

5 ACTIONABLE Steps to Combat Wealth Inequality

At this point, reading about the racial wealth gap is no longer surprising. For roughly \$7 of wealth held by White families, Black families have \$1 (Perry et al, 2024). The homeownership rate for Black Americans is 44%, compared to 72.7% for White Americans (Cozzi, 2023). Black Americans have the highest denial rate when applying for a mortgage loan (Cozzi). Black Americans are twice as likely to be unbanked as their White counterparts (Fields, 2022).

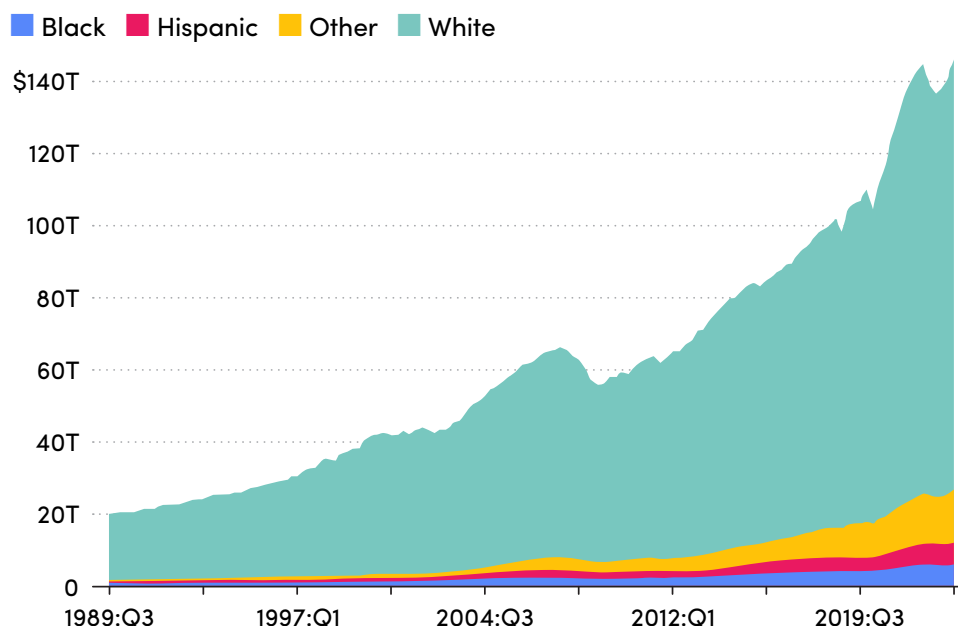
Month after month, year after year these statistics continue to make headlines and it's easy to become desensitized. Since 2020, many companies made bold, external commitments to pursuing equity in society. At least \$340 billion was pledged towards fighting injustice, new roles were created, DEI officers were hired, and companies promised to pursue equality, especially in dealing with the housing crisis facing many minority communities in America.

Broadly, it seems that more and more high-ranking executives and business leaders are committed to these principles as an essential part of doing business in our country—and the data supports it. In a longitudinal study done by McKinsey & Company, companies with higher diversity outperformed those with less in terms of profitability by 36% (Kurt, 2024).

Even so, inequality persists. In fact, the racial wealth gap has grown steadily in recent years. As demonstrated in Figure 1, even as all groups became wealthier, Black family wealth grew at a slower rate (Perry et al, 2024).

FIGURE 1

As all Groups Became Wealthier, Black Family Wealth Grew at a Slower Rate.



Source: Brookings Analysis of the Distributional Financial Accounts, 1989–2022

 Brookings Metro

Note: Adapted from <https://www.brookings.edu/articles/black-wealth-is-increasing-but-so-is-the-racial-wealth-gap>
Copyright 2024 by Brookings.

What is to be done? There is no silver bullet to a more equitable workplace and if we're honest, we should not be shocked when we see progress that is less than linear. Hiring a single DEI officer or asking more of our HR departments won't be enough. The culture changes necessary will have to be company-wide and affect every level of the business from hiring to promotion cycles, to benefits education and financial opportunities.

In this article, we'll share 5 key principles that we believe will help create a strong foundation, built on equality, for any organization. We'll also share some practical steps that will move the conversation about the wealth gap beyond theory and toward action and real change.

#1

REPRESENTATION

To begin shrinking the wealth gap in our country, we need to zero in on the glaring problem of representation. Black people represent roughly 5% of senior leadership positions in corporate America (Hancock et al, 2021). Black executives made up slightly more than 6% of board members for Russell 3000 companies in 2022 (Choe, 2022). In 2023, Black Fortune 500 CEOs have hit a "record" high—eight total, up from five in 2015 (Kurt, 2024).

APPLY IT!

A move towards representation will require examining 7 key metrics: Attrition, Performance, Promotions, Leadership Pipeline, Employment Pipeline, Pay Equity, and Inclusion (Jourdan, 2023). An initial step could be to examine your performance reviews. Is one group disproportionately receiving higher or lower scores? This is a good way to examine potential bias in your organization. Still not sure where to start? Consider launching an employee survey to better understand your employees' experience.

#2

COMP AND BENEFITS

Who is eligible for benefits in your organization? Statistics show that black families still have less access to employer-paid retirement and other benefits plans because they are overrepresented in lower-wage jobs (Salmon, 2022). Pay leveling and transparency is a great place to start, followed by building out a clear path to advancement.

APPLY IT!

This may require a thorough analysis of your compensation and promotion policies. How are you supporting your warehouse or line workers? What opportunities are there for advancement? To make way for a more diverse C-suite, it's essential to invest in capacity-building programs for your lowest-paid employees.

#3

FINANCIAL LITERACY

21 states now require a standalone personal finance course to graduate from high school (Carrns, 2021). This trend has increased over the years, but it still leaves many young people with no personal finance education before graduating. In adults, Black Americans' financial literacy scores are 21% lower than those of their White counterparts (Yakoboski et al, 2021). This lack of knowledge contributes to lower savings rates, higher debt, lower retirement plan participation, and less comfort with investing. To build a more equitable workplace, employers need to think of creative ways to provide educational opportunities for workers of color.

APPLY IT!

Black men and women are twice as likely to be unbanked and as a result, will have reduced access to financial education from credit unions or banks (Fields, 2022). You have the opportunity to fill the gap by providing financial education resources in the workplace through in-person or virtual classes, or one-on-one meetings with an unbiased financial advisor.

#4

UNBIASED GUIDANCE

Historically, financial support and personal guidance have focused on the very wealthy. Unfortunately, this lack of guidance disproportionately impacts the middle class and by extension, households of color. However, in a recent survey by McKinsey and Company, Black Americans were far and away the most likely to want to grow and protect their wealth, and not leave debt for the next generation. What's more, they were the most dissatisfied with their financial providers and the most likely to say they wanted to spend more on financial services (Abrams, et al, 2022). These results indicate that Black Americans are eager to build wealth for their families and are willing to pay to access these services. How can you support them in this pursuit?

APPLY IT!

Partner with an ERG to help connect people of color with the financial counseling that may be available to them through your plan advisor. Or, consider offering a comprehensive financial education program that can connect your employees with the unbiased guidance they need.



#5 PRODUCTS

Black Americans are more likely to be “credit invisible” which means they do not have a credit score (Stewart, 2023). In fact, 40% of Black Americans say they do not have a credit card (Little & Murray, 2023). Predatory loans disproportionately impact people of color, as poor credit can limit access to better rates. This means that some black families may have no choice but to take a payday loan to meet a short-term need, even if it means paying interest rates of 400% or more.

APPLY IT!

Consider providing EWA through a partner to help your employees get the urgent cash they need and avoid accruing bad debt. This provides a secondary option and will give families a chance to deal with an emergency without paying exorbitant interest.

CONCLUSION

The wealth gap has emerged over the last 400 years, so obviously, we won't see it close overnight. However, we also shouldn't assume that the work we do doesn't matter. Organizations are uniquely poised to make a clear difference by examining current practices and assumptions and considering how best to provide the appropriate experiences and opportunities to create a world that is more equitable—and in turn, more profitable—for all.



References

- Abrams, S., Muvezwa, M., Sibanda, T., & Stewart III, S. (2022, September 6). *Investing in—and with—Black consumers in financial services*. McKinsey & Company
<https://www.mckinsey.com/bem/our-insights/investing-in-and-with-black-consumers-in-financial-services>
- Carrns, A. (2020, February 7). *More states require students to learn about money matters*. The New York Times.
<https://www.nytimes.com/2020/02/07/your-money/states-financial-education.html>
- Cozzi, L. (n.d.). *More Americans own their homes, but Black-White homeownership rate gap is biggest in a decade, NAR report finds*. National Association of REALTORS®.
<https://www.nar.realtor/newsroom/more-americans-own-their-homes-but-black-white-homeownership-rate-gap-is-biggest-in-a-decade-nar>
- Dixon-Fyle, S., Dolan, K., Hunt, D. V., & Prince, S. (2020, May 19). *Diversity wins: How inclusion matters*. McKinsey & Company.
<https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>
- Fields, S. (2022, August 22). *Black, Hispanic and poorer families pay the price for being 'unbanked'*. Marketplace.
<https://www.marketplace.org/2022/08/22/black-hispanic-and-poorer-families-pay-the-price-for-being-unbanked>
- Hancock, B., Williams, M., Manyika, J., Yee, L., & Wong, J. (2021, February 21). *Race in the workplace: The Black experience in the US private sector*. McKinsey & Company.
<https://www.mckinsey.com/featured-insights/diversity-and-inclusion/race-in-the-workplace-the-black-experience-in-the-us-private-sector>
- Jourdan, L. (2023, May 4). *7 metrics to measure your organization's DEI progress*. Harvard Business Review.
<https://hbr.org/2023/05/7-metrics-to-measure-your-organizations-dei-progress>
- Kurt, D. (2024, February 15). *Corporate Leadership by Race*. Investopedia.
<https://investopedia.com/corporate-leadership-by-race-5114494>
- Little, K. & Murray C. (2023, June 7). *Credit card statistics by race and ethnicity*. Bankrate.
<https://www.bankrate.com/credit-cards/news/credit-cards-and-race-statistics>
- Perry, A.M., Stephens, H., & Donoghoe, M. (2024, January 9). *Black wealth is increasing, but so is the racial wealth gap*. Brookings.
<https://www.brookings.edu/articles/black-wealth-is-increasing-but-so-is-the-racial-wealth-gap>
- Salmon, J. (2022, September 2). *Studies spotlight racial, ethnic gaps in retirement savings*. AARP.
<https://www.aarp.org/retirement/retirement-savings/info-2022/workplace-savings-plans-racial-inequities>
- Stan, C. (2022, May 5). *Boards of U.S. companies are still disproportionately White, despite greater overall diversity*. PBS NewsHour.
<https://www.pbs.org/newshour/nation/boards-of-u-s-companies-are-still-disproportionately-white-despite-greater-overall-diversity>
- Stewart, S. (2023, May 8). *Closing the financial inclusion gaps for Black Americans*. Forbes.
<https://www.forbes.com/sites/shelleystewart/2023/05/07/closing-the-financial-inclusion-gaps-for-black-americans/?sh=7d21ed2b297c>

About SmartPath

SmartPath is the leading provider of comprehensive financial education solutions in the country. Its robust offering includes daily educational classes, one-on-one coaching, and digital tools that empower individuals on the journey to financial freedom. Founded in 2010 and supporting over 700,000 individuals, SmartPath delivers its financial education solutions in partnership with financial institutions, fintech companies, and employers nationwide. For more information, visit www.joinsmartpath.com.

