

Race in Business



**Alfred Lerner College
of Business & Economics**

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About the course

- ▶ DLE (discovery learning experience) course
- ▶ Winter session – 5 weeks/4 days/~3hrs each meeting
- ▶ Open to grad and undergrad students across campus
- ▶ Objectives:
 - ▶ Understand how laws, regulations, and corporate policy are applied and impact access to opportunities along demographics
 - ▶ Explore historical and institutional choices that impact current outcomes and status quo in business
 - ▶ Critically evaluate the potential for wealth-building along ethnoracial groups
 - ▶ Critically evaluate corporate policies and responses around issues of race
 - ▶ Problem solve around the core issues of race and equity in corporate policy

Course basics

- ▶ Instructor led discussions based on lectures & videos
- ▶ Small group and individual responses to instructor prompts
- ▶ Weekly written student reaction to readings material
 - ▶ How did material resonate with you?
 - ▶ Any changes in your thinking or intent? Why? Why not?
 - ▶ What's new and how does it relate to your discipline?
- ▶ Weekly case analysis - HBS
- ▶ Final comprehensive project

Foundation Topics

- ▶ Origins of the concept of Race
- ▶ Implicit bias
- ▶ Doctrine of discovery
- ▶ Manifest destiny
- ▶ History of Non-Whites in America (focused on contracts & business/economic events):
 - ▶ The Native American Experience
 - ▶ The Black Experience
 - ▶ The Mexican experience (Californios & Tejanos)
 - ▶ The Asian American experience
- ▶ The link between US economic wealth and slave ownership and products dependent on slave labor

Key policy areas that drive economic differences

- ▶ Real Estate and the taking of land from Black & Brown people
- ▶ Redlining and Insurance segmentation based on race
- ▶ Transportation and the U.S. Highway System
- ▶ Education
- ▶ Health and Medical Services
- ▶ The Prison Industrial Complex and prison labor exploitation
- ▶ Advertising, marketing and racial disparities

Redlining and Insurance

- ▶ Redlining
 - ▶ 1930s: Home Owners Loan Corporation (HOLC)
 - ▶ Race-based mapping
- ▶ GI Bill housing provision – Boosted wealth accumulation ~ predominantly for Whites
 - ▶ Black neighborhoods excluded; racial restrictive covenants
 - ▶ Blacks obtained 2/3,200 loans issued in MS and less than 100/67,000 in NJ
- ▶ Insurance segmentation based on race not risk
 - ▶ Higher rates for similar profiles in redline vs. non-redline areas
 - ▶ Excessive premium rates to achieve applicant refusal
 - ▶ Limited availability of personal vs. commercial property coverage
 - ▶ Auto and life premiums driven by house location over driving record

Real Estate & Property

- ▶ Real Estate policies favor richer & whiter populations
 - ▶ Property tax exemptions offset owners' but not renters' costs
 - ▶ Bias detected in credit-scoring
- ▶ Land grab
 - ▶ US broke 370+ treaties w/ Native Americans, e.g., Fort Wayne Treaty: US govt acquired 2.5 million acres @ \$.02/acre; part of larger deal
 - ▶ Used unauthorized signatories and a divide and conquer strategy
 - ▶ Appropriation of land from Black Farmers
 - ▶ Californios – land dispossession; barred access in the gold rush
 - ▶ California's anti-Chinese immigration and property laws

Land Grab & Transportation

- ▶ Transportation (2nd highest household expense)
 - ▶ The U.S. Highway system
 - ▶ Many routes cut through Black business communities & neighborhoods; on/off ramps placed in White business areas
 - ▶ Transportation apartheid
 - ▶ Whites drive while Blacks & Browns use public transit
 - ▶ Taxes disproportionately spent on roads over public transit
 - ▶ Avg. commute: car = 20 mins; bus = 38 mins; train = 45 mins
 - ▶ Lack of access to transportation is tied to delays in obtaining health care and increased healthcare cost, which disproportionately impacts URM
 - ▶ Public transit does not service many employer locations



Education and Health Opportunities & Services

▶ Education Funding

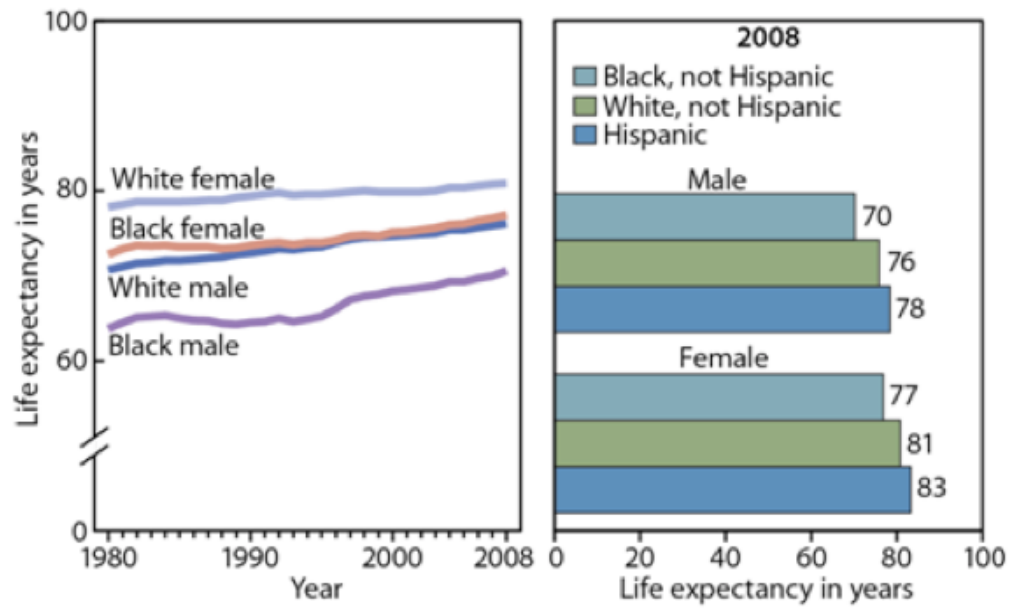
- ▶ Real estate biases drive disparities in school funding
- ▶ Historic funding by explicit *Jim Crow* formulas create de facto segregation
- ▶ American fiscal federation system relies on state level implementation of (and local bias in) federal policies (and the associated \$\$)

▶ What are the drivers of health?

- ▶ Heredity
- ▶ Environmental (work and residence)
- ▶ Lifestyle (culture, norms, beliefs, behaviors)
- ▶ Insurance coverage
- ▶ Socioeconomic conditions (Education; Nutrition; Occupation/Employment)
- ▶ ***Socio economic and environmental factors account for 80% of health outcomes***

Health gap

Life expectancy at birth



SOURCE: CDC/NCHS, Health, United States, 2011, Figure 1. Data from the National Vital Statistics System.



Health disparities are costly to employers and society

- ▶ Higher burden of disease and mortality among minorities results in a less healthy nation and higher costs for health & rehabilitative care
- ▶ Poorly managed chronic conditions or missed diagnoses can result in avoidable, higher subsequent healthcare costs
- ▶ Ethnoracial groups are not completely isolated from the rest of the US population, so compromised care for URM's will impact the entire population's health (e.g., Covid)
- ▶ Markey: "First to get the virus, the first to stay on the job, the first to die but last to get the relief"; vaccine roll-out can be added to that list

Prisons as a source of exploitation

- ▶ Imprisonment of Blacks as a source of labor directly followed end of slavery
- ▶ Contemporary issues
 - ▶ Rise in prison population and imprisonment of URM youth
 - ▶ Imprisonment prior to conviction; bail favors the richer & whiter
 - ▶ Financial burdens of imprisonment born by prisoners and their family (e.g., toiletries; telephone; internet)
 - ▶ Social and financial burden of increasingly locating prisons far away from the prisoner's home and family
- ▶ Prison industrial complex incentivizes expansion, but that expansion has not enhanced safety for the general population

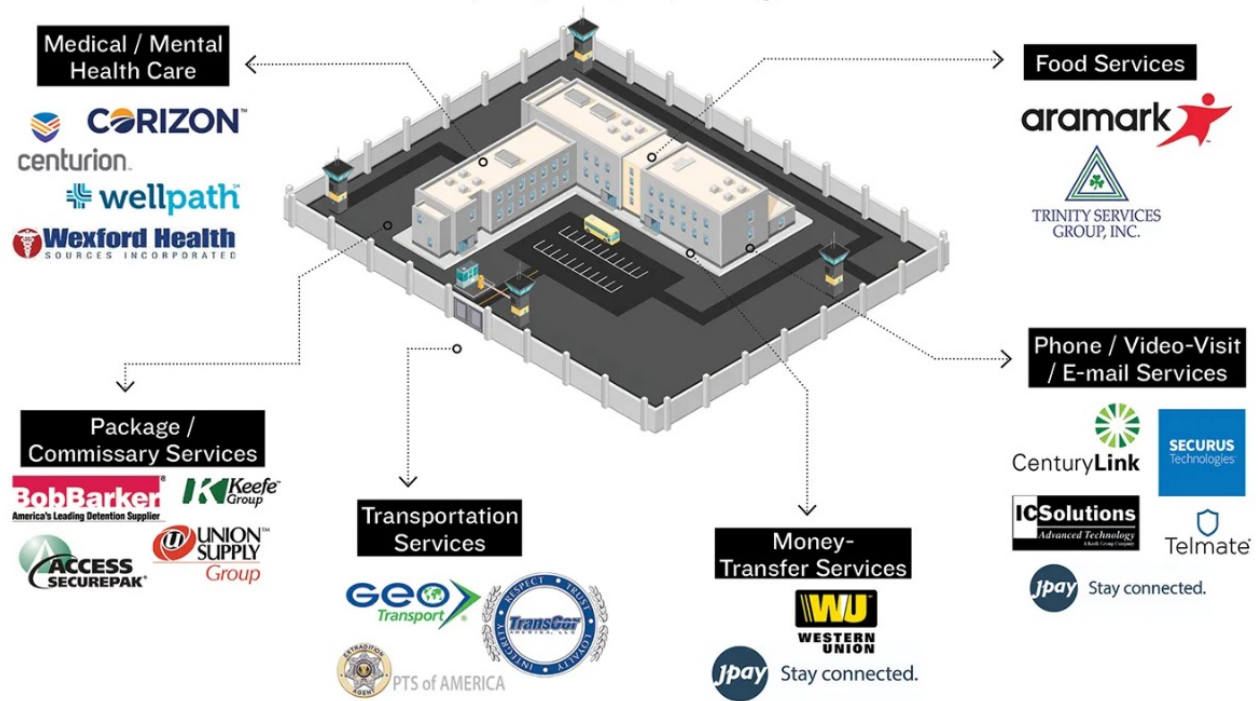
Meet the Prison Profiteers

\$2.32 billion

in federal contract revenue went to ten major contractors to federal agencies that run immigration and corrections in 2018.

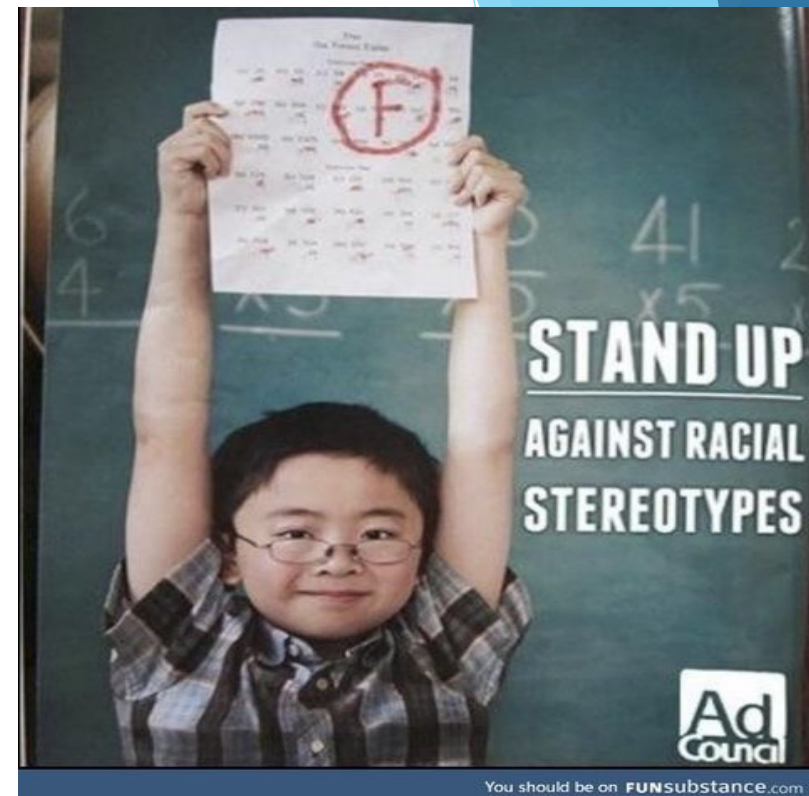
Piece-by-Piece Prison Privatization

A sampling of privatized services, January 2017 (not a full listing)



(Compiled by Prison Legal News)

Advertising and marketing



Businesses are starting to understand how institutions and policies can contribute to multi-generational ethn racial disparities

Diversity is important for business

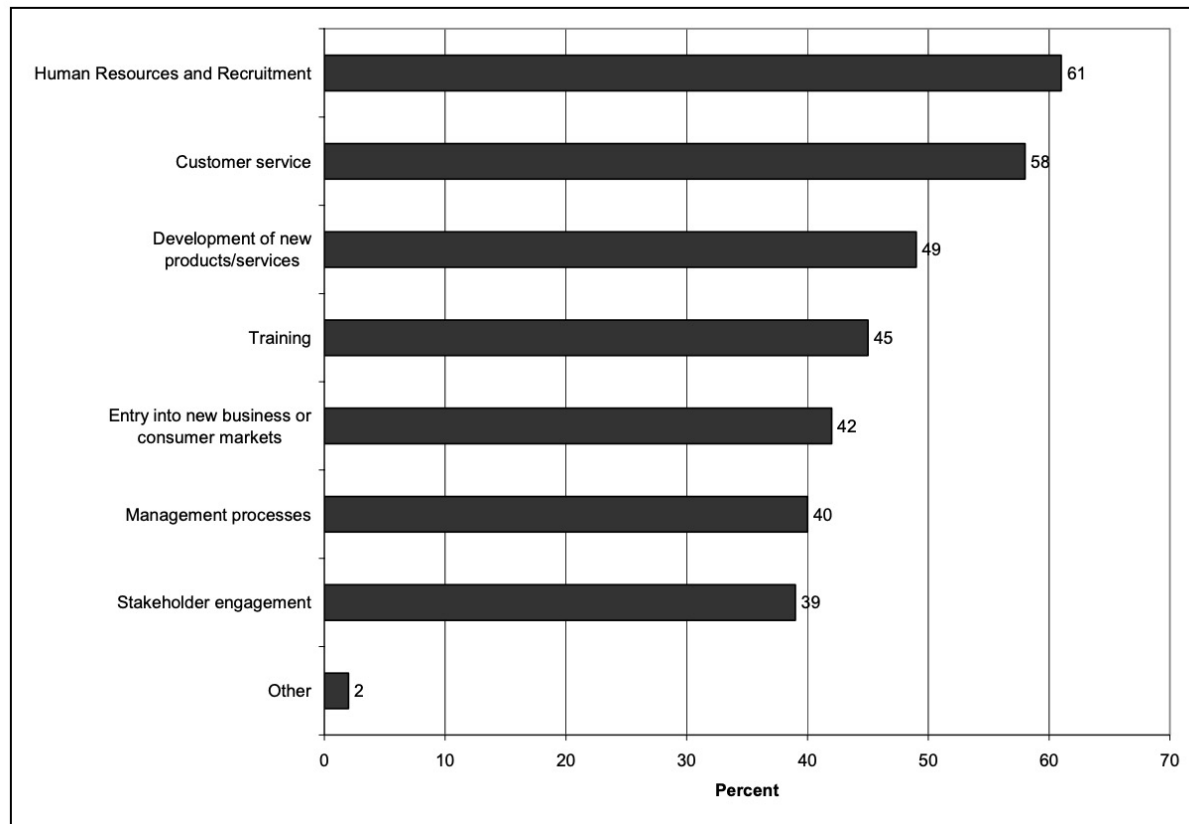


Figure 3: Areas of business activity that benefit from diversity-led innovation

(Source: 2008 EBTP diversity survey)

Diversity boosts performance



How Diverse Leadership Teams Boost Innovation

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EXHIBIT 1 | Companies with More Diverse Leadership Teams Report Higher Innovation Revenue

Companies with
below-average diversity scores



Companies with
above-average diversity scores



Source: BCG diversity and innovation survey, 2017 (n=1,681).

Note: Average diversity score calculated using the Blau index, a statistical means of combining individual indices into an overall aggregate index.

Comprehensive Project: Evaluation of JPMC's Initiative

- ▶ Review and obtain a complete understanding of JPMC's initiative to address racial disparities (\$30 billion over 5 years).
- ▶ Critically evaluate JPMC's diversity initiative
- ▶ How will you determine whether JPMC is fulfilling its stated goals?
- ▶ **JPMC's \$30 billion initiative**
 - I. Promote and expand affordable housing and homeownership in underserved communities
 - II. Grow Latinx and Black-owned businesses by giving 15,000 loans to small businesses and spending \$750 million on Black and Latinx suppliers.
 - III. Improve access to banking and financial health within these Black and Latinx communities
 - IV. Build a more diverse and inclusive workforce