



**A Call to Action for our Signatories:**

# Strategies to Expand Economic Empowerment for Black Americans

September 2023

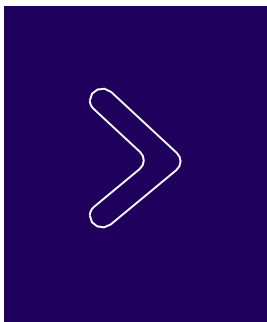


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# Introduction

The economic disparities faced by the Black community in America have been persistent and widespread. For centuries, Black Americans have faced institutionalized discrimination in employment, housing, education, and other areas of daily life. Despite decades of progress, systemic societal limitations to economic advancement continue to limit opportunities for Black Americans. The legacy of slavery, segregation, and discrimination has led to a persistent racial wealth gap, with Black households holding only 13% of the wealth of white households.<sup>1</sup> Black Americans have been historically underrepresented in high-paying jobs, business ownership, and other forms of wealth creation. Despite efforts to address this racial wealth gap, Black Americans continue to experience disproportionately high rates of poverty, unemployment, and limited access to capital and financial services.



**The median net worth of white families (\$188,200) is over seven times higher than the median net worth of Black families (\$24,100).<sup>2</sup>**

In part due to these racial economic disparities, businesses have limited access to talent, reduced consumer spending, and a potential for increased business risk, including limited market potential, brand perception, and legal and regulatory risk. By working to close the racial wealth gap and moving toward greater economic empowerment, businesses can create a more sustainable and responsible business model that benefits both their stakeholders and society as a whole.

The goal of the CEO Action for Racial Equity (CEOARE) Economic Empowerment platform is to advance equity and opportunity for the 47M+ Black Americans. Promoting economic empowerment for Black Americans is essential for the overall economic health of the nation, as increasing access to wealth and resources can stimulate economic growth and job creation.

This document examines three key areas of focus for economic empowerment: destigmatizing reentry through support for fair chance hiring, expanding beyond supplier diversity to a business diversity ecosystem, and expanding economic opportunity through Community Development Financial Institutions (CDFIs). By exploring opportunities in each of these areas, we aim to provide actionable strategies for CEOARE Signatory companies seeking to promote economic equity and opportunity for the Black community. In the following sections, we will examine each of these strategies in more detail, including their benefits, leading practices, and success stories.

# Destigmatizing Reentry through Support for Fair Chance Hiring

Fair chance hiring is the practice of hiring the most qualified candidate for a position without basing the hiring decision on the existence or content of a criminal record (if a candidate possesses one). Justice-involved individuals experience significant obstacles to meaningful employment with livable wages, including bias, stigmatization, and discrimination. Businesses that employ fair chance hiring practices help to provide

justice-involved individuals the opportunity to rebuild their lives, support their families, and contribute to their communities. Additionally, fair chance hiring practices are beneficial to employers and society because employers can access an untapped and valuable talent pool, increase public safety by addressing a key cause of recidivism, and help to boost the economy through increased labor force participation and contributions.

Given the significant and growing population of justice-involved Americans, fair chance hiring can be a key issue for businesses and other employers to consider to attract and hire talent. Currently, over 77 million Americans are estimated to have criminal records, and by 2030, this estimate is projected to increase to 100 million.<sup>3</sup> Earnings losses from this group amount to \$372.3 billion annually,<sup>4</sup> and incarceration costs the US approximately \$180 billion each year.<sup>5</sup> Thus, there is a compelling business and economic case to be made about why employers should support and implement fair chance hiring practices.

Within the segment of justice-involved Americans, Black Americans have and continue to be disproportionately overrepresented. Consider the following data - Black Americans comprise 14% of the U.S. population and nearly 40% of the carceral population. Additionally, an estimated 50% of working-age Black Americans have a criminal record.<sup>6</sup> This data demonstrates that fair chance hiring can have an outsized impact on Black Americans and is an important aspect of advancing economic empowerment and racial equity.





## Strategies

To support fair chance hiring, CEOARE Signatory companies can take action by engaging in at least one of the following ways:

- **Direct Hiring** - Review hiring practices, recruiting pipelines, and employee support systems and make necessary changes to support direct hiring of Black justice-involved individuals.
- **Supplier Diversity** - As it relates to vendors, suppliers, and business relationships, evaluate internal contractual language to confirm that it welcomes small businesses who employ individuals with criminal records.
- **Create awareness of fair chance hiring practices**, including simpler actions like stating your efforts on your website and within impact reports, to larger actions like publishing op-eds and lending your reputation and brand to show you are taking a stand and believe in fair chance hiring.
- **Philanthropy** – Contribute volunteers or financially to the numerous organizations working every day to position Americans who have been justice-involved to a fair chance at employment opportunities. Many of the organizations supporting fair chance hiring efforts need the help and support of corporate America to help fulfill their mission.

### Example:

#### JPMorgan Chase & Co.

##### OVERVIEW

JPMorgan Chase & Co. is a financial services company driving a strong and inclusive economy.

##### Promoting Economic Empowerment

JPMorgan Chase & Co. has developed a Second Chance Agenda to provide a second chance at opportunity for people with criminal records. “Through policy and our own hiring practices, we’re removing barriers to employment for people with criminal records, helping them find meaningful career opportunities and access greater economic opportunity, while strengthening communities and boosting workforce... 10% of our new hires annually in the U.S. have previous convictions with no bearing on their roles. That’s because we’re leveling the playing field for new hires by ‘banning the box’ – an effort that removes the requirement to disclose criminal records on job applications, and supporting legislation that help more people access meaningful careers in financial services.” <sup>7</sup>



# Expanding Beyond Supplier Diversity to a Business Diversity Ecosystem

Black-owned businesses and by extension, the Black community, continue to be negatively affected by the status quo. CEOARE is committed to advancing an innovative approach through a racial equity lens that expands beyond the traditional procurement cycle into professional services, centers the Black-owned business experience, and provides tools, resources, leading practices, and networking opportunities to accelerate learning and improve success. The CEOARE Business Diversity team seeks out the lived experiences of Black business owners and the challenges faced when growing their businesses. Building business equity can help build wealth for Black Americans and aid in closing the racial wealth gap.

The following are challenges that repeatedly surfaced in the team's discussions with Black suppliers in professional service sectors such as legal, marketing, accounting, technology, and wealth management.

- **Lack of access to capital** because bank loans or credit are more readily available to their white counterparts. According to Bank of America's 2021 Black Business Owner Spotlight, "56% of Black business owners report obstacles obtaining credit restrict their ability to grow."<sup>8</sup> Discriminating practices such as redlining have impacted the Black community's ability to access the capital necessary to grow their businesses.
- **Unconscious bias** based on a misperception that supplier diversity programs force corporations to lower their standards.
- **Draconian requirements** by corporations presumably require Black business owners to present additional documentation of their capabilities, experience, proof of education, and certifications, compared to other business owners.
- **Relationships** with key corporate decisionmakers and direct exposure to buyers can be difficult to navigate. This can leave Black businesses uninformed of organizations' strategic needs and potential opportunities to bid on contracts.
- **Lack of commitment to supplier diversity** can leave Black suppliers feeling that buying organizations engage with them to "check the diversity box" and they have noted some have requested services at no or greatly reduced cost.



Our **maturity continuum** provides a framework of leading practices from our Signatory community for corporations to consider as they launch or advance their supplier diversity programs.

# Maturity Continuum

CEO Action for Racial Equity

## Characterized by:

- The absence of a Business Diversity sourcing strategy, OR
- The beginning of a Business Diversity strategy without a dedicated leader and/or budget.

## DEVELOPER

### The Path to Success:

- Secure buy-in from top management and board, and set measurable goals.
- Establish disaggregated baseline spend by race in support of developing a supplier database.
- Work with certifying organizations to connect with diverse businesses.

## Characterized by:

- A formal program exists, baseline spending has been established, and data disaggregated by race to illuminate gaps.
- Business Diversity strategy is often aligned with current procurement structure or is a result of compliance requirements.

## INTERMEDIATE

### The Path to Success:

- Dedicated time spent on Business Diversity by individuals with procurement and/or DEI experience.
- Implement/procure a system for tracking and reporting spend at the disaggregated level.
- Create a Business Diversity scorecard to evaluate distinct lines of business.
- Internal supplier diversity reporting up to a steering committee/council/senior leadership on key performance indicators.

## Characterized by:

- The move from a “program” to a way of doing business.
- High connection to the business strategy.
- Encompasses professional services across the business.
- The extension to Tier 2 suppliers.
- Supplier mentorship & development programs in place.

## ADVANCED

### The Path to Success:

- Tie Business Diversity goals to compensation at the executive level.
- Remove obstacles to certification.
- Establish and track Tier 2 supplier reporting goals and outcomes.
- Establish programs to facilitate access to capital and support business development.
- Provide 1 on 1 mentorship and educational opportunities for signatory companies and Black-owned businesses.
- Discuss and share leading practices and progress with other CEOARE signatories.
- Create diverse sourcing strategies inclusive of professional services (legal, HR, IT, marketing, etc.).

## Strategies

- **Align Goals and Communicate the Vision** - Align the strategy with more general corporate goals involving cost savings and new revenue, increased market share, penetration of diverse markets, risk mitigation, and an improved corporate image. Set goals in terms of increased utilization of Black firms beyond your company and across the enterprise. Communicating your commitment and goals with stakeholders helps build trust, creates opportunity, and can enhance your brand through greater community engagement.
- **Set SMART Goals** - Around diversity spend, it's a good idea to set 'SMART' goals (specific, measurable, attainable, relevant, time-bound) early on. Commit to increasing your company's spend with, and utilization of, Black owned businesses. Set SMART goals around the number of Black owned businesses to include in the bid process. Also, decide how often—e.g., monthly, or quarterly—to evaluate goals against performance.

- **Disaggregate the Data** - Leading practices suggest organizations should establish a baseline spend and disaggregate racial data to highlight spending gaps and define the current state of your strategic sourcing strategy. Identify and record upcoming bid opportunities and commit to including diverse suppliers for participation. Here, a third party can help with the perspective needed to identify gaps and suggest adjustments as you go.
- **Build Strategic Relationships:**
  - **Collaborate with Government Agencies:** Working with government agencies can help you stay up to date on regulatory requirements related to supplier diversity and identify diverse suppliers that are certified to work with government agencies. Examples of government agencies include the Small Business Administration (SBA), the Department of Veterans Affairs (VA), and the Department of Transportation (DOT).
  - **Industry Alignment:** Work with industry-specific associations which can help you identify diverse suppliers within your industry and learn about specific challenges and opportunities related to supplier diversity. These associations include the National Association of Minority Contractors (NAMC) and the National Association of Black Suppliers (NABS).
  - **Non-Profit Relationships:** There are numerous nonprofit entities charged with aiding minority enterprises. Examples of such organizations include, for example, the National Minority Supplier Development Council (NMSDC), the Women's Business Enterprise National Council (WBENC), and the National LGBT Chamber of Commerce (NGLCC).
- **Mentorship** - Mentorship, sponsorship, and training programs are all integral portions of sustainability. Combining all three components has a documented track record of measurable growth and longevity.

## Example:

### Capital One

#### OVERVIEW

Capital One was founded on the belief that no one should be locked out of the financial system. Their deep commitment to financial inclusion is reflected in their business, community partnerships, philanthropy, and most importantly, support for customers. Capital One is on a mission to change banking for good. Today, they are one of the largest retail banks in the United States, serving more than 100 million customers across a diverse set of businesses.<sup>9</sup>

#### Promoting Economic Empowerment

Capital One has a variety of mentoring opportunities to help businesses be successful. The annual Catapult Program was developed and facilitated by Capital One's Supplier Diversity team in collaboration with national certifying organizations. "Catapult is an intensive, six-month transformational journey for 10-12 diverse business owners. Designed to help them bridge the digital skills gap, Catapult offers participants instructional courses, collaborative thinking workshops, access to one on one meetings with Subject Matter Experts (SMEs), and regular meetings with a dedicated Advisory Board"... "Launched in 2016, in partnership with the WBEC Metro NY [Women's Business Enterprise Council Metro New York] and Greater DMB (sic) [DC, Maryland, Virginia (DMV)] out of our McLean and New York offices, SAGE [Strategies to Advance and Grow Enterprise] Advice leverages the power of networking and mentorship to develop women business owners and enable them to grow their revenue"... "participants receive active support during monthly classroom sessions, and they engage in monthly check-ins with their BRP [Business Resource Partner]. At the end of the program, the WBEs [Women Business Enterprise] walk away with a one-page business plan, a completed budget, and an engaging business presentation."<sup>10</sup>





# Expanding Economic Opportunity through Community Development Financial Institutions (CDFIs)

Community Development Financial Institutions (CDFIs) play a crucial role in providing access to credit, capital, and other financial services to individuals and small businesses in low- and moderate-income communities, which are typically underserved by traditional financial institutions. In the United States, 36% of Black Americans are underbanked or unbanked which highlights the critical importance of CDFIs.<sup>11</sup>

CDFIs are mission-driven organizations that prioritize community development over profit maximization, and offer more flexible underwriting criteria, smaller loan sizes, and longer repayment terms than traditional financial institutions. CDFIs also provide financial education, technical assistance, and other support services to help their clients succeed. According to the Opportunity Finance Network (OFN), CDFIs have provided over \$222 billion in financing to low-income communities and small businesses since their inception in the mid-1980s.<sup>12</sup>

## Strategies

To support CDFIs and increase access to financial services for the Black community, several strategies can be employed, including:

- **Provide capital** and other resources to CDFIs to support their lending and service provision activities.
- **Collaborate with CDFIs** to provide financing to Black-owned small businesses and to support community development initiatives in underserved areas.
- **Promote awareness of CDFIs** and the services they provide and educate the public on the importance of supporting these institutions.

## Example:

### Regions Financial Corporation

#### OVERVIEW

Regions Financial Corporation provides full consumer and commercial banking services to customers across the South, Midwest and Texas with a mission to achieve superior economic value for its shareholders by making life better for its customers, associates and communities and creating value to meet their financial goals and aspirations.<sup>13</sup> Regions is committed to diversity, equity and inclusion, by creating a culture of inclusion, making inclusion part of its strategy and building better communities.<sup>14</sup>

#### Promoting Economic Empowerment

Regions Financial Corporation is a signatory company supporting the mission and vision of CEOARE currently providing infrastructure support to seven CDFIs. On November 10, 2022, Regions Bank announced that it would provide customers of those seven CDFIs access to the bank's network of ATMs, free of charge in 6 states, namely, Alabama, Arkansas, Georgia, Mississippi, South Carolina, and Tennessee.<sup>15</sup>

This example helps to enable service provision activities to the customers of these CDFIs. CDFI customers who did not have access previously, can now begin utilizing service activities and benefit from the efficiencies that come with ATMs.

# Conclusion

Promoting economic empowerment for the Black community is critical to addressing persistent economic disparities and promoting greater equity and opportunity. Destigmatizing reentry through support for fair chance hiring, expanding beyond supplier diversity to a business diversity ecosystem, and expanding economic opportunity through CDFIs are strategies that offer opportunities to help address these disparities.

By implementing these strategies and working with community organizations, Signatory companies can play an important role in reducing obstacles to employment, supporting the growth and success of Black-owned businesses and individuals, and promoting greater access to capital and financial resources. Not only will there be more opportunities for Black Americans, but organizations will also benefit by expanding talent pools, enhancing supply chains, and generating new business opportunities.

To learn more about CEOARE's priorities and specifically, how to expand economic empowerment for Black Americans, please [reach out to us](#). Thank you for your continued support and engagement.

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## Endnotes

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