

**Testimony of Rick Wade, Senior Vice President of Strategic Alliances and Outreach at the
U.S. Chamber of Commerce**

House Financial Services Subcommittee on Diversity Inclusion

**By the Numbers: How Diversity Data Can Measure Commitment to Diversity, Equity and
Inclusion**

March 18, 2021

Chairwoman Beatty, Ranking Member Wagner, and members of the House Financial Services Subcommittee on Diversity and Inclusion, thank you for the opportunity to testify before the subcommittee today and for holding this important hearing.

I grew up in a small town in South Carolina, where the textile industry was once the mainstay of our local economy. Connected to that economy was a vibrant district of Black entrepreneurs and business owners called The Hill, and it was our version of Black Wall Street in Tulsa or Harlem in New York City. It was where one could find doctors, lawyers, retail stores, restaurants, fresh seafood markets, and other service businesses. These businesses were key anchors in our community, and the owners were our role models.

I've seen first-hand how entrepreneurship plays an important role in building wealth in families, communities, and economies, but the opportunity to start and grow a business is not equal for white and Black Americans. Black Americans are underrepresented among entrepreneurs, representing 12% of the U.S. labor force but only 9.4% of business owners.¹ They also are less likely than white Americans to launch businesses, and when they do, those businesses tend to have lower revenues and fewer employees.² They are [less than half as likely](#) to get financing as white-owned firms. Moreover, a study from the National Bureau of Economic Research reports that [41% of Black-owned businesses have already closed](#) as a result of the pandemic and downturned economy.

Last year, the U.S. Chamber of Commerce launched the Equality of Opportunity Initiative to develop real, sustainable solutions to help close race-based opportunity gaps in six areas: education, employment, entrepreneurship, criminal justice, health, and wealth. Systemic inequalities in these six areas perpetuate broader inequalities in our society, hold back individual and business success, and hinder economic growth.

Driven by data and informed by conversations with business, government, academics, and civic leaders, we developed the Equality of Opportunity Agenda to advance private sector solutions and best practices, scale impactful programs, and drive policy action at the federal, state, and local level. In early 2021, we launched task forces around our six main pillars as well as access to capital and supplier diversity. These conversations are bringing together business, policy experts, and others to share and discuss strategies to advance progress on these issues and solutions in the years to come.

We are very proud of the progress we've already made since launching the Equality of Opportunity Initiative last June – hosting over 100 events, meetings and briefings with companies and other business organizations; endorsing 14 bills on Capitol Hill; releasing important research and data to help inform our work; and standing up nearly a dozen Chamber-wide partnerships and

¹ [M'Balou Camara, Khaing Zaw, Darrick Hamilton, and William Darity Jr., "Entering Entrepreneurship: Racial Disparities in the Pathways into Business Ownership." Duke University, 2019](#)

² [The Kaufman Foundation, Kauffman Compilation: Research on Race and Entrepreneurship, December 2016](#)

programs. In addition, over 500 state and local chambers and other groups have signed on to the Initiative and are advancing this work across their organizations and communities.

I am particularly grateful that the Chamber is doing its part to help foster Black-owned business growth, create jobs, and develop thriving communities. We are working to connect Black-owned businesses to corporate supply chains, and we are helping to address critical issues like access to capital. Our partnerships with [Sky's the Limit](#) and Historically Black Colleges and Universities are inspiring the next generation of diverse entrepreneurs and business leaders.

In addition, since its launch in September 2020, our Foundation has [distributed 600 grants to Black-owned small businesses](#) in communities heavily impacted by the pandemic in partnership with our Coalition to Back Black Businesses (CBBB). The CBBB has committed to providing \$13 million in grants, mentorship opportunities, and resources to support the long-term success and resilience of Black-owned small businesses over the next three years.

The Chamber's data-driven approach is foundational to our Equality of Opportunity Initiative. In partnership with MetLife, the Chamber produces a monthly [small business index](#) to track the impact of the pandemic on firms—including minority-owned small businesses. We also support efforts by the Consumer Financial Protection Bureau to implement Section 1071, which amends the Equal Credit Opportunity Act to require that financial institutions collect and report information concerning credit applications made by women- or minority owned businesses and by small businesses.

Further, we have repeatedly supported the outstanding efforts by Representatives Meeks and Maloney to champion corporate board diversity and have already endorsed H.R. 1277, The Improving Corporate Governance Through Diversity Act of 2019. Diversity has become increasingly important for good corporate governance and the Improving Corporate Governance Through Diversity Act will establish a model to organically boost diversity on boards through disclosure, rather than the counterproductive quota-driven strategies that some have attempted.

For decades, corporate boards and governance advocates have embraced the goal of diversity, but diverse representation—especially Black representation—in boardrooms is still distressingly low. We are encouraged by a [recently released report from BoardProspects](#) showing the number of Black board members among Russell 3000 companies is still small, but progress is beginning to emerge. Recently, the Chamber announced an exciting initiative to help address this disparity. Through a partnership with the National Association of Corporate Directors, we committed to help identify, prepare, and connect at least 250 Black business executives to public and private boards by the end of 2022.

We need to address diversity urgently and through intentional action, but policymakers should be careful to structure diversity policies in a flexible and durable way. An initiative that might make sense in a highly-populated metropolitan area might not make as much sense in a rural one. Further, it may take companies time to implement diversity policies and initiatives, even when they are internally prioritized within a company. Policies that incorporate flexibility, such as a “comply or explain” model in disclosure, can shed light on why an internal diversity goal has not been achieved and can help a company think through their shortcomings. Approaches like “comply or explain” provide important information to investors and the company's own employees. Moreover, allowing companies some flexibility in implementing diversity initiatives gives those policies a chance to take hold long term, as companies can strategize about their priorities and identify good candidates to fill open positions.

There is no question that the U.S. can do better when it comes to diversity, equity, and inclusion and like many of our members, we feel the sense of urgency. Last year, many U.S. firms pledged to address diversity within their company and followed up on those pledges with immediate action. However, we need data to truly identify where the system is broken so we can analyze, diagnose, and develop sustainable solutions to reverse trends of inequality. This is why the Chamber was pleased to see the commitment of 34 major firms to voluntarily disclose government workforce data and publicly share their diversity reports by this year.³

Please know that we understand the importance of this work and are in it for the long-haul. Diversity and Equality of Opportunity are not just moral imperatives, but matters of our economic competitiveness. According to a revealing study from our partner, the W.K. Kellogg Foundation, the American economy stands to gain \$8 trillion by 2050 simply by closing the racial equity gap. Moreover, businesses that recognize and embrace the value of inclusion consistently perform better across multiple financial metrics.

On the other hand, the economic impact and full potential of Black ingenuity has yet to be fully embraced and realized in America. All Americans should have a fair chance to earn their success, rise on their merit, and live their own American Dream. Unfortunately, that is not the case today. The U.S. Chamber of Commerce looks forward to working with the House Financial Services Committee to reach that goal and ensure that all people have Equality of Opportunity

³ McGregor, Jena. "Urged to back up pledges for racial justice, 34 major firms commit to disclose government workforce data," September, 29,2020, accessed 3/16/21:
<https://www.washingtonpost.com/business/2020/09/29/corporate-diversity-data-pledge/>