

EQUITY

Private sector. Don't just stand there, do something BIG!

by Paul Danos, Vijay Govindarajan, and Anup Srivastava



American companies have an obligation to address the country's inequality crisis.

The Gap Persists and is Getting Wider. There is no doubt that the U.S. has come a long way since the Jim Crow South, racial segregation, and the disenfranchisement of the early 20th century. However, recent racial tensions and civil unrest has put a spotlight on the **persistent economic inequality** between people of color and whites. **A previous article**, based on meta-analysis from field experiments on racial discrimination in hiring, found no improvement in black hiring over the last 25 years. This is despite numerous **affirmative actions** on part of government, schools, colleges, and universities, and despite the society's **dramatic change in attitude towards race**. The persistent problem of underemployment at the bottom of the U.S.'s socio-economic population will fuel unrest for the foreseeable future unless something drastic is done.

We propose creating a sweeping process where companies would tackle this terrible situation that has ensnared so many of our young people, who, through no fault of their own are caught in a multi-generational downward economic spiral. We believe firmly that the private sector must play the lead role here. It must provide paid apprenticeships and training to at-risk adolescents to improve their motivation, occupational skills, personal networks, and job prospects. Of course, the new effort should not subtract from the many ongoing local and federal efforts to educate and prepare young people.

The First Rung of the Employment Ladder is Getting Higher. It takes more background and training to get into the meaningful employment tracks in the companies of today. Henry Ford employed thousands who were very productive because of his innovative manufacturing methods. Importantly, it was not that difficult for a healthy person to perform in a first-rung shop floor job. Today's first-rung "blue-collar" technology-oriented jobs require connections, education, and technological training which is typically beyond the reach of many underprivileged youth. There are at least three forces that operate against them. First, lower educational qualifications. A white person is more likely to have a high school diploma and a college degree than person of color, particularly from a premium college, a factor compounded by the **increasing costs of college education**. Second, a white person is more likely to be perceived as having the occupational skills required for the next job. This factor is further exacerbated by the reliance on personal connections and networks to hire, which systematically disadvantage people of color. And third, **high levels of poverty** carry with it many forms of perceived disadvantages in the employment process which can lead to lack of confidence and a feeling of isolation.

Enlist the Mass Pool of Talent and Infrastructure in the Training Efforts of Companies.

We believe that companies themselves are the best at getting workers prepared to join any rung on the employment ladder and to be productive thereafter. They do it continuously and collectively, in a massive effort involving millions of people. If companies devoted a relatively small proportion of this colossal effort to closing the poverty gap, there could be monumental changes in the lives of the most vulnerable in our society. We propose company participation in proportion to size, for instance, for every 50 employees, a company would train one youth of color from underserved communities. There are **more than 300,000 companies** in the U.S. with more than 50 employees. In the economy as a whole with one apprentice per 50 workers, there could be more than 2 million apprentices in all of the company intakes. We believe that such an infusion of employment and hope would benefit our society in exponential ways in the decades to come and, surprising for such a massive effort, no new infrastructure and little new bureaucracy would be needed.

Joy of Mentoring and the Appropriate Incentives Will Insure Success. Out of every 50 workers, each company will surely have more than one who is a natural mentor, and whose commitment, compassion and competency could be enlisted to benefit a human being and the larger society. One-on-one mentoring will help both the mentor and the recruit. The apprentices would gather occupational skills that result from access to knowledge and training. They would also learn from their mentors soft skills such as public speaking, resume writing, financial literacy, interviewing and punctuality. By getting an opportunity to demonstrate their ability, commitment, and skills, the mentees would develop personal networks and sponsorships that would increase their ability to take advantage of new opportunities. In addition, observing first-hand the benefits mentors' received from education, the apprentices could be incented to perhaps finish their high school education or pursue a college degree.

We know that middle management of most companies are populated by talented young people who respond to doing the right thing and to incentives that are clear and persistent. If supported by the top of the organization, they will make this process successful and a game changer for society.

The Impact of this Innovation Would Grow Exponentially. With each company in effect experimenting and sharing learning, the programs would continuously improve. And the initial training for the individual would be just a start. **Research shows that those from underprivileged backgrounds who become business executives, often become “civic leaders,” who sponsor youth and community programs.** Second, they certainly would serve as role models for the underprivileged minority youth. And third, the accumulating benefits would lead to a critical mass that is essential to make a persistent and significant change in society.

The Participating Companies Would Benefit. Just as Henry Ford’s paying his workers well helped create a middle class that could buy his cars, this program would impact many of America’s most needy communities, reducing the high levels of poverty, crime and incarceration. Another benefit would be a new flow of eager and trained employees populating the ranks from within the organization. We also believe that having more cultures represented throughout the ranks improves creativity and many aspects of employee morale.

Enforcement and Incentives. Some would argue that this program would impose a tax on businesses for the increased cost and effort of recruiting and training. We content that this is a case of such monumental importance that the private and the public sector must cooperate in unprecedented ways. Government cannot do this work because the main benefits to the apprentice comes from being a productive member of a business, having a paycheck, being mentored and receiving on-the-job training, which can only come from a business itself. The private sector therefore must commit to participation. They would also have to comply with some kind of reporting scheme. With the enlistment and support of top leadership in the companies and government, the usually onerous paperwork, reporting and auditing could be kept to a minimal. We also expect that the private sector must be given incentives, perhaps in the form of tax credits. We believe that on balance, companies would come out far ahead, both from moral and financial points of view. We envision that when a company would proudly declare the success of its new minority training program, goodwill from customers and shareholders would pour forth.

A Call to Action. We propose a massive program of human development, led by the private sector, aimed at helping to close the persistent poverty gap that plagues so many in our most underserved and vulnerable communities. It is time for some of the abundant human talent and resources in our dynamic private sector to be focused on this problem. Our businesses must continue to do what they do so well, help their workers gain knowledge and productive and competitive skills, but now, at this crucial junction in our societal journey, we call on businesses to open these powerful processes to our young citizens of color who have suffered disproportionately from lack of opportunities. They must be given more paths to success. We believe that the program we propose, will change their lives for the better like nothing else could.



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