



## Key Takeaways from Listening Session: African American Experiences in the Federal Reserve’s Fourth District

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### Context

In fall 2021, the staff of the Program on Economic Inclusion hosted four listening sessions with various community stakeholder groups (for example, nonprofits, educational organizations, and business associations) within the Federal Reserve’s Fourth District.<sup>1</sup> The goal of the sessions was to increase the overall understanding of the conditions and challenges preventing specific communities from reaching economic inclusion—that is, the ability to fully participate in the economy to the best of one’s ability. This summary document provides an overview of the key points participants expressed about their own experiences and those of the African American communities they serve.

### Participant insights

#### 1. Racism and its impacts are impossible to ignore.

Participants believe it is nearly impossible to have a meaningful discussion about the economic disparities that African Americans face without mentioning racism. African Americans as a group often experience worse outcomes than other groups. So, in any effort to address the root causes of poverty, racism—and structural racism<sup>2</sup> in particular—needs to be a central part of the conversation. Community members talked openly about the ways they’ve encountered racism in their daily lives.

One specific event that continues to serve as an important marker in discussions about racism and racial equity is the 2020 murder of George Floyd. In response, cities and regions across the nation created special committees and task forces to identify ways for communities to address the downstream impacts of racism. Lexington, Kentucky, created a commission on race, equity, and inclusion. Toledo, Ohio, launched a similar council—the Toledo Racial Equity and Inclusion Council (TREIC). It brought together several organizations that were doing complementary work but in their own silos. For example, a group of Black leaders had created a document called the Toledo Black Agenda. At the same time, the Mayor’s Office was doing work around the root causes of poverty.

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<sup>1</sup> The Federal Reserve’s Fourth District includes all of Ohio, western Pennsylvania, the northern panhandle of West Virginia, and eastern Kentucky.

<sup>2</sup> The Aspen Institute defines structural racism as a system in which public policies, institutional practices, cultural representations, and other norms work in various, often reinforcing ways to perpetuate racial group inequity.

*The opinions expressed here are those of the participants and the author, and do not necessarily represent the views of the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System, or its staff.*

Eventually the leaders and Mayor's Office were connected, and the TREIC was formed with the hopes of allowing for greater alignment of efforts and greater impact for the community.

The key question is how long the fight for equity (and against racism) will retain its current place in public consciousness. Will newly engaged individuals and organizations stay engaged for the long-term or shift their energy to the "next big thing?" The answer to this question may significantly impact the pace and scope of progress that is achieved.

## **2. Access to higher paying jobs needs to be a priority.**

When searching for solutions to the wage and wealth gaps, it is easy to overlook the real issue—people simply need more money. Financial literacy can be helpful, as can learning how to balance a budget. But without enough money, people cannot simply financially educate themselves out of poverty. And while increasing the amount of money people have won't solve every problem, it will provide more options for where they can live, send their kids to school, and spend their money.

Black workers are overrepresented in lower-paying jobs and underrepresented in higher-paying jobs within growing industries. A McKinsey study found that nearly half of Black private-sector workers are concentrated in "three industries with frontline-service presence: healthcare, retail, and accommodation and food service. These industries also have some of the highest shares of workers making less than \$30,000."<sup>3</sup> Participants expressed that getting more Black workers into higher paying jobs was critical to improving economic conditions for the workers and their communities.

Increasing access to good-paying jobs for Black workers is a complicated process. Improving educational opportunities at the K–12 and collegiate levels is one part of the equation. But not every student will (or should) go to college, so identifying other pathways to good-paying jobs is also vital.<sup>4</sup> Some large employers in Toledo, Ohio, have started paid internship programs for high school students that can lead to full-time work after graduation. In eastern Kentucky, efforts are underway to get more Black workers into meaningful roles within the horse racing and bourbon industries, which have traditionally been largely inaccessible for Black workers.

## **3. Strengthening the support system for Black small businesses and entrepreneurs is very important.**

Like the job access issue, participants expressed the need for Black-owned businesses to have greater access to capital. For example, the inability of initial COVID-19 relief programs to reach minority business owners has been well documented. And while subsequent programs have done a better job reaching minority business owners, the structural issues that caused owners to miss out on initial relief funds (for example, lacking relationships with banking and financial institutions) still need to be addressed.

Beyond COVID-19 relief efforts, participants identified community efforts to better support Black-owned businesses. One approach is to look at the nonprofit organizations that support minority businesses. In Dayton, Ohio, a study is underway to identify gaps within the minority business support ecosystem. The goal is to quantify how much more work remains to be done and then raise the funds necessary for meeting those needs. And in Cincinnati, Ohio, which has developed a robust network of

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<sup>3</sup> <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/race-in-the-workplace-the-black-experience-in-the-us-private-sector>

<sup>4</sup> The Cleveland Fed has done a significant amount of work in this space. The most prominent is around [opportunity occupations](#), which are defined as good paying jobs that don't require a four-year degree.

highly effective support organizations, the focus is on ensuring that minority businesses get the support they need to sustain their own growth and development.

Another strategy that some places are using is creating policies and programs that provide structural support for minority businesses. Lexington, Kentucky, made changes to the percentages of minority spending required for construction projects. The previous goal was 10 percent minority subcontractors, but the city found that Black firms were still not receiving contracts. The city adjusted the formula, and now 15 percent of subcontractors must be Black-owned businesses, and an additional 10 percent must be firms owned by other minority groups.

Finally, [Project Engenuity](#) launched in 2021 to help Black, Hispanic, Latino, and women entrepreneurs apply for and secure funds through the Small Business Innovation Research (SBIR) program. SBIR distributes more than \$3 billion annually through a competitive awards-based process that encourages small businesses to engage in federal research/research and development (R/R&D) with the potential for commercialization. This effort presents a tremendous opportunity to increase access for Black (and other minority) entrepreneurs in a field where their presence has traditionally been missing.

### **Why these issues matter to PEI and to the economy**

By most measures, Black communities traditionally have the worst outcomes of all non-native racial groups. Related to wages, it has been estimated that Black workers face an annual disparity of \$220 billion.<sup>5</sup> The racial wealth gap conveys an equally bleak reality. Federal Reserve Board of Governors researchers found both the mean and median wealth for Black families to be less than one fifth of white families.<sup>6</sup> Brookings estimated the gap to be \$10.14 trillion.<sup>7</sup> In the 2020 report *Closing the Racial Inequality Gaps*, researchers for Citi reported that \$16 trillion could have been added to the US economy if gaps in four key areas would have been closed during the past 20 years. Additionally, closing the gaps today would contribute \$5 trillion in GDP over the next five years.<sup>8</sup> While these reports look at different aspects of the collective financial situation for Black Americans, all suggest that narrowing these gaps would not only be a positive for Black Americans but for the entire country.

### **Next Steps for PEI staff**

The Program on Economic Inclusion was created to increase the Cleveland Fed's understanding of the obstacles to economic inclusion for communities in our District, as well as approaches to overcome those obstacles, to help the Fed fulfill its public service mission. These community listening sessions are a prime example of PEI staff working to better understand the challenges existing along racial, gender, and geographic lines. PEI staff is developing a list of commitments—ranging from new engagement efforts to expanded research projects—based on the lessons learned from these listening sessions which will be shared soon on the PEI website.

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<sup>5</sup> <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/the-economic-state-of-black-america-what-is-and-what-could-be>

<sup>6</sup> <https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm>

<sup>7</sup> <https://www.brookings.edu/research/closing-the-racial-wealth-gap-requires-heavy-progressive-taxation-of-wealth/>

<sup>8</sup> <https://www.citivelocity.com/citigps/closing-the-racial-inequality-gaps/>