Closing the Racial Wealth Gap through Business Ownership

July 16, 2015

12pm CST/1pm EST – start time
Technical Difficulties

Please type in your QUESTION BOX to let us know if you experience technical difficulties at any point during the webinar. We may be able to assist you, or please call the GoToWebinar technical assistance line, toll free (855) 352-9003, and press 2.

Questions for Presenters

Please open the QUESTION BOX in your control panel to type questions for presenters at any point during the webinar.

The webinar moderator will select questions to ask during the Question and Answer Session.
The Asset Funders Network

AFN is a community of national, regional and community-based foundations and grantmakers who are strategic about using philanthropy to invest in economic opportunity and financial security for all Americans.

<table>
<thead>
<tr>
<th>Mission</th>
<th>Desired Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase the capacity of our members to effectively promote economic</td>
<td>Raise the visibility of and funding for activities that expand access to</td>
</tr>
<tr>
<td>mobility by supporting efforts that help low-and moderate-income</td>
<td>financial opportunities and strengthen communities.</td>
</tr>
<tr>
<td>individuals build and protect assets.</td>
<td></td>
</tr>
</tbody>
</table>
Webinar Agenda

- Welcome, Setting the Stage and Introduction of Speakers
  - Annika Little
    Asset Funders Network

- Narrowing the Racial Wealth Gap through Business Ownership
  - Joyce Klein
    Director, FIELD at the Aspen Institute

- Moderated Question and Answer Session

- Perspectives: Funding Business Ownership with a Lens for Addressing the Racial Wealth Gap
  - Jeanne Wardford, W.K. Kellogg Foundation
    Daniel Delehanty, Capital One

- Moderated Question and Answer Session
Introduction of Presenters

Moderator

Annika Little | Asset Funders Network

Presenters

Joyce Klein | FIELD at the Aspen Institute
Jeanne Wardford | W.K. Kellogg Foundation
Daniel Delehanty | Capital One
Narrowing the racial wealth gap through business ownership
Key Topics for Discussion

1. The racial wealth gap and the role of business ownership
2. Strategies – micro/small business and worker coops
3. Recommendations for funders
What is the racial wealth gap?

In 2013 the net worth of Latino families was about one-tenth that of white, non-Latino families, and the net worth of African-American, non-Latino families was even lower.


© The Aspen Institute
African American and Latino families have lower rates of investment in financial and business assets, “which provide both asset diversification and higher average returns in the long run than a portfolio consisting mostly of tangible assets like a house, vehicles or other durable goods.”

Reference: Boshara et al, p. 11-12.
© The Aspen Institute
Lower levels of assets among African Americans account for more than 15 percent of the difference between the rates of business creation among Whites and African Americans; low levels of assets explain more than half of the business entry rate gap for Latinos.


© The Aspen Institute
Rates of growth in business ownership among non-whites are growing....

However, in recent years the rate of growth in the number of non-white owned businesses has **far outpaced** the growth in white-owned firms.

29% Firms owned by whites

107% Businesses owned by non-whites


© The Aspen Institute
Table 1. Growth in Numbers of Minority-Owned Firms, 1997-2007

<table>
<thead>
<tr>
<th></th>
<th>Number of Firms</th>
<th></th>
<th>Growth Rates (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All U.S Firms</td>
<td>18,431,456</td>
<td>27,097,236</td>
<td>47%</td>
</tr>
<tr>
<td>Nonminority Firms</td>
<td>15,645,358</td>
<td>20,107,000</td>
<td>29%</td>
</tr>
<tr>
<td>All Minority Firms</td>
<td><strong>2,786,098</strong></td>
<td><strong>5,762,940</strong></td>
<td><strong>107%</strong></td>
</tr>
<tr>
<td>Black-Owned</td>
<td>780,770</td>
<td>1,921,881</td>
<td>146%</td>
</tr>
<tr>
<td>Hispanic-Owned</td>
<td>1,121,443</td>
<td>2,260,309</td>
<td>102%</td>
</tr>
<tr>
<td>Am Native-Owned</td>
<td>187,921</td>
<td>236,967</td>
<td>26%</td>
</tr>
<tr>
<td>Asian-Owned</td>
<td>785,480</td>
<td>1,549,664</td>
<td>97%</td>
</tr>
</tbody>
</table>


© The Aspen Institute

Advancing microenterprise through knowledge and innovation
But business growth remains a challenge

In comparison to white-owned businesses:

African-American and Latino-owned businesses:
- Have lower sales
- Hire fewer employees
- Have smaller payrolls

African-American firms:
- Have lower profits
- Have higher closure rates


© The Aspen Institute
Why lower growth and success rates?

Research shows **three main causes for lower growth and success rates** among African-American and Latino-owned firms:

- **Lower levels of owner know-how**
  - in terms of education levels and experience in family-owned businesses

- **Financing**
  - in terms of family wealth to invest, and the ability to access external sources of capital

- **Market access**
  - including the tendency of minority-owned firms to focus on co-ethnic rather than broader markets


© The Aspen Institute
Funding strategies

1. Micro and small business support – lending, business development services

2. Worker-owned cooperatives
In FY13, 74% of clients served by microbusiness programs were non-white.

Based on data from 177 MDOs reporting to the U.S. Microenterprise Census. Data on racial and ethnic characteristics was reported on 62,144 of 115,364 clients.

© The Aspen Institute
MDO client outcomes

For non-white owned firms:

- **95% still in business** after one year
- 64% business start rate
- **54% of the businesses employed paid workers.**
  Average of 2.89 jobs per business, paying $15.16 median hourly wage
- **$45,000 median business revenues**
- Average revenue increase of **$12,777** after a year
- **$10,000 median owner’s draw**
Relative to white-owned firms, African American and Latino-owned firms have:

• Similar business start and survival rates.
• **Lower revenues and revenue growth** than white-owned firms.
• **More paid workers**, more likely to have full-time (vs. part-time) workers, and paid out more in wages on an annual basis.
Worker Cooperatives serve people of color

- In 2013, there were **256** worker-owned cooperatives (1% of all co-ops) who employed **2,500 to 3,500** worker-owners.
- In 2012 and 2013, nearly **60%** of people in new worker cooperatives were **people of color**.


© The Aspen Institute

Advancing microenterprise through knowledge and innovation
Despite increasing public interest, worker cooperatives are not common. In the United States in 2013, there were:

- **$128 million total business assets**
- **$983,000 average revenue**
- **11 employees on average**
- **6.4% average profit margin** vs 5.9% for private firms


© The Aspen Institute
Research shows that worker-owned coops create...

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better pay</td>
<td>Pay well above industry average at Arizmendi, CHCA and WAGES cooperatives</td>
</tr>
<tr>
<td>Asset building</td>
<td>In some WAGES cleaning coops, members’ average business assets are nearly $9000</td>
</tr>
<tr>
<td>Job tenure</td>
<td>15% employee turnover at Cooperative Home Care Associates vs. 40-60% industry-wide</td>
</tr>
<tr>
<td>Operational efficiency</td>
<td>Worker coops in the plywood industry were 6-14% more efficient than competitors</td>
</tr>
<tr>
<td>Business longevity</td>
<td>65% of Canadian coops survived 5 years vs. 40-50% of comparable businesses</td>
</tr>
<tr>
<td>Community well-being</td>
<td>Higher indexes of social well-being in health, education, crime, and social participation</td>
</tr>
</tbody>
</table>

© The Aspen Institute
Recommendations

- Invest in small business and microenterprise CDFIs and mission-based lenders
- Support research into and the development of models that promote savings and build credit for potential entrepreneurs
- Support business development organizations that develop the business ownership skills of Latino and African American entrepreneurs, and expand their ability to access broader markets
- Build the infrastructure to support the success and growth of worker cooperatives; **Invest directly in cooperatives**
- Fund research
Q & A Session

**Moderator**

**Annika Little** | Asset Funders Network

**Presenter**

**Joyce Klein** | FIELD at the Aspen Institute

Please open the question box in your control panel to submit questions.

Note, due to time and topic constraints, all questions may not be addressed, but we endeavor to address each question.
Perspectives: Funding Microbusiness with a Lens for Addressing the Racial Wealth Gap

Jeanne Wardford | W.K. Kellogg Foundation
Daniel Delehanty | Capital One

Please open the question box in your control panel to submit questions.

Note, due to time and topic constraints, all questions may not be addressed, but we endeavor to address each question.
Please open the question box in your control panel to submit questions.

Note, due to time and topic constraints, all questions may not be addressed, but we endeavor to address each question.
Asset Funders Network

What’s next?

Asset Funders Network provides a unique and vital space where funders gather in-person or virtually to share ideas, best practices, and gather input to maximize our resources and share progress.

Visit our website to learn more about in-person convenings, webinars, and resources Asset Funders Network seeks to increase the capacity of grantmaker members to effectively promote economic security by supporting efforts that help low and moderate income households build and protect assets.

To learn more about the Asset Funders Network, please visit assetfunders.org
Thank you for attending today’s webinar.

Please fill out our survey

The survey will pop up on your screen momentarily, and will also be sent to you via email — we value your time, and the survey will inform our future webinars.

Your feedback is greatly valued by AFN - thank you!
Thank you for attending today’s webinar.

Please look for an email with a link to resources mentioned in the presentation, webinar recording, and slideshows.

The Webinar has concluded.