

WASHINGTON EMPLOYERS

EQUITY

FOR RACIAL

THE COMMITMENT TO PROGRESS:

AN EQUITABLE FUTURE FOR WASHINGTON





THE COMMITMENT TO PROGRESS:

AN EQUITABLE FUTURE FOR WASHINGTON

Dear Fellow Washingtonians,

Challenge Seattle and Washington Roundtable comprise CEOs and senior executive leaders of companies—both large and small, local and global—who together represent more than 300,000 employees in Washington state. Washington is our home. It is where we choose to live, raise our families, and grow our businesses. We are steadfastly committed to creating an economically vibrant future and investing in our communities to create opportunities for all.

Our nation is engaged in an urgent conversation about racism and how to build an equitable future. We have been on a journey to listen and learn; to better understand the problem, its causes and impacts; and to create a plan to fulfill our commitment to racial equity—now and for the future.

To begin, we asked Boston Consulting Group (BCG) to analyze data comparing the experiences of Black and white Washingtonians across multiple dimensions of life—education, healthcare, criminal justice, personal finance, and the corporate workplace. We spoke to Black community and business leaders, data and research experts, and professionals within our organizations to better understand the facts. We learned from national racial equity experts and listened to those with lived experience.

Our initial focus is on Black Washingtonians because of the long history of injustice and degree of inequity experienced by this community. That said, racism impacts everyone, and contributes to inequities for Black, Indigenous, Latinx, Asian Pacific Islander, and many other communities. We are committed to action that will support equity and opportunity for all people and all communities in Washington state.

We are sharing our initial findings with you in this report. The data confirm that Black Washingtonians experience inequity in all aspects of life. There is clear and compelling evidence that racial bias and structural inequities exist in our country and our state. To combat it, we must all act together.

As a first step, Challenge Seattle and Washington Roundtable are sponsoring a statewide coalition of employers committed to a racially equitable future. *Washington Employers for Racial Equity* will work collectively to achieve parity in hiring, pay, and promotion for Black Washingtonians, support Black-owned businesses, and invest a combined \$2 billion over the next five years to support racial equity. The coalition will set measurable targets, assess progress, and publicly report its collective results.

The coalition will use its voice to advocate for policies and actions that support racial equity, beginning with our schools, supporting Black-owned businesses, and closing the homeownership gap. It will push for better data and research to ensure our community is clear-eyed about the drivers and effects of racism, the actions needed for change, and whether we are making progress.

The need for action is urgent, but the road ahead will not be easy. Achieving racial equity will require the challenging work of changing hearts and minds along with policies, practices, systems, and structures. Our coalition is committed to listening, learning, and partnering with Black Washingtonians and all communities affected by inequity to support action and advance equity for all. We are in it for the long haul. We begin now.

Join Us,

Chris Gregoire

CEO, Challenge Seattle

Steve Mullin

President, Washington Roundtable

THE DATA: INEQUITY IN WASHINGTON STATE

Challenge Seattle and Washington Roundtable partnered with Boston Consulting Group (BCG) to examine racial equity in Washington across five areas—healthcare, education, criminal justice, personal finance, and the corporate workplace. BCG's research analyzed available data from government agencies, academia, policy think tanks, and the business community itself.

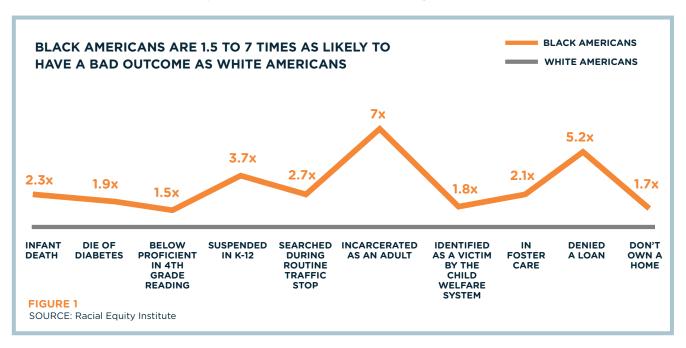
THE FINDINGS ARE CLEAR:

Black Washingtonians and their families experience significant disadvantages across multiple facets of life, the effects of which compound over time and cross generations. COVID-19 and the related recession are magnifying the impacts and deepening racial inequities. Disparities exist regardless of socioeconomic status or education levels, and point to inequities across systems, structures, and policies.

Addressing these disparities and ensuring racial equity for Black Washingtonians and all communities of color will take all of us, working across public and private institutions, systems, policies, and societal structures.

RACIAL INEQUITY ACROSS INSTITUTIONS & SYSTEMS

According to a **2018 report from The Racial Equity Institute**, the experiences of Black Americans are 1.5 to 7 times worse than the baseline experiences of white Americans (Fig. 1).



The national trends are reflected in Washington state data, where 4% of the state population identifies as Black, including 7% of residents in King County and 7.7% in Pierce County (two counties which comprise more than 40% of the state's total population).

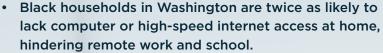
IN OUR STATE:

- Black Washingtonians experience higher incidences of infant mortality, asthma, diabetes, and HIV infection compared to white Washingtonians.
- The high school graduation rate for Black students in the class of 2019 (73.6%), trails that of white students (82.8%) by 9 percentage points. The education gap grows to 13 percentage points when assessing the projected postsecondary credential attainment rate by age 26 (based on estimated credential attainment for high school class of 2017).
- Black Washingtonians are six times more likely to be incarcerated than white Washingtonians.
- Black households earn \$0.74 for every dollar earned by white households.
- Black-owned businesses account for only 1% of the state's businesses and average revenue for Black-owned businesses is 2.3 times less than for white-owned businesses.
- Black executives account for less than 1.9% of corporate leadership roles.

COVID-19 PANDEMIC MAGNIFIES RACIAL DISPARITIES

Racial disparities in our state are being exacerbated by the COVID-19 pandemic and its resulting recession:

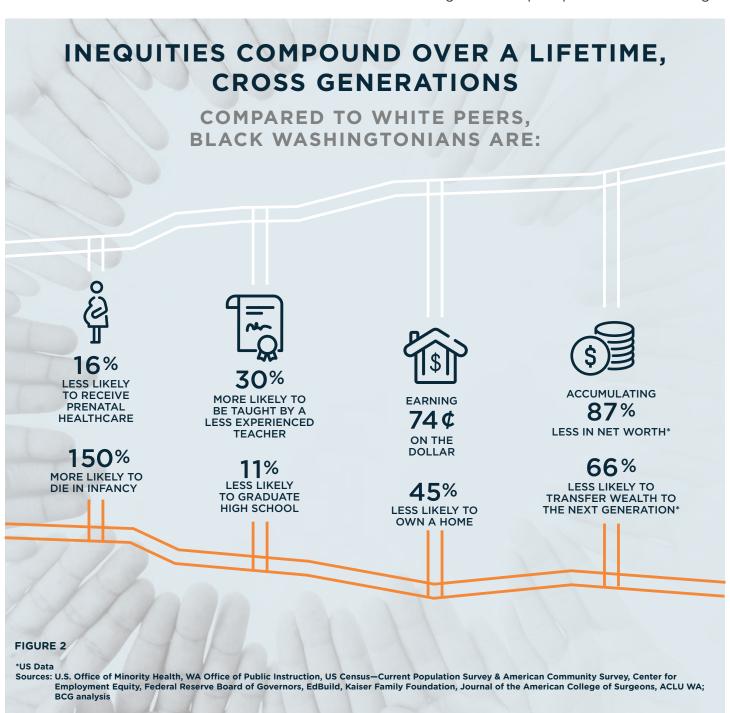
- Black Washingtonians are overrepresented 1.5 times among COVID-19 positive patients.
- Black Washingtonians are experiencing higher unemployment.
 In June 2020, the unemployment rate for Black workers had increased 220% year-over-year (to 13.5%) compared to a 95% year-over-year increase (to 8.4%) for white workers.





IMPACTS OF INEQUITY COMPOUND OVER TIME

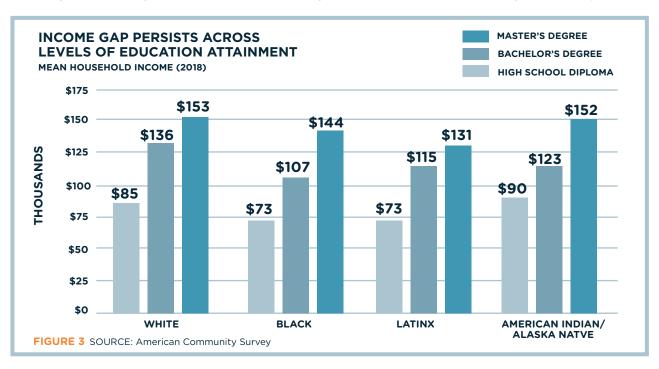
The disadvantages Black individuals and families experience across these multiple dimensions of life compound and reinforce one another, widening the equity gap as compared to white individuals and families. For example, Black students in Washington's K-12 system are less likely to be kindergarten ready, to read at grade level, and to reach college readiness benchmarks. These disadvantages impact graduation rates and postsecondary education options. In turn, career opportunities are limited, which affects earning potential, the ability to purchase a home, generate wealth, or pass inheritance to the next generation. Ultimately, the compounding nature of disadvantages across systems and experiences widens the equity gap between Black and white individuals over the course of a lifetime and sets the next generation up for persistent disadvantage.

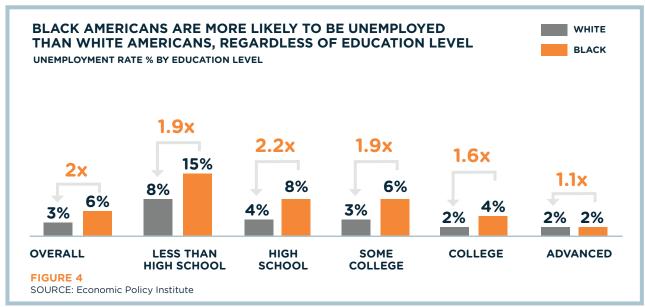


DISADVANTAGES PERSIST ACROSS THE SOCIOECONOMIC SPECTRUM

The disadvantages that Black individuals experience persist regardless of socioeconomic status or educational level. For example, white workers in Washington earn more than Black workers at every level of education attainment (Fig. 3). Nationally, Black workers are two times more likely to be unemployed than white workers at almost all education levels (Fig. 4).

A <u>2019 study by the Urban Institute</u> found that Black households with a bachelor's or advanced degree were less likely to own their home than white households without a high school diploma. According to a <u>2018 study</u> <u>by The Racial Equity Institute</u>, Black men at every wealth level are incarcerated at higher rates than white men, and poor white men are less likely to be incarcerated than wealthy Black men. Further, Black mothers with advanced degrees have higher rates of infant mortality than white mothers with a high school diploma or GED.





INDICATORS OF STRUCTURAL INEQUITY

The causes of racial inequity for Black individuals and families are rooted in our nation's history of slavery, segregation, and the struggle for civil rights. The effects of systems and policies—from Jim Crow laws to redlining—have been documented through a wide body of historic and academic research. The BCG research further exposes a compelling, though not exhaustive, set of indicators, which reveal structural and interconnected challenges that continue to drive racial inequity today.

HEALTHCARE:

- Predominantly Black neighborhoods are disproportionately exposed to high levels of toxic waste and air pollution, which can result in higher risk for adverse health conditions.
- Black patients in Washington attend routine check-ups more often than white patients but receive fewer routine preventive services like flu shots and prenatal care.
- More than one in five Black U.S. residents avoid seeking healthcare due to concern of racial discrimination.

EDUCATION:

- Black students in Washington are 30% more likely to be taught by less-experienced teachers.
- Black students in Washington are suspended from school at more than two times the rate of white students.
- National research indicates that, despite having identical transcripts, the likelihood that Black students will be recommended for advanced courses is 13 percentage points lower than it is for white students.

CRIMINAL JUSTICE:

- Black Americans are 43% more likely to be pulled over and 2.3 times more likely to be searched once pulled over by law enforcement than white Americans.
- Black defendants nationwide receive harsher punishments for the same crime, are more likely to be sentenced to death, and are less likely to receive sentencing alternatives such as drug diversion or community service programs.
- The unemployment rate after incarceration for Black individuals in America is nearly twice as high as it is for formerly incarcerated white individuals.

PERSONAL FINANCE:

- The home mortgage denial rate for Black applicants in Washington is 13% compared to 8% for whites.
- Nationally, home mortgages are priced nearly eight basis points higher for Black applicants than for similar white applicants when priced face-to-face.
- White Americans inherit wealth at roughly three times the rate of Black Americans.
- Black Americans are asked for personal income tax statements 28% more often than white Americans when applying for business loans.

DEEPER DIVE: THE CORPORATE WORKPLACE

Given our role as employers, we wanted to examine racial inequities in the corporate sector in greater detail.

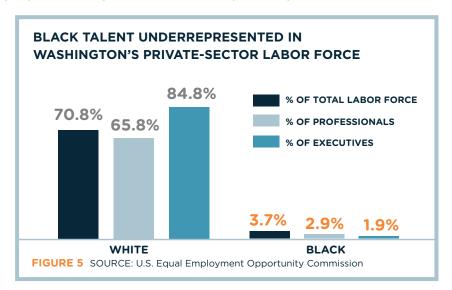
THREE KEY FINDINGS EMERGE FROM BCG'S ANALYSIS:

- 1. Black talent is underrepresented in higher paying and leadership positions,
- 2. Black employees face barriers to promotion and career advancement, and
- 3. Black-owned businesses make up a disproportionately small share of corporate spend.

BCG analysis of employment data indicates that Black employees are underrepresented in management and higher paying roles within Washington's private-sector labor force (Fig. 5).

According to a 2018 Board Diversity

Census conducted by Deloitte, Black board members filled 8.6% of total board seats at Fortune 500 companies nationally, despite Black Americans comprising 13.4% of the U.S. population. In 2020, five of the top 500 companies (1%) had Black CEOs.



Nationally, data reveal the disadvantages Black workers face in pursuing employment, mentorship, and advancement:

- <u>PayScale's report</u> on the impacts of job referrals found that people of color are referred less frequently for jobs—with women of color being referred 35% less than white men.
- Analysis by the <u>Harvard Business Review</u> of 40 field studies found that white candidates with identical qualifications are called back for interviews 36% more than Black candidates—a gap that has persisted for 25 years.
- The <u>Center for Talent Innovation</u> (CTI) found that two-thirds of Black employees nationally report having no access to their organization's senior leaders.

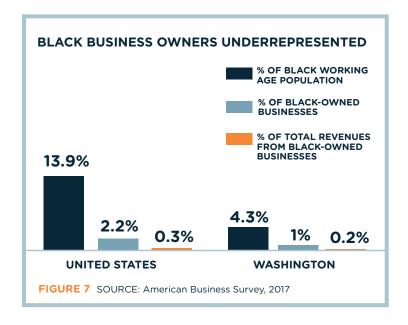
Unconscious bias and culture play a role. CTI's survey found that two-thirds of Black employees in the Western United States experienced racial prejudice at work and felt they had to work harder than their peers to advance.



LIKELIHOOD OF ADVANCEMENT IN WASHINGTON STATE % LIKELIHOOD OF A COLLEGE 0.9% GRADUATE 1.0% 0.3% 0.5% REACHING EXECUTIVE LEVEL **BLACK LATINX NATIVE AMERICAN** WHITE & ALASKAN NATIVE **CAREER STEP PROMOTION RATES COLLEGE TO** 77% 76.4% 50.3% 72.8% PROFESSIONAL: **PROFESSIONAL** 27.2% 24.9% 31.3% 29.8% TO MANAGER: **MANAGER TO** 4.9% 2.6% 2.5% 3.8% **EXECUTIVE:**

Note: College graduate is defined as people 25 years or older with a bachelor degree or higher. College to professional promotion rate compares the percentage of college students to the percentage of professionals in each racial/ethnic group. The other career steps compare the percentage of workers promoted to the entire professional workforce by each racial/ethnic group. This analysis assumes no inter-state hiring.

FIGURE 6 SOURCES: American Community Survey 1-year estimates (2018); U.S. Equal Employment Opportunity Commission; BCG analysis



Barriers also exist for Black-owned businesses. Black entrepreneurs are underrepresented in business ownership, while Black-owned businesses make up a disproportionately small share of the total revenue generated by U.S. companies.

According to the **2019 State of Supplier Diversity**, diverse suppliers report three major challenges:

- Difficulty in getting discovered by large companies
- Purchasing decision-makers are not attuned to how supplier diversity programs work
- Purchasers focusing on the bottom line at the expense of diversity

WE HAVE WORK TO DO

Racial inequity exists across multiple dimensions of life, with cumulative effects that reinforce one another. These disparities cannot be explained away by socioeconomic factors and the evidence shows that structural barriers to equity exist in our state and in our nation.

Racial bias and structural inequity have no place in Washington's future. We must all work together to take decisive and thoughtful action to secure an equitable future for all people in our state.

OUR COMMITMENT TO TRANSFORMATIONAL AND LASTING CHANGE

We believe all Washingtonians must have the same opportunities free of the barriers of racism. We believe the private sector has a vital role to play in creating lasting change in support of racial equity for Black Washingtonians.

We believe racial equity is achievable in our state.

The national events of 2020 are catalyzing a critical, overdue public discussion on race and the impacts of racism engrained in our institutions, systems, and communities. This conversation is fostering an historic opportunity for collective action across all communities in our state. As leaders, we must work to knock down structural barriers to equity and success for Black Washingtonians.

Equity will increase prosperity for our entire state. Our communities will be stronger, healthier, and more vibrant. Our economy and our companies will benefit from a greater diversity of ideas, a more robust talent pipeline, and increased opportunity for all Washingtonians.

We will start by owning our part of this problem, actively working to contribute to solutions, and using our voices to advocate for governmental action that supports transformational and lasting change.

Challenge Seattle and Washington Roundtable are the founding sponsors of Washington Employers for Racial Equity, a cross-sector coalition committed to change in support of Black individuals, families, and communities in Washington state. This coalition of companies and organizational stakeholders will listen, learn, partner, adapt, and engage in the work necessary to support and achieve racial equity for Black Washingtonians.

THE COALITION WILL COMMIT TO DRIVE RACIAL EQUITY IN THE CORPORATE SECTOR. THE COALITION'S COLLECTIVE GOALS FOR 2030:

- Foster an inclusive corporate culture inside our organizations. This includes removing bias to achieve
 racial equity in hiring, evaluation, and promotion processes; providing anti-bias training and racial equity
 education for employees; supporting a community of Black professionals; and amplifying the voices and
 experiences of our Black employees and customers.
- Employ a workforce that reflects our communities. The percentage of our workforce that identifies
 as Black should mirror the percentage of the working age population that identifies as Black in the
 communities in which we operate.
- Achieve racial parity in average compensation for employees in similar job categories.
- Increase Black representation in management and senior leadership positions.
- Increase internships and work-embedded learning experiences for Black students.
- Increase diversity and racial equity among contractors, vendors, and supplier networks and increase investment in Black-owned businesses.
- Invest a combined \$2 billion in corporate, community, and philanthropic efforts to support racial equity in the next five years.

THE COALITION WILL ADVOCATE FOR RACIAL EQUITY IN WASHINGTON'S COMMUNITIES & PUBLIC POLICY:

Washington Employers for Racial Equity will focus advocacy efforts on the areas where we believe the business community can have the greatest impact, bringing its knowledge, expertise, and credibility to bear. To begin, the coalition will advocate for:

- A Robust Data System: To eliminate racial inequity in Washington, our state must be able to identify, measure, and track it objectively and transparently. Currently, there is no centralized place that tracks and disaggregates data by race across multiple dimensions of life, or enables use of that data to inform decision-making, set equity goals, or measure progress. Washington needs a robust data system that tracks and regularly reports on racial disparities across institutional systems and experiences, including education, healthcare, criminal justice, the workplace, and personal finance. With better data, we can hold ourselves accountable, monitor progress, and make data-driven course corrections where needed.
- Equity in Education: We must ensure that Washington schools are paving the way to racial equity for the next generation. Ensuring resource equity, leveling the teacher experience gap, and creating a common culture of belonging for all students will be key.

We remain steadfastly committed to opening pathways to rewarding careers with advancement opportunities for Washington's Black students. National and state data indicate that at least 70% of jobs in our state will require or be filled by workers who have completed a postsecondary credential, such as a degree, apprenticeship, or certificate. Just 41% of Washington's high school class of 2017 and only 31% of its Black students are on track to hit this benchmark. We can and must do better for our students and for our future workforce.

Washington Roundtable has led a multi-year effort to unite business, education, government, and non-profit sectors around an ambitious goal: By the high school class of 2030, 70% of Washington students will complete a post-high school credential by age 26.

We will work with policymakers, stakeholders, educators, and families to shift the goal of Washington's K-12 system from a focus on high school graduation to a focus on successful transition to postsecondary education and credential completion. We will advocate for policies that accelerate postsecondary access for Black students. We will urge policymakers to protect investments in financial aid, student supports, and services that drive credential attainment, particularly for Black students, students of color, and those furthest from opportunity. We will partner with postsecondary institutions, policymakers, and stakeholders to transform the state's postsecondary system to support racial equity.

Finally, we will continue our work to directly connect the Washington business community with students, teachers, and principals to foster career-connected learning throughout the state, particularly in districts serving communities of color.



- Black-Owned Businesses: This coalition will support the growth of Black-owned businesses in Washington. A diversity of thriving businesses is vital to our economy—it promotes competition, fuels innovation, and strengthens our resiliency to market fluctuations. As business leaders, we know that starting, growing, and running a business requires support along the way. We will advocate for the expansion of technical assistance and coaching support for Black business owners. We will support the growth of proven incubator programs that support minority-owned businesses. We will advocate for fair access to credit for minority-owned businesses.
- Closure of the Homeownership Gap: Homeownership is the way that most Americans build wealth. We will advocate for policies and programs that increase homeownership opportunities for Black Washingtonians, such as rent-to-own programs. We will add a racial equity focus to our work to make housing more affordable for more families. We will support efforts to address racial inequities in mortgage lending.

THE COALITION WILL REMAIN COMMITTED & BE ACCOUNTABLE & TRANSPARENT

In our conversations with Black community members and leaders, two themes emerged. First, racial equity will not be quickly won, but the need to act is urgent. Second, words are not enough. Action and results must follow.

We agree. That is why the coalition will pursue collective goals for 2030, and why its members are committing to make racial equity a long-term priority. We will hold ourselves accountable for action, setting measurable targets, assessing our progress, and publicly reporting on our collective results. Most importantly, we will continue to listen to, learn from, and partner with Black Washingtonians and the broader community, adapting and evolving our efforts to ensure success in advancing racial equity.

A CALL TO ACTION

Racial equity is critical to the future of Washington state. All people—
regardless of their racial or ethnic identity—must have an equal chance to thrive
and succeed. When we ensure equity and opportunity for all, we expand prosperity
for our communities and the entire state.

Our ultimate goal is equity and opportunity for all. To begin, we focus on Black Washingtonians, recognizing that inequity impacts many. We must tear down racial, socioeconomic, and other barriers to opportunity and build a future that supports equity for everyone.

This work will take all of us—across the public and private sectors, among Washington's diverse communities, and particularly those in leadership roles—actively working together to achieve transformational and lasting change.

We believe change is possible and the goal of racial equity is achievable. We are in it for the long haul.

Let us join together to drive an equitable future for all Washingtonians.

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