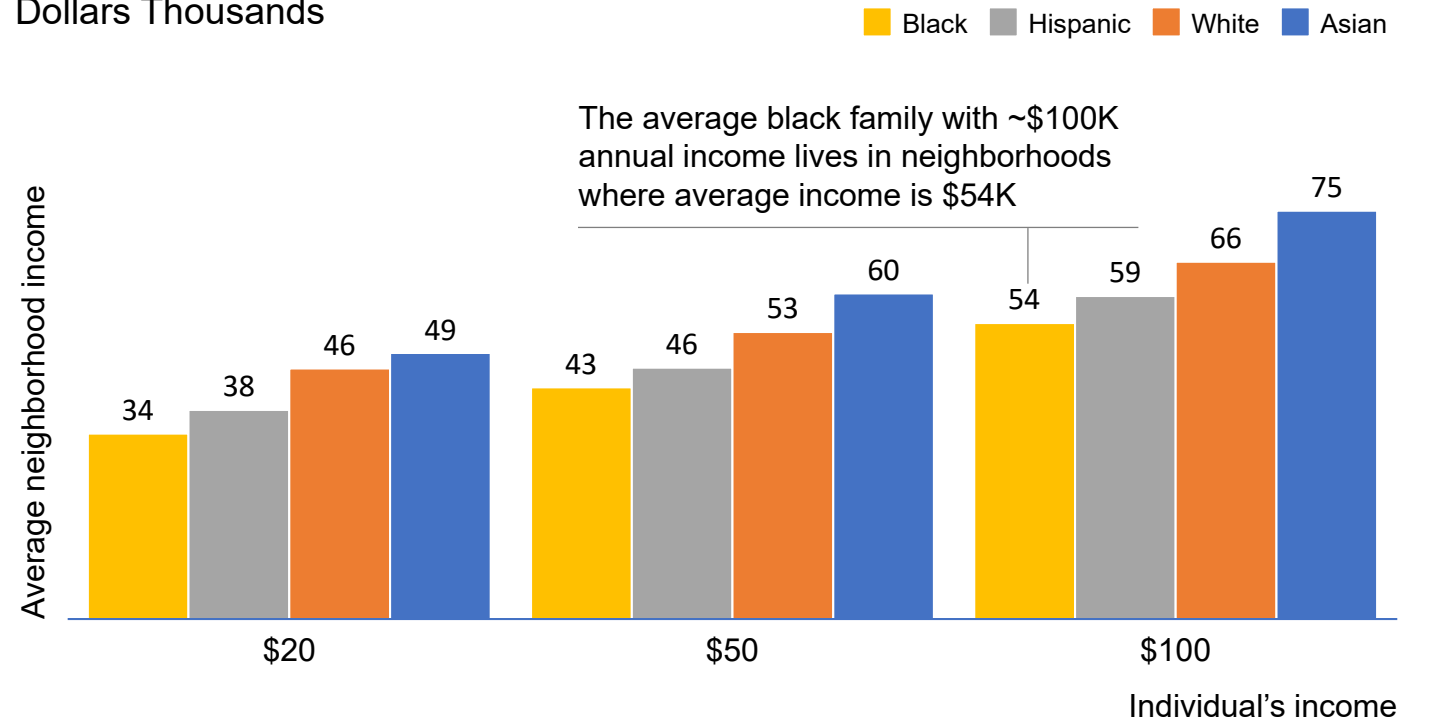
2 Scores on Leading States Index can range from -150 to 150

Concentrated poverty rate (2010-2014) Percent



Black families are 4.6 times as likely to live in areas of concentrated poverty compared to White families

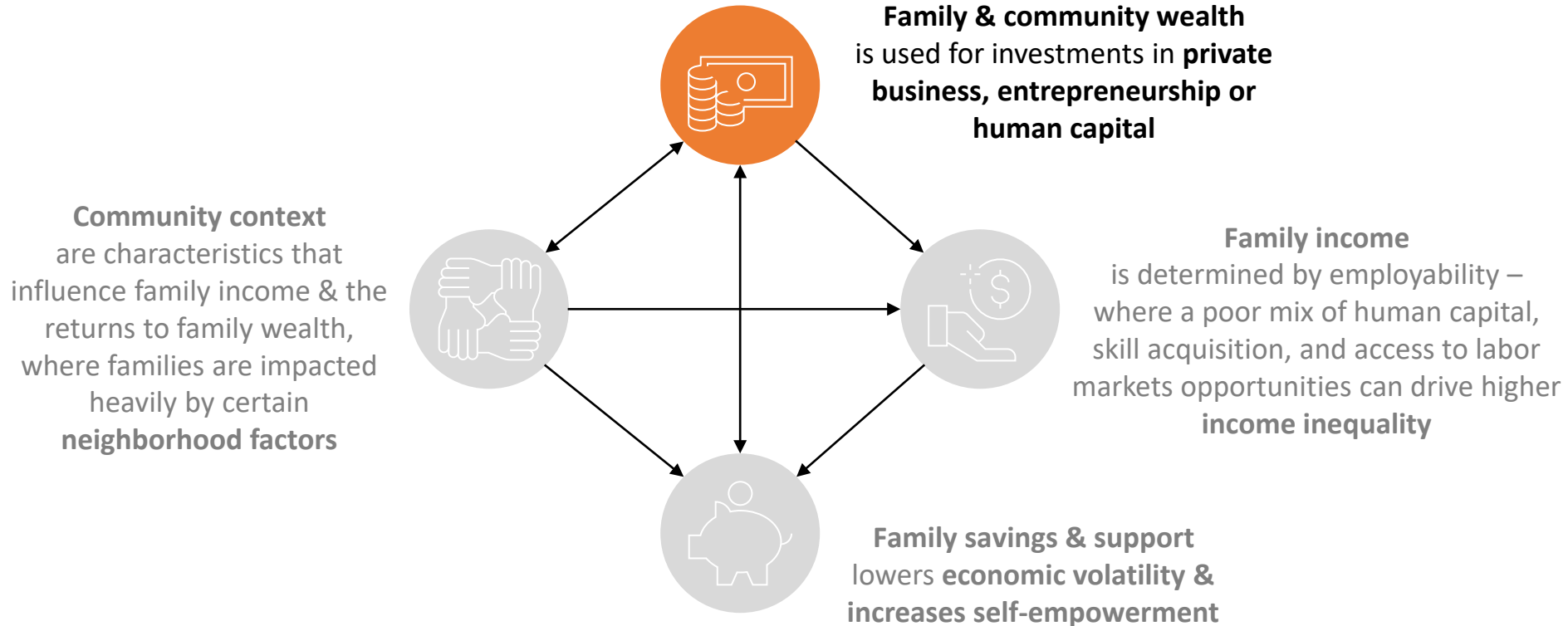
Neighborhood median income, by household income (2009) Dollars Thousands



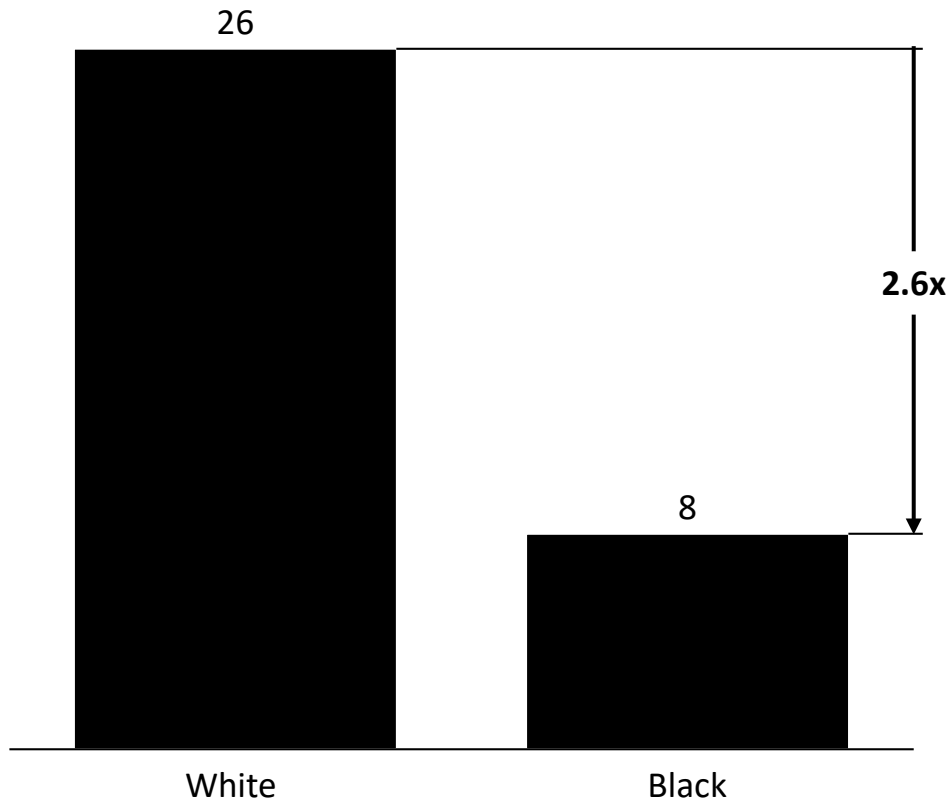
All Black families, regardless of income, are more likely to live in poorer neighborhoods

Interactions among the elements of family-wealth generation can promote economic stability, help propel families toward prosperity, or impede progress

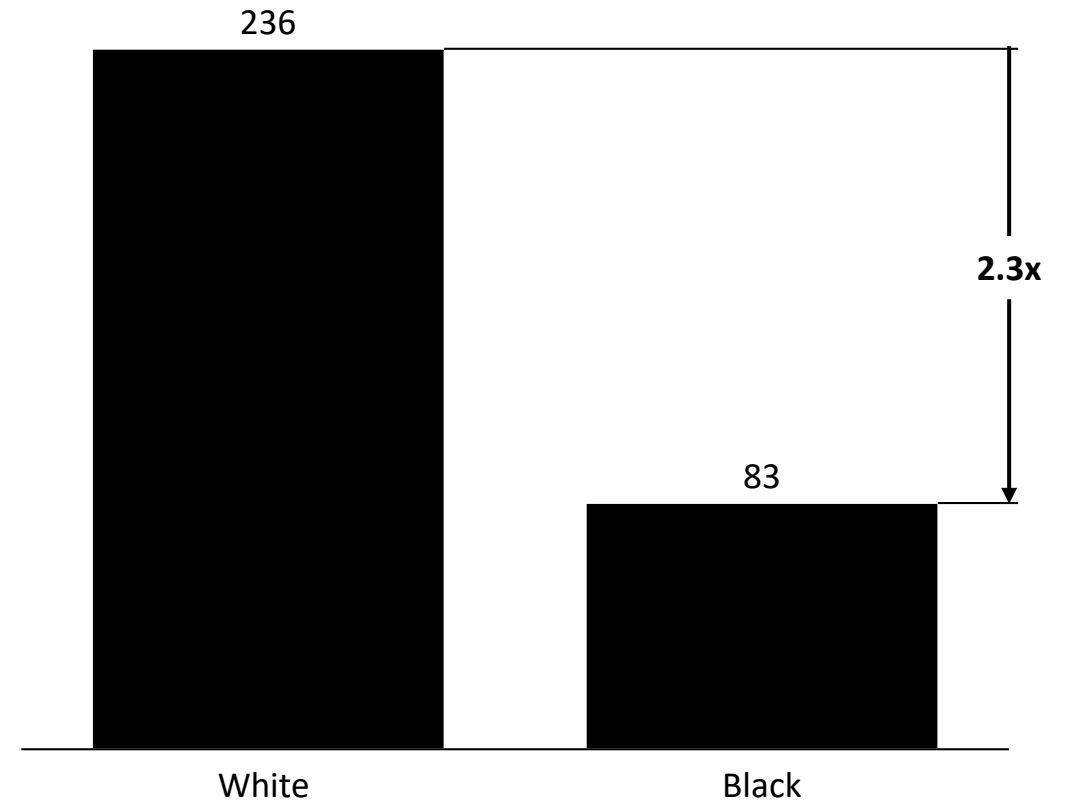
Racial wealth gap framework



Share of population receiving inheritance in 2016, %

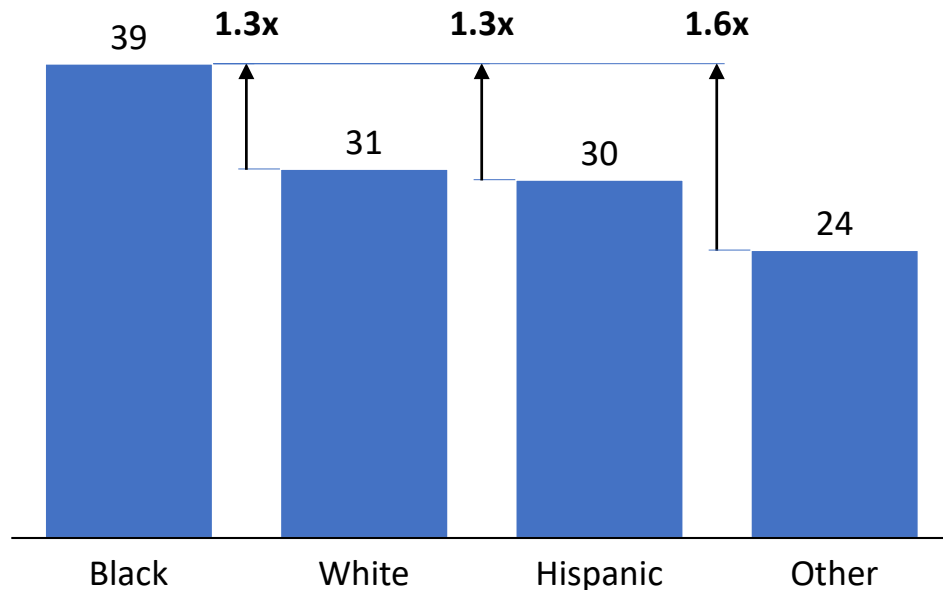


Average inheritance value in 2013, \$ thousand



Share of people ages 25-55 with student loan debt by race/ethnicity (2014)

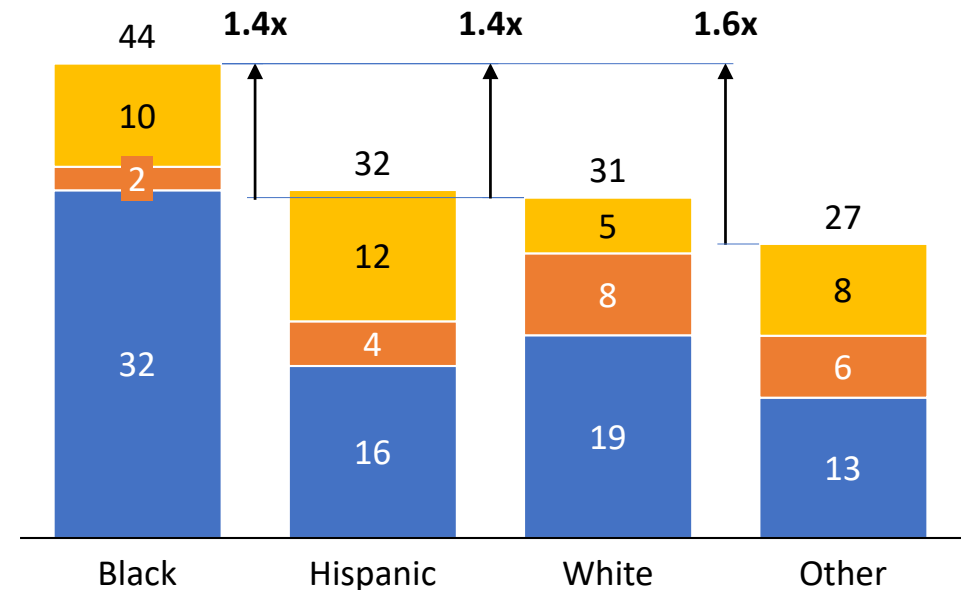
Percent



Average debt for adults age 25-55 by race/ethnicity and loan beneficiary (2014)

Dollars Thousands

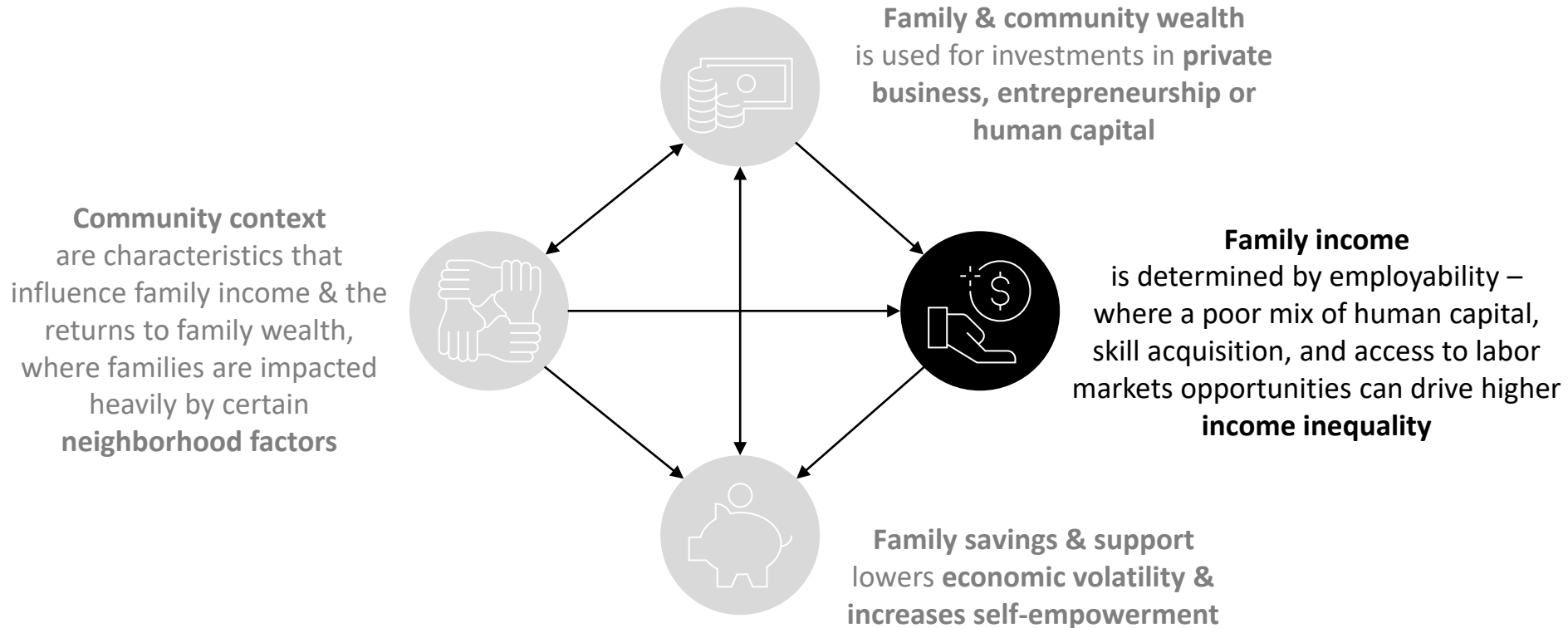
Child or grandchild Spouse Self



Black families are 1.3-1.6 times more likely to have student loan debt and have 1.4-1.6 times the student debt of other races

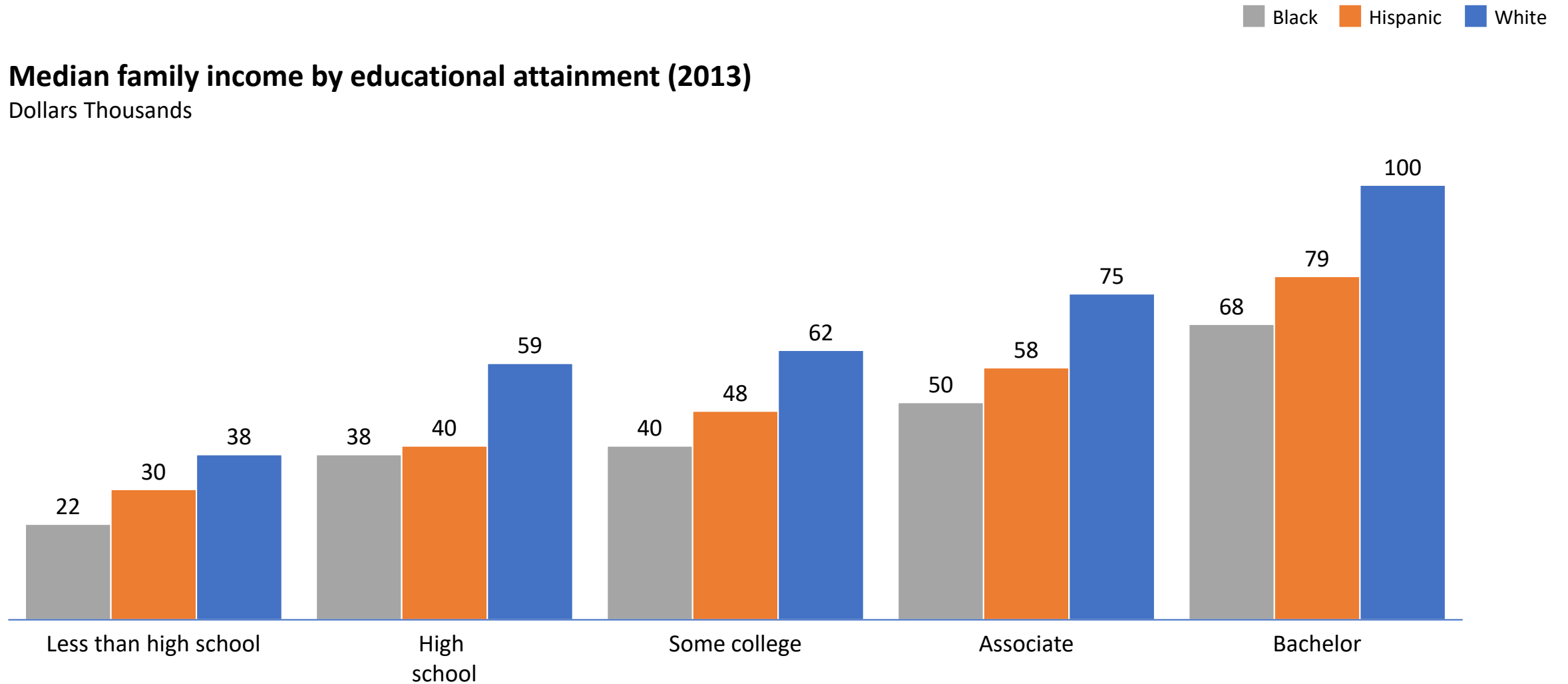
Interactions among the elements of family-wealth generation can promote economic stability, help propel families toward prosperity, or impede progress

Racial wealth gap framework



Median family income by educational attainment (2013)

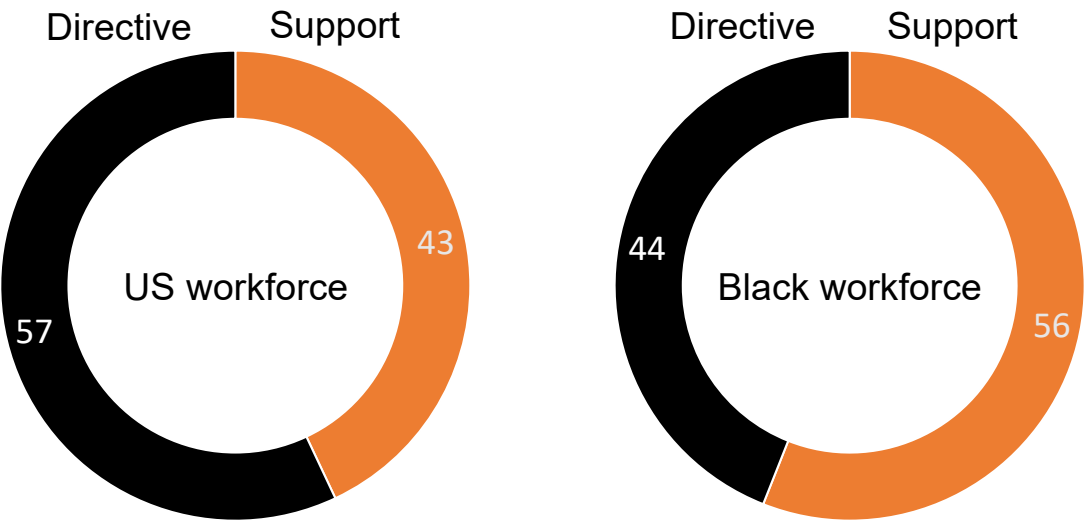
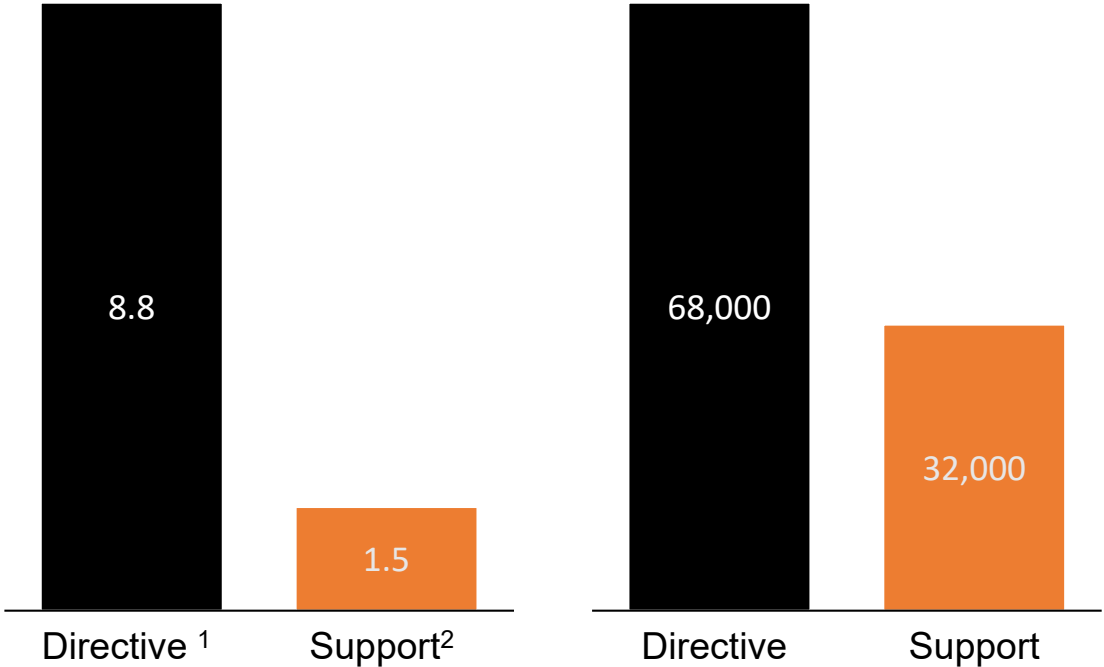
Dollars Thousands



2016-26 estimated average job growth, %

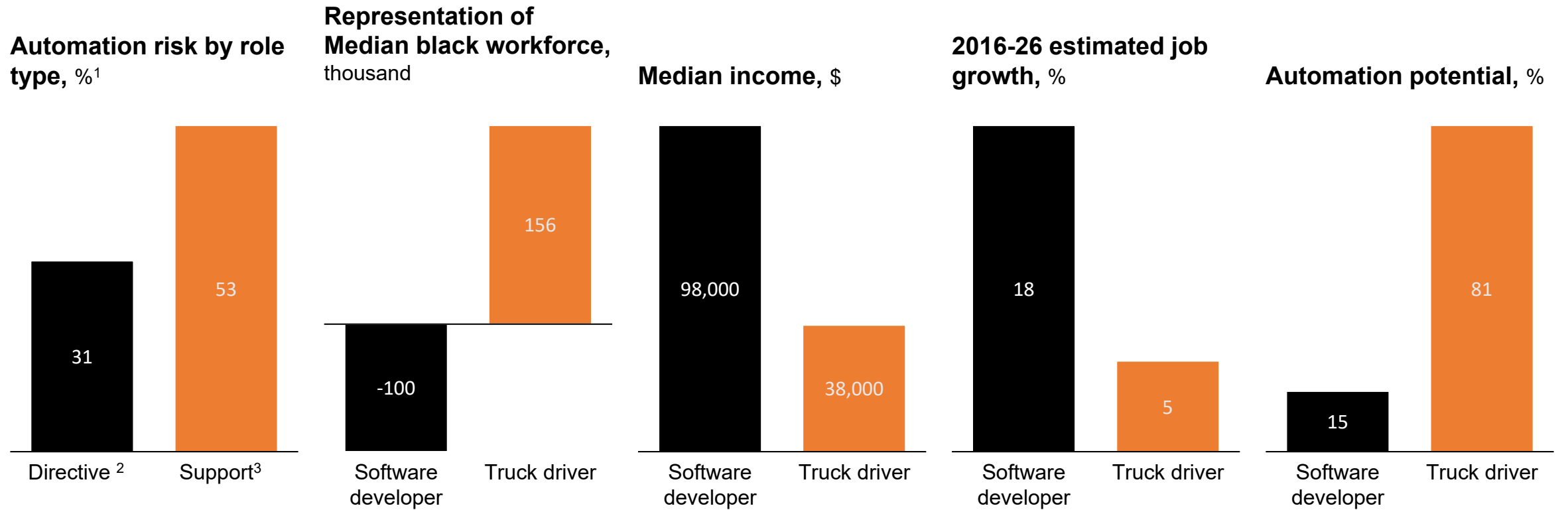
Estimated annual median income, %

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

Example occupations across role type

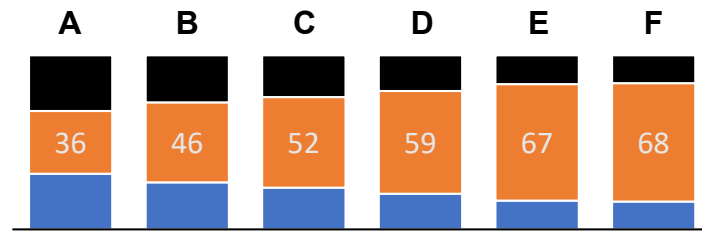


1. Share of employee time automatable by adapting currently available technology, as calculated by multiplying automation potential of each role by number of employees in each role
 2. Such as executive/senior-level officers and managers, first/middle-level officers and managers, professionals, craft workers, salespeople, and technicians
 3. Such as administrative-support workers, laborers and helpers, operatives, and service workers

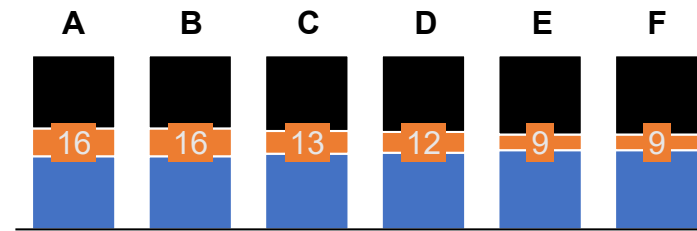
Share of professionals by role category, %¹

A Entry-level professional B Manager C Senior manager/director D Vice president E Senior vice president F C-suite professional

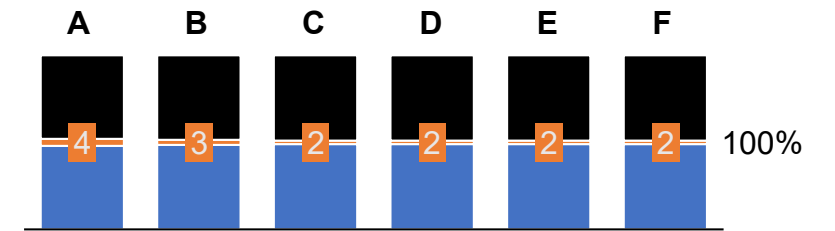
White Man



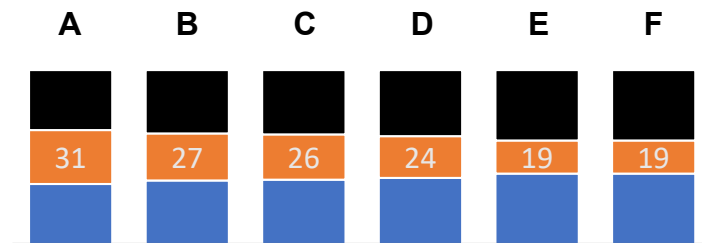
Men of color



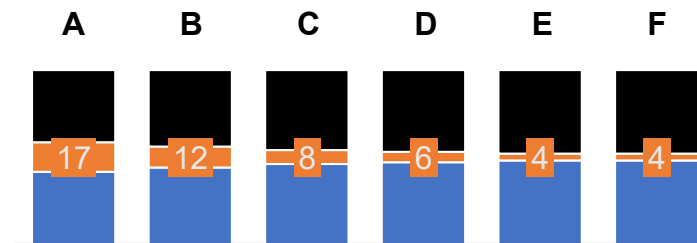
Black Men



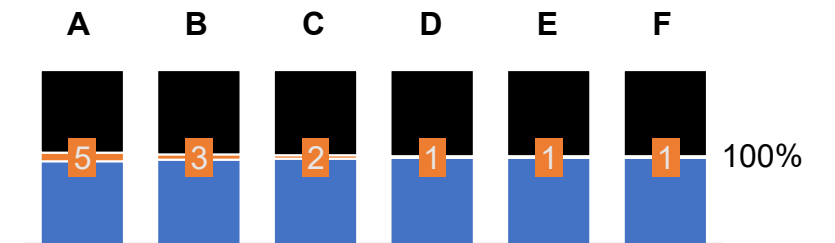
White Woman



Women of color



Black Women

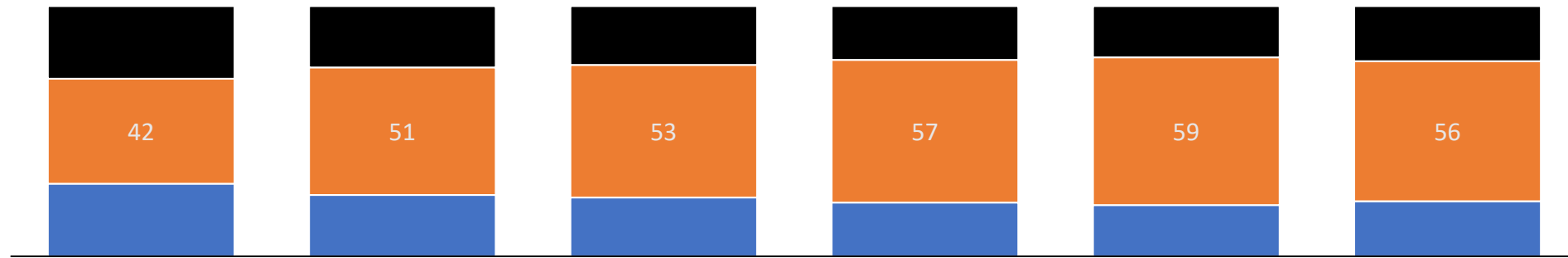


Entry level → C-suite

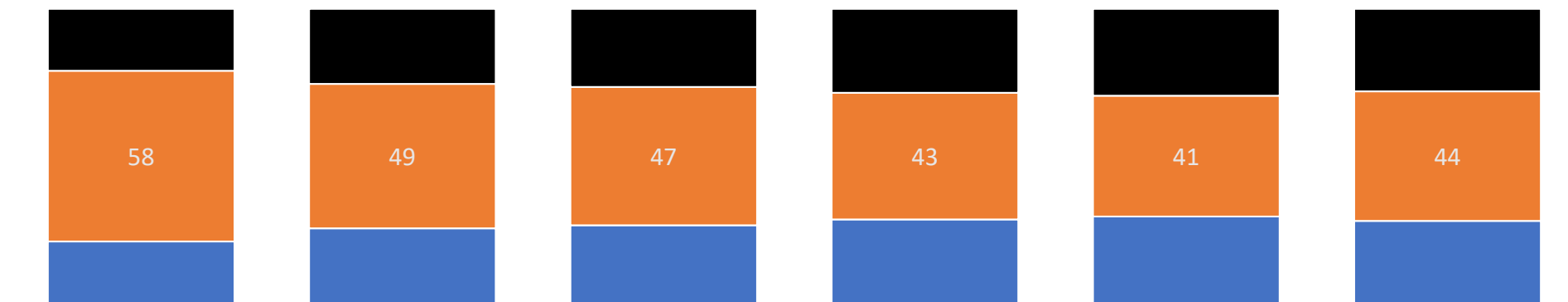
1. From study of 279 North America-focused companies. Figures may not sum to 100% because of rounding

Share of black professionals by role category, %¹

Black Men



Black Women



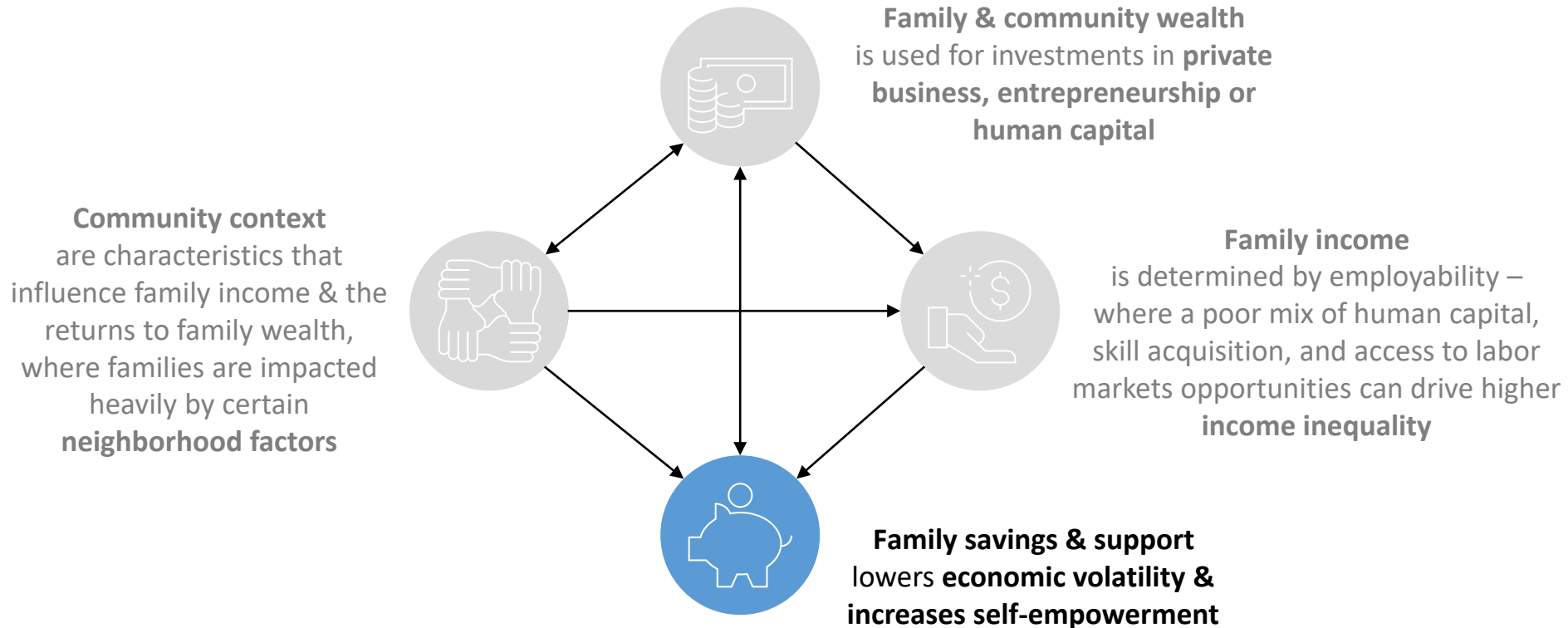
Entry level

C-suite

1. From study of 279 North America-focused companies.

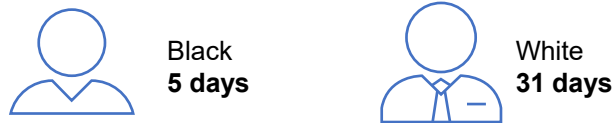
Interactions among the elements of family-wealth generation can promote economic stability, help propel families toward prosperity, or impede progress

Racial wealth gap framework



Differences in days' worth of income

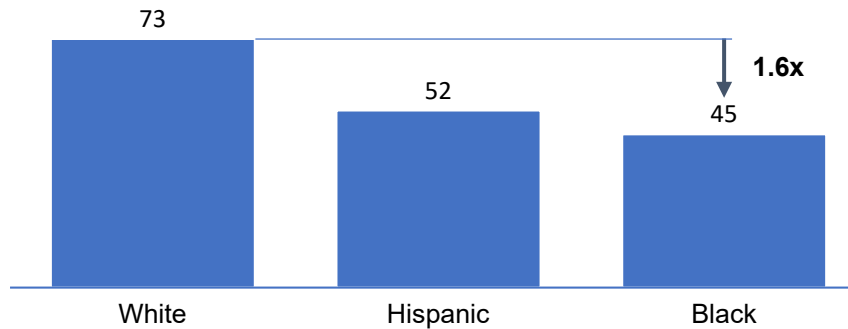
Typical days of liquid savings



Black families have less than 1/6 the days of liquid savings to manage income volatility and service debt compared to white families

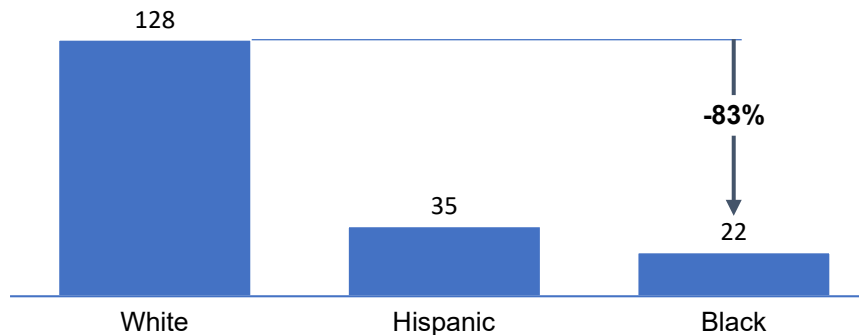


Proportion of population with access to \$3K through extended family support, Percent



Median wealth of population with access to \$3K

Dollars Thousands



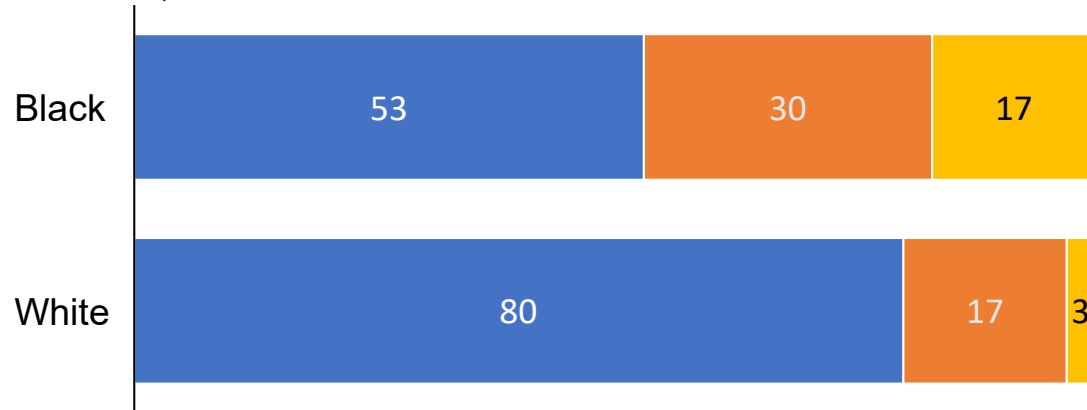
Unfavorable financial events that can be counteracted with access to short-term savings will disproportionately affect Black families

Addressing short term events constrains families from focusing on long-term saving and obtaining capital

47% of black households are either unbanked or underbanked¹...

... meaning they rely on alternative financial services like check cashing and prepaid cards, which pose significant costs

Banked rates among black and white households in 2017, %



\$40,000

Amount a full-time worker who cashes checks could save over course of full career by using a lower-cost checking account

1. Unbanked defined as not served by bank or similar financial institution; "underbanked" defined as not having sufficient access to mainstream financial services and products typically offered by retail banks



Equity capital creates accessible investment vehicles, develops channels for value capture and risk-taking for individuals, families & communities



Intellectual/Innovation capital drives the creation / dissemination of knowledge to jumpstart innovation, investment, and further research around unmet needs



Social/cultural capital increases the reach, power & influence of the Black community and reinforces positive internal / external narratives



Institutional capital transforms ecosystems by increasing the capacity, capabilities & inclusivity of institutions while driving increased collaboration & accountability

The four stages of family wealth generation help us choose which actions to prioritize to close the racial wealth gap



1 **Community context** describes long-term neighborhood conditions and characteristics that greatly influence **intergenerational mobility** & the returns to family wealth

2



Family wealth reflects investments in business, entrepreneurship, & human capital that power **opportunity creation & overall community prosperity**

3



Family income illustrates existing levels of human capital, skill acquisition, & labor market access that establishes **individual employability** & drives income inequality

4



Family savings & support represents **the amount and level of access to financial resources & tools** that mitigate **economic volatility** and create channels for self-empowerment



Priorities

Improve long-term neighborhood conditions for Black families



Expand the reach & impact of job-creating investments into Black communities



Increase the current & future employability of the Black labor force



Lower economic volatility & increase financial resources & tools for Black families

Levers for action

Equity capital, Intellectual/Innovation capital, Social / cultural capital, Institutional capital

Potential impact

Increase GDP by \$1-1.5 trillion



REACTION PANEL

MODERATOR: Tawanna Black

- René E. Isuk *Founder & President, ProsperLink, LLC*
- Audrey Lucas *Senior Partner, McKinsey & Company*
- David McGee *Founder & Executive Director, Build Wealth, MN, Inc.*
- Neeraj Mehta *Director of Learning, McKnight Foundation*
- Duwain Pinder *Engagement Manager, McKinsey & Company*
- Samuel Yamoah *Associate Partner, McKinsey & Company*

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|| INCLUSION

Upcoming

CEI

Activities & Events

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The logo for Powering Inclusion is located in the bottom right corner. It features a stylized graphic of three curved lines in blue and yellow, resembling a rising sun or a path, positioned to the left of the text. The text "POWERING INCLUSION" is written in a bold, purple, sans-serif font, with "POWERING" on the top line and "INCLUSION" on the bottom line.

POWERING
INCLUSION

REGIONAL GOAL SETTING

Indicators of Racial Inclusion, Belonging, and Economic Opportunity

5 Indicators of Regional Economic Inclusion

1. Working Poverty
2. Wage Change for Participants
3. 6 Year Graduation Rates (Public & Private)
4. Home Ownership: Middle-Income
5. Cost Burden: Low-Income Renters

POWERING INCLUSION

Awareness. Action. Accountability.



Annual Summit

April 30, 2020

7:30 a.m.-4:30 p.m.

Hilton Minneapolis

Register Today!

KEYNOTE:

Nikole Hannah-Jones

*The New York Times
Investigative Journalist &
Creator of The 1619 Project*

Thank You for Joining Us

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#poweringinclusion

The logo for Powering Inclusion, featuring the text "POWERING INCLUSION" in a bold, sans-serif font. To the left of the text are three vertical bars of varying heights, with the tallest bar on the left and two shorter bars on the right. The entire logo is set against a white background that is part of a circular graphic element in the bottom right corner of the slide.

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INCLUSION