

Why Addressing the Racial Wealth Gap is Good for Business

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Philanthropy and government programs have been trying to close the racial wealth gap for a long time, but they've been focused on band-aids when we need ladders. While the wealth gap is fueled by several contributing factors, including disparity in home ownership, accumulation of financial assets and strong growing wages, as small business investors, we can draw our attention to a core piece of the problem: the wage gap.

Let's take a moment to clarify what we mean when we talk about the wage gap as it relates to the racial wealth gap. We are not just talking about good-paying jobs for people of color. We really need good-paying jobs that provide a clear pathway for Black and Brown employees to build a stronger, sustaining financial future.

The typical white U.S. household has nearly eight times the wealth of the typical Black household. To address the systemic issue of racial wealth inequity, the private sector must do what it does best – invest in great companies and entrepreneurs that create quality jobs –and ensure all workers, especially Black and Brown workers, have an equal opportunity to build a lasting, positive economic reality for themselves and their families.

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Media reported widely that recent pandemic aid cut U.S. poverty to a new low, but that was a short-term solution to a global crisis – it wasn't aimed at driving wages higher in perpetuity. As that funding source dries up, those in a lower economic bracket return to the same or even worse circumstances than they were at the start. To truly attack the racial wealth gap, we need the private sector to make the change that the government and non-profits simply cannot do independently.

Private sector employers and investors often can't see how they can drive the change needed to give Black and Brown Americans access to wealth-creation opportunities while growing businesses and pleasing investment partners. But it is not as hard as they may think, and the benefits to their business and community deliver a long-lasting ROI for companies, workers and families.

Building a path to financial security starts with strategic wages

For decades, wages for Black and Brown workers have lagged behind those of white workers with the same experience and education, even in the same geography. Even when people of color climb the corporate ladder, they make less – 97 cents on the dollar.

These communities need more than just a living wage; they also need opportunities for long-term career development, pay parity and wage progression. A rising wage promotes economic stability, helps workers provide for their families and facilitates wealth accumulation for future generations.

Wage progression – whether linked to individual performance, company performance, tenure, skills development, or promotion

– is also good for business. It helps attract the best employees, improves retention, and sustains and incentivizes business growth.

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The role of benefits in building generational wealth

Meaningful benefits are a major piece of increasing sustainable employee wealth. Most employee wealth is derived from workplace benefits packages: health insurance, 401ks, stock options, etc. Low-wage workers typically don't have those options, which are key to building generational wealth.

Business leaders and investors can change this situation by learning from employees what benefits and opportunities would make the greatest difference in their lives and free up income for saving and investing— be that affordable healthcare, child/eldercare support, or direct wealth creation through incentivized savings opportunities like 401k plans, IRAs, and employer matching savings programs.

Offering these types of household-stabilizing benefits could largely pay for themselves in terms of lower absenteeism, greater productivity, increased retention and worker-driven competitive advantage.

Help employees continually grow their skills

Too often, the leadership potential and training of Black and Brown Americans is overlooked. According to McKinsey, Black workers are disproportionately concentrated in entry-level jobs with low pay and underrepresented in leadership and

executive positions.

Correcting this divide means providing entry-level workers with access to training and development opportunities from the moment they are hired. Programs that teach employees valuable skills for remaining relevant in their careers to prepare them for higher responsibilities while reducing turnover, improving engagement and accelerating business growth.

Making it happen

Investors typically provide small businesses with growth capital, but they can also provide operational capital that is invested directly in employees. Business leaders, their investors and advisors can collaborate to devise a feasible and ambitious plan that establishes measurable goals for the company and the impact company leaders aim to achieve by driving an innovative wage strategy.

Several local or national advocacy groups for diverse workplaces, such as the Business Consortium Fund, the National Institute of Minority Economic Development and the Minority Business Development Agency, can assist with this kind of wage-targeted approach to eliminating the racial wealth gap.

Furthermore, it is crucial to monitor and evaluate outcomes using meaningful metrics. Failing to measure outcomes from these changes means businesses will not know what they've really achieved, which keeps them from continuous improvement.

Related: [How to Overcome Workplace Inequality and Reach Gender Parity](#)

Opportunity and obligation

I believe that every employer and their investors have a moral imperative to make closing the racial wealth gap a focal point of their business model, even if it means taking a little less

for themselves and other executives off the bottom line. There is a tremendous opportunity to hire workers from disadvantaged communities and grow and sustain a strong workforce that helps grow all businesses. In return, employees would benefit from quality jobs and greater economic vitality now and in the future, setting up the next generation for even greater progress.

It's about doing something incredible and making work "work" for businesses and employees alike. This type of investment is the catalyst for the change we need in our business world and our society –but it can't happen without the private sector and its leaders driving the charge.

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