

Diversity, Equity & Opportunity

The background features a grid of hexagons, each containing a different icon representing various fields: transportation (train, bus, car), science (test tubes, microscope, DNA), education (graduation cap, presentation board), industry (gears, house with plant), and government (state capitol building, state map).

MASSACHUSETTS
HIGH TECHNOLOGY COUNCIL

Dedicated to Growth... Committed to Action

Virtual Roundtable Series

September 10, 2020

Diversity, Equity & Opportunity

MHTC Virtual Roundtable Series

A presentation by **Duwain Pinder**, Associate Partner, McKinsey & Company and co-author of the “**The economic impact of closing the racial wealth gap.**”

A conversation with **William "Mo" Cowan**, President - Global Government Affairs, Policy and Developed Markets; Leader, Boston Development and Operations, General Electric.

The economic impact of closing the racial wealth gap

Massachusetts High Technology Council Diversity,
Equity and Opportunity Virtual Roundtable

September 2020

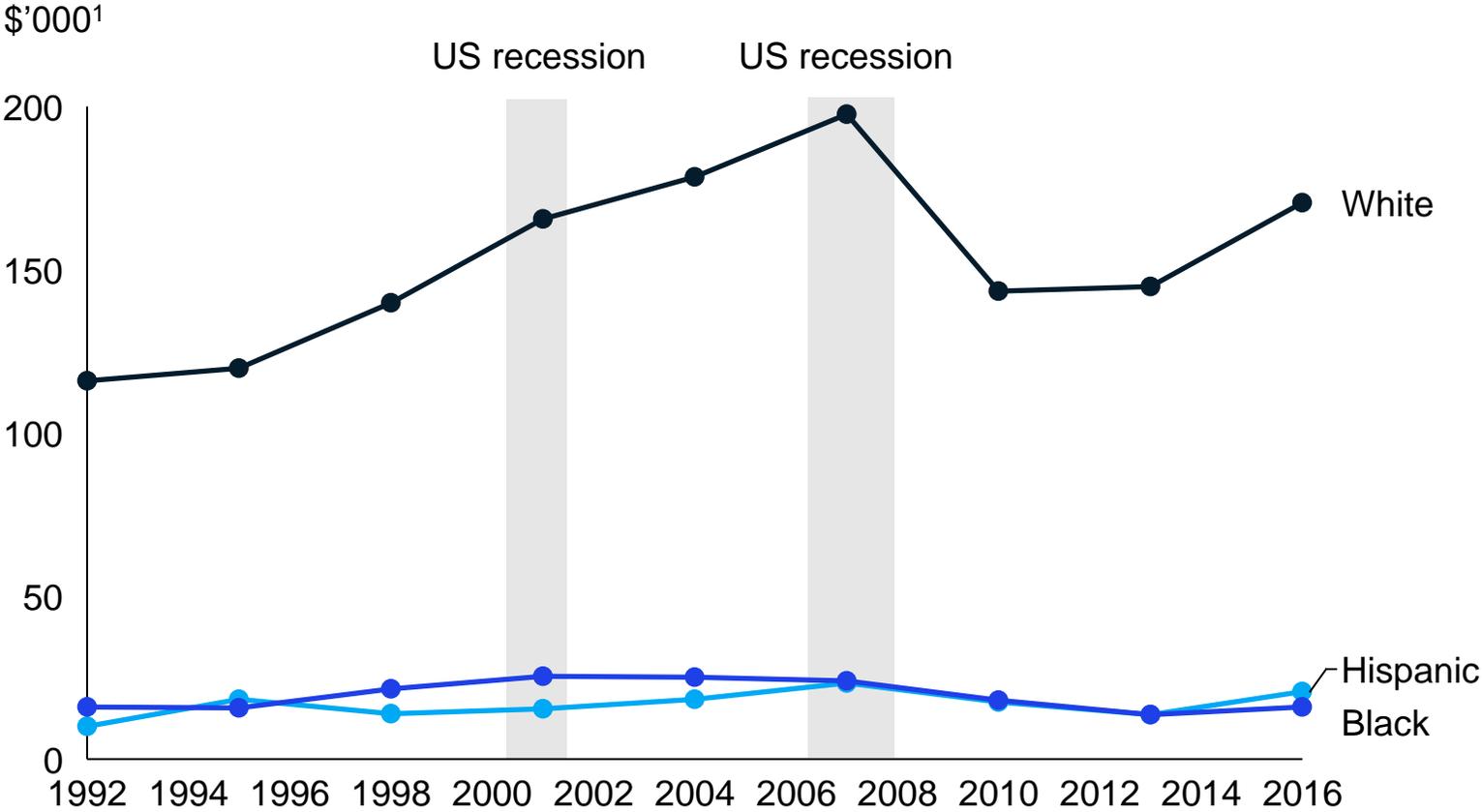
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This wide and persistent gap in wealth between white and black families creates two kinds of negative impacts

Median family wealth from 1992-2016 by ethnicity/race



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

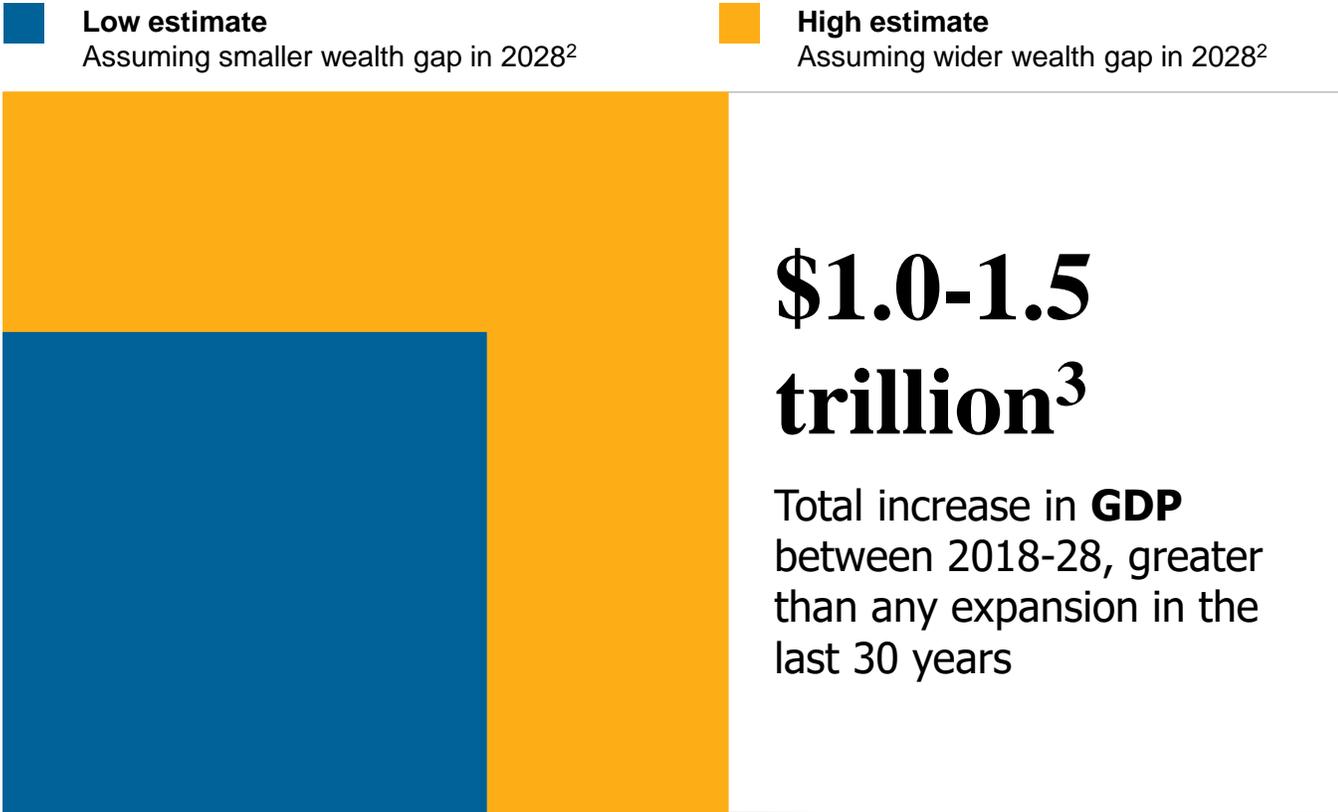
1. 2016 dollars

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

In 2019, we quantified the potential economic cost of the U.S. Racial Wealth Gap between Black and White families as \$1.0-1.5 trillion

Real GDP increase from closing Racial Wealth Gap (RWG)

\$ Trillion¹



**\$11,000-
\$12,000⁴**

Total increase in **GDP per capita** between 2018-28, 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 \$2631 billion - \$3,990 billion in nominal dollars
 4 \$7,500 - \$11,400 in nominal dollars

The racial wealth gap is the legacy of historical forces that have created a vicious cycle of persistent & systematic differences in opportunity

There are four key systemic challenges that underly the main barriers found in our framework



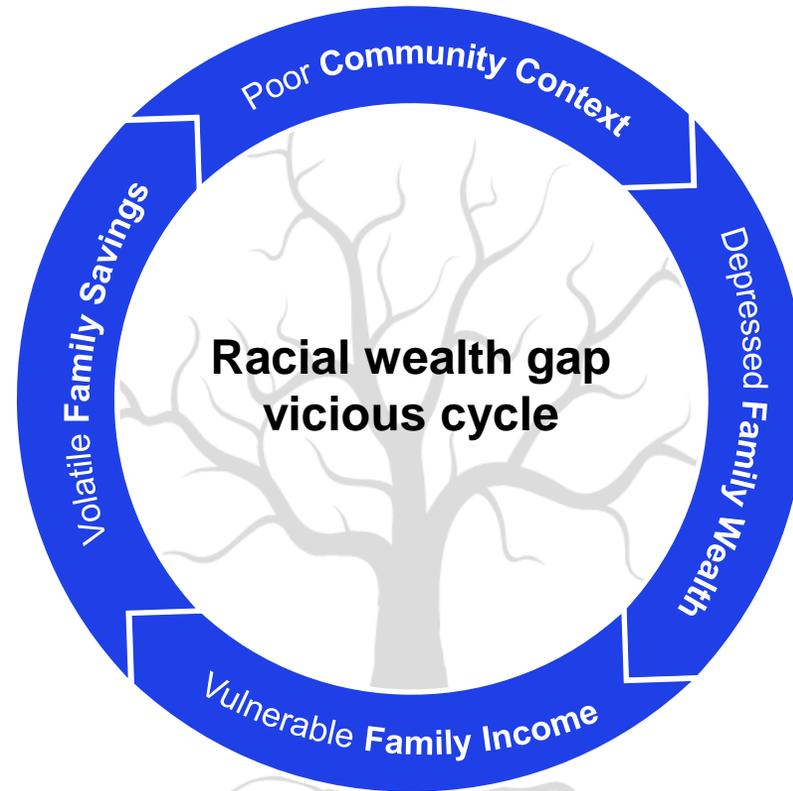
Community Context

Black families are **locked into neighborhoods with poor conditions** that lower intergenerational mobility and devalue Black assets (e.g. public health & educational systems)



Family Savings

Black people have less **access to financial resources & tools** that lower economic volatility and create channels for self-empowerment (e.g. financial inclusion)



Family Wealth

Collectively, Black communities have **less wealth available for investments in business, entrepreneurship, & human capital** that power opportunity creation & community prosperity (e.g. homebuying & business development)



Family Income

Black workers suffer **deficits in education & skill acquisition, workforce access, & career advancement** that significantly damage individual employability & drives income inequality (e.g. professional development)

Root cause barriers

- 1** Economic disempowerment and value extraction
- 2** Unknown, ignored, and unmet needs
- 3** Social exclusion, cultural bias, and lack of representation and voice
- 4** Structural barriers, unfair rules, rule-making, and rule enforcement

The economic consequences of COVID-19 will disrupt all stages of the wealth-building journey for many black Americans (1/2)

For black Americans, the pandemic will likely cause more damage across every stage of the wealth-building journey



Community context

The possible recession will exacerbate economic inequities such as use of public services, and may widen the educational achievement gap



Family wealth

Black-owned businesses are overrepresented in the sectors that will be most negatively affected by the pandemic, and black families have less liquid asset profiles to leverage in a financial shock



Family income

The pandemic intensifies obstacles to black families' ability to generate income (e.g., disrupted education and elevated threat of unemployment)



Family savings & support

Black families are less likely to have access to financial tools (e.g., credit) required to withstand financial shocks resulting from post-pandemic recession

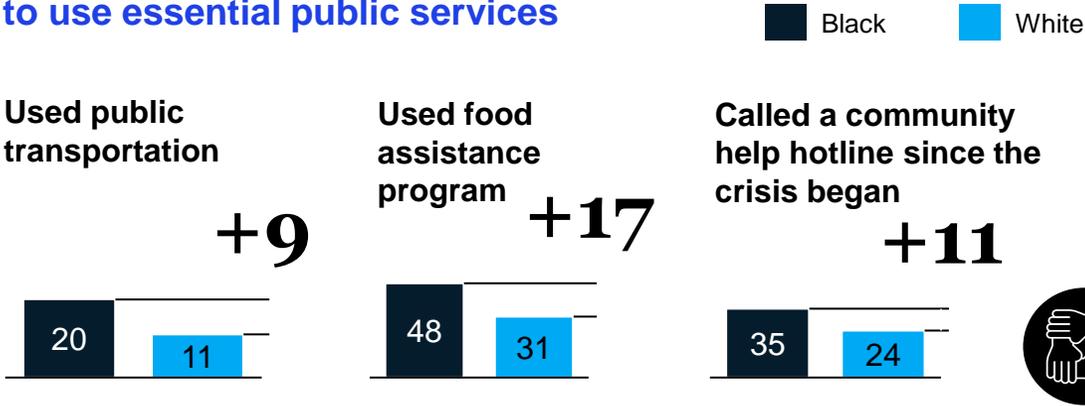
**\$1.0-
\$1.5T
in GDP**

Impact of closing the racial wealth gap

if response to COVID-19 focuses on building more equitable economic systems and helping black families build resilient economic foundations

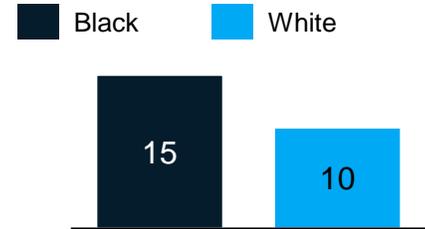
The economic consequences of COVID-19 will disrupt all stages of the wealth-building journey for many black Americans (2/2)

Black communities are more likely to use essential public services



40%

of the revenues of black-owned businesses are located in the five most vulnerable sectors compared to 25% of the revenues of all US businesses



The unemployment gap for Black Americans was the highest of any racial group, and was the widest gap seen in five years



39% of jobs held by black workers (of seven million in all) are vulnerable¹ due to COVID-19, versus 34% of white workers



52% of black workers surveyed say the coronavirus outbreak is a major threat for their personal financial situation, compared to 43% of white respondents

1. Vulnerable jobs are subject to furloughs, layoffs or being rendered unproductive (for example, workers kept on payroll but not working) during periods of high physical distancing

Addressing each of these stages at a national and local level can create significant value for the economy

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

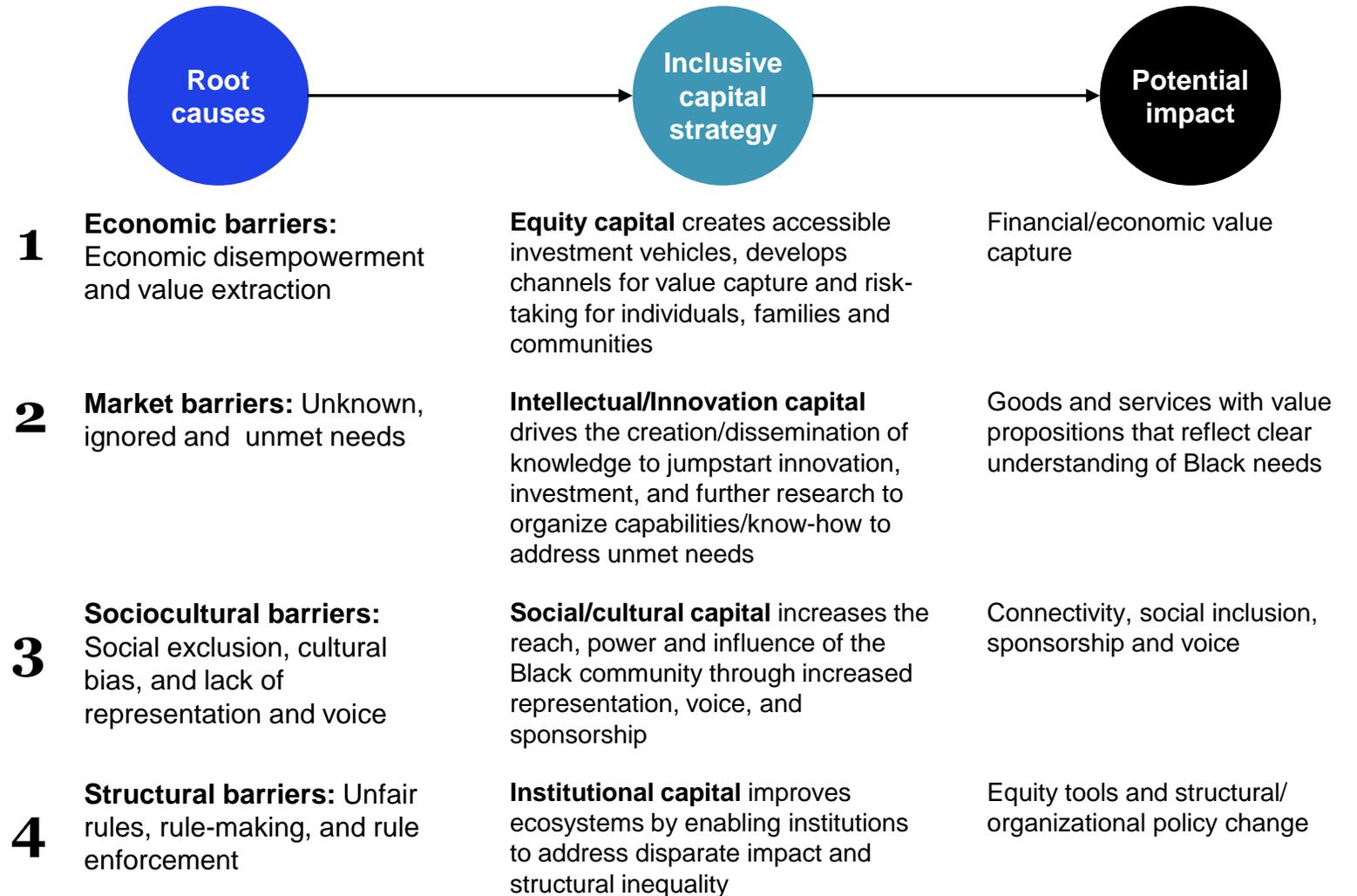
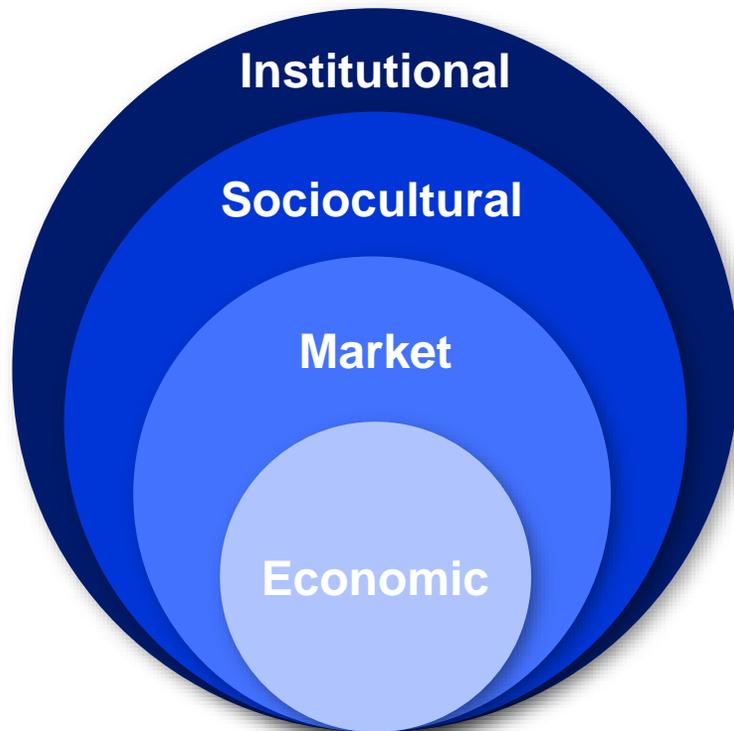
Equity capital, Intellectual/Innovation capital, Social / cultural capital, Institutional capital

Potential impact

Increase GDP by \$1-1.5 trillion

2. Resolving disparities long-term requires the mutual constitution of four strategies, that can help initiate a counteracting virtuous cycle

Socioeconomic disparities are kept in place by barriers that exist at multiple levels for marginalized groups



Organizations are increasingly considering their Racial Equity, both internally and in society at large



Internal: Aspiration-Back

What is our vision for our people and our culture?

Internal examples

50-50 **gender parity** at all levels of management by 2025



Double percentage of Black **VP+ leaders** over next five years

LGBTQ+ inclusion rates on par with company average by 2023



External: Capability-Forward

How can our unique capabilities improve our communities and/or society?

External examples



Iconic marketing campaign repurposed



Anti-bias employee training and resources made available to the public



Commitment on shelf space and opportunity to donate reward points

Example: Addressing racial equity & racial justice internally and externally



**Internal:
Aspiration-Back**
Focused on improving the organization

Level of impact

A diverse organization

Creating a **diversity of racial/ethnic identities** at each level of the organization

Example McKinsey actions **Double our Black leadership and hiring of Black colleagues in the next 4 years**

An inclusive environment

Ensuring employees of varying racial/ethnic identities all feel a **sense of belonging and the ability to contribute to their fullest**

Engage all 32,000 colleagues in anti-racism and inclusion programs

Equitable access to opportunities & benefits

Ensuring all **staff have the opportunity to grow, contribute, and develop**; power is shared in the workplace

Ensure our processes are free from bias and support retention, attraction of Black and diverse colleagues



**External:
Capability-Forward**
Focused on improving community and/or society

Corporate and social responsibility

Using organization's platform to **influence changes in institutional and structural disparities**; take clear stance on racial equity

Example McKinsey actions **Commit \$200 million over the next 10 years in pro bono work globally to advance racial equity**

Operations

Explicitly designing operations & investment processes to **improve outcomes & minimize downstream impacts**

Double our spending with diverse suppliers in the next 3 years

Strategy

Embedding racial equity considerations **at all levels of strategy development**

Create a Black Economic Institute to help clients with practical tools on Black economic empowerment