

ADDRESSING THE WEALTH GAP

By: Joe McDaniel, Jr.

The coronavirus, fueled by America's pre-existing condition of structural racism, spread with a fatal swiftness through Black, Latino, and Indigenous communities. No American community was spared, but communities of color bore the heavy brunt of sickness and death. The cellphone video of George Floyd's killing, and the revelation of Breonna Taylor's final hours sparked an international outcry during the pandemic's tightest grip. This compounding crisis mobilized a long-overdue national reckoning on the legacy of structural racism, police violence and the need for police reform. Measures to contain the spread of the virus shut down businesses and schools. Economic devastation inevitably followed. The established pattern of disproportionate damage in communities of color, once again, bore out in the face of the pandemic-induced recession: In every instance, Black and brown people lost their lives and their livelihoods at predictably higher rates.

Today, vaccines are slowly getting into arms; states are beginning to drop masks mandates; and lockdown restrictions are easing. We are living in a historic moment that demands that historic injustices are recognized and repaired. However, we have yet to solve for the deep-rooted inequities that predated the pandemic, accelerated the virus's spread in communities of color and exacerbated the "undeniable effect of racism" in every facet of American life.

Instead, as the risk of infection and death plummets, there is an overwhelming desire to "get back to normal." Given the litany of disparities that defined our pre-pandemic "normal," we cannot—and must not—return to "normal."

Instead, I contend that consistent with our baptismal covenant of respecting the dignity of every human being, we are called to reimagine "normal" and forge a new, diverse, equitable and inclusive normal.

When asked to describe the economic well-being of African Americans, there is a tendency to focus on income, employment, or poverty rates. While these factors are important, they are not the only measures of economic well-being. Wealth is another key measure. It is both a driver of other measures of economic well-being and a consequence of poor outcomes in those areas.

Wealth is the sum of all assets minus liabilities or debt. Wealth, in the form of savings, can tide families over during difficult times; fund an education; provide a down payment on a house; or act as seed capital for a business start-up. Without assets, individuals and families will find it much more difficult to get ahead, leaving them unable to provide their children with the necessary resources and tools to achieve economic success.

By all measures of wealth, African Americans entered the pandemic at a distinct disadvantage. According to data from the Federal Reserve Bank's 2019 survey of consumer finances, the typical African American household had less than 15% of the median wealth of the typical white household (\$24,100 versus \$188,200).

The largest source of wealth for most families is in their home. And here, African Americans are further disadvantaged in two ways: First, they are less likely to own homes – only 45% own their homes as opposed to 74% of whites. Second, their stake in those homes is traditionally lower. The median home equity for African Americans was \$150,000 in 2019 versus \$310,000 for their white peers.

Another prime source of wealth is business ownership. And for African Americans, the numbers are similarly discouraging. Only 4.8% of African Americans owned businesses in 2019 compared to 16.5% of their white counterparts; and those Black-owned businesses were smaller, with lower revenues and fewer employees.

While home and business ownership are ways to build wealth and pass it on to the next generation, liquid or near-liquid assets in the form of savings and investment accounts are important components of wealth. These financial vehicles provide individuals and families with resources to draw on when they lose their jobs or get sick. They are also a source of funds to pay for the kind of education or career training that gives them, or their children, access to better jobs. But, as with other measures, African Americans lag here (\$5,500 vs. \$49,510).

Given the numerous disadvantages, there was every reason to worry over how African Americans would fare during a year that was trying for everyone.

Although we do not have the data to assess the impact of the sharp economic downturn and acute health crisis, we can, however, look back at the country's most recent experience of economic decline to get a sense of how wealth will be affected. The Great Recession of 2007-2009 resulted in a 26.2% decline in wealth for white households and a 47.6% decline for African American households. Several sources of data suggest that it is very likely that we will emerge from this pandemic-induced economic decline with an even wider racial wealth gap.

Hardship data collected by the U.S. Census Bureau show that African Americans are more likely to have drawn down on their savings early in the pandemic (51.6% vs. 36% of whites). One year after the pandemic, they were more likely to face problems related to homeownership. African American households are nearly three times as likely as white households to be behind on their mortgage (17% vs. 6.7%) and almost one and a half times as likely to expect foreclosure if they are behind on their mortgage (22.1% vs. 15.7% of whites).

A Federal Reserve survey, conducted in late 2020, of older, more established business owners showed that Black business owners over the age of 45 were more likely to have curtailed business operations, drawn on personal assets, borrowed from family or friends, and reduced their own salaries than white business owners. They were also less likely to have received Payroll Protection Plan funds. And if they received them, they were more likely to receive less than requested.

After centuries of overt discrimination and structural racism, African Americans are disadvantaged at generational wealth building. The theft of their land, the exploitation of their labor, and the role American businesses played by legally enforcing or sanctioning residential segregation all contributed to depriving African Americans of wealth. Given the agenda of the Biden administration to “redress

systemic racism,” today, we find ourselves at an opportune moment to work on reducing barriers to wealth and supporting African American wealth building.

Historically, many federal policies designed to assist and support middle- and low-income families by improving their economic condition were not implemented equitably. On his first day in office, President Biden signed an executive order requiring that all government agencies review their programs to assess whether any of their regulations or practices result in inequitable treatment by race. As part of that assessment, agencies will have to improve their data gathering and monitoring to identify patterns of service delivery and structures that might be barriers to equitable access. This will be an important tool for both assessing and monitoring progress.

There are a variety of ways to increase access to opportunity for African Americans. Many of these prescriptions could come via the implementation of programs or policies put forth by then-candidate Biden. Since assuming office, other directives have come via proposals of now-President Biden. During the past 50 years, at worst, government policies neglected or impeded access to opportunity. At best, these policies managed to partially, if unevenly, combat discrimination and break down barriers. Much remains to be done if African Americans are to be afforded a chance at a better life through personal wealth creation.

Might I also suggest several starting points for action:

Diversify hiring and promotions and improve the workplace experience. Employers can expand where and how they recruit while eliminating biases in hiring. One way to do this is to de-emphasize traditional credentials and hire based on aptitude and skills; another is to offer more paid apprenticeships and internships to Black applicants. Beyond hiring, organizations can examine the workplace experience and attrition for different groups of employees. Many Black workers face day-to-day discrimination and scrutiny that make promotions more difficult to achieve. A McKinsey survey found a 27-percentage-point gap between Black and white employees who report feeling accepted at work. But these dynamics can be changed. Several companies have established formal mentoring and sponsorship programs; others are incorporating diversity goals into managerial performance reviews.

Strengthen educational pathways. Pre-K and K-12 education lays a foundation for better labor market outcomes, so strengthening schools is vital. College degrees, from associates to bachelor's, may not guarantee upward mobility, but they remain an important passport to the middle class, particularly as employers have been adding requirements for academic credentials, even for jobs that did not require them in the past. However, there is a significant gap in educational attainment between Black Americans and other racial groups. Supporting historically Black colleges and universities (HBCUs) is key, since they educate almost 20 percent of Black college graduates. But other institutions can do more to enroll and support Black students. Since many are the first in their families to attend college, dozens of institutions have added social, advisory, and financial programs to increase their completion rates. STEM degrees are required for many of the fast-growing jobs of the future, but currently only 6 percent of computer science and engineering students are Black. Nontraditional training programs, such as multiweek coding

bootcamps, teach specific skills and could offer a model for a more direct and accountable training ecosystem.

Improve the quality of jobs disproportionately held by Black workers today. Black workers are the backbone of the nation's caregivers and essential frontline workers, and their value was made clear during the pandemic. Looking forward, an aging population is expected to increase demand for the types of care-economy roles that many Black workers occupy today. Upgrading the quality and stability of these jobs is an issue of growing importance. The public and private sectors can address issues such as the wages paid for truly essential work, predictability of hours, workplace safety, sick leave, and other benefits.