Transforming Business Beyond COVID-19

An Equity Fluent Leadership Playbook

Created by the Center for Equity, Gender and Leadership (EGAL) at the UC Berkeley Haas School of Business

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PART III:
An Analysis of Historical Recovery Responses

This is not the first public health and economic crisis that the US has faced. It most certainly will not be the last. In Part III, we look at how recovery responses to dark periods in our nation's history, particularly the Great Recession of 2008 and the Great Depression, have shaped outcomes for people of color and women. This is critical in designing plays for an equity fluent recovery to COVID-19. History is a great teacher if we choose to listen.

The following slides will detail five key lessons that EGAL has taken away from our review of historical recovery trends. While not exhaustive, these lessons focus on how past responses from the private sector to crises have exacerbated or reduced racial and gender inequities.

PART I

How is COVID-19 impacting communities of color and women? How do we define equitable recovery?

PART II

Are the actions of companies driving towards an equitable recovery?

PART III

What can we learn from past crises when it comes to designing equitable recovery?

PART IV

What are the transformative actions that are needed now for equitable recovery?

Lesson 1: Recovery has historically been slower and curtailed for people of color and women.

Crises expose and amplify existing socioeconomic, gender, and racial inequities in society. While crises hit entire populations, impacts can be particularly immense and with limited or longer recovery for people of color and women

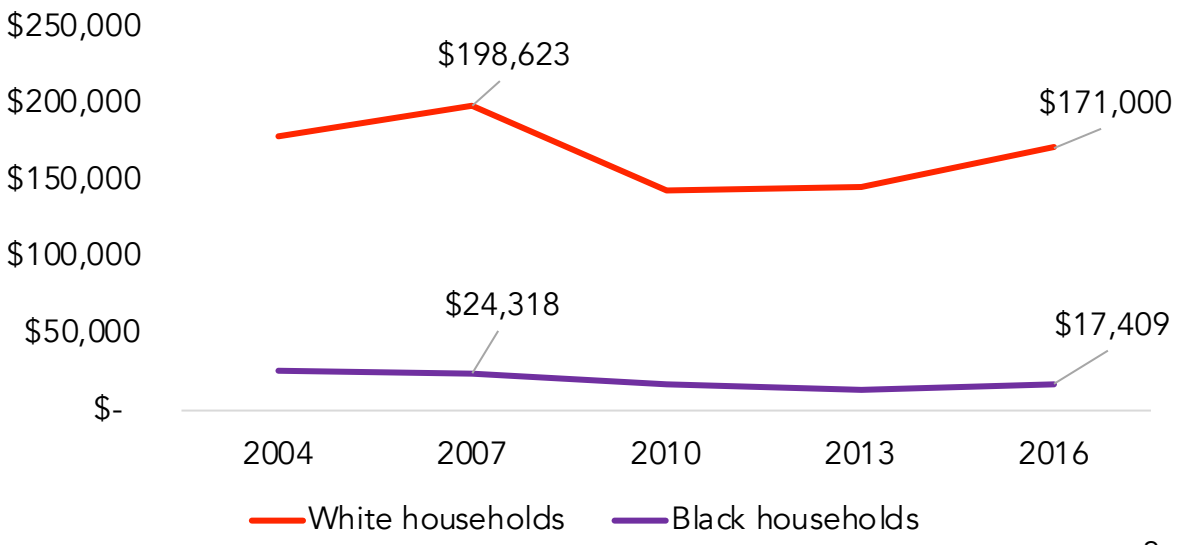
During the Spanish Flu (1918-1920), Black Americans were more likely to die when they contracted the virus than white Americans.[1] One key reason was due to a lack of access to quality healthcare services.[2] Black Americans were also scapegoated for the spread of the virus, fueling racial discrimination.

The Great Recession of 2008 left deep and lasting impacts on many medium- and low-income households who still have not regained the assets and wealth they had pre-crisis.[3] This is especially true for people of color. From 2007 to 2016, the median wealth of white households decreased by 14% while the wealth of Black households decreased by 33% (see Figure 1).[4]

In many industries following the Great Recession of 2008, men found it easier than women to become re-employed in the economy and access new job opportunities (despite men facing greater unemployment numbers during the actual recession). From 2009 to 2011, men gained 768,000 jobs while women lost 218,000.[5] Unemployment rates for women of color increased significantly during this recovery period, while decreasing overall for white women and men.[6]

These trends are echoed in other past crises, necessitating designing recovery efforts that provide deliberate support for and resources to people of color, women, and low-income families.

Figure 1 - Median Wealth of Families in the US, 2004 - 2016[7]



Lesson 2:
Banks and financial institutions are ineffective at allocating recovery resources equitably.

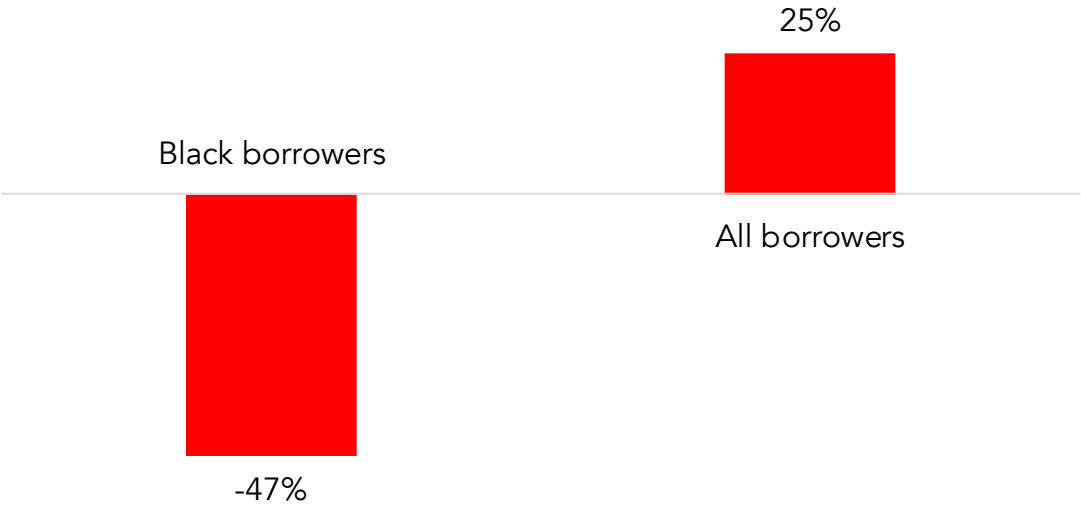
History has shown that when recovery funds are given directly to large banks and financial institutions, that money fails to reach the business owners of color and female business owners that need it most during recovery.

During the Great Recession of 2008, banks were provided with an influx of resources as part of the recovery package instituted by the Bush Administration (also known as the Troubled Asset Relief Program). Evidence shows that instead of fulfilling the goal of the program (to increase liquidity and credit to a struggling economy), banks reduced lending during the recovery[8] and awarded multi-million-dollar bonuses to executives.[9]

Banks also directed resources, like Small Business Administration (SBA) loans, to existing customer relationships, shutting out women-owned and minority-owned businesses. Despite increases in the number of Black-owned businesses in the US between 2009 and 2013, these businesses received significantly fewer small business loans during recovery (see Figure 2). One study by the Kirwan Institute at The Ohio State University found that only 2% of stimulus project funds in Florida during the Great Recession of 2008 were invested in Black-owned firms.[10]

It is critical that companies serving as intermediaries between government and target beneficiaries award recovery resources equitably and inclusively.

Figure 2 - Change in the Quantity of Loans Provided through SBA Program, 2009 – 2013[11]



Lesson 3:
Anti-union sentiments and retributions for labor organizing become more prevalent in recovery.

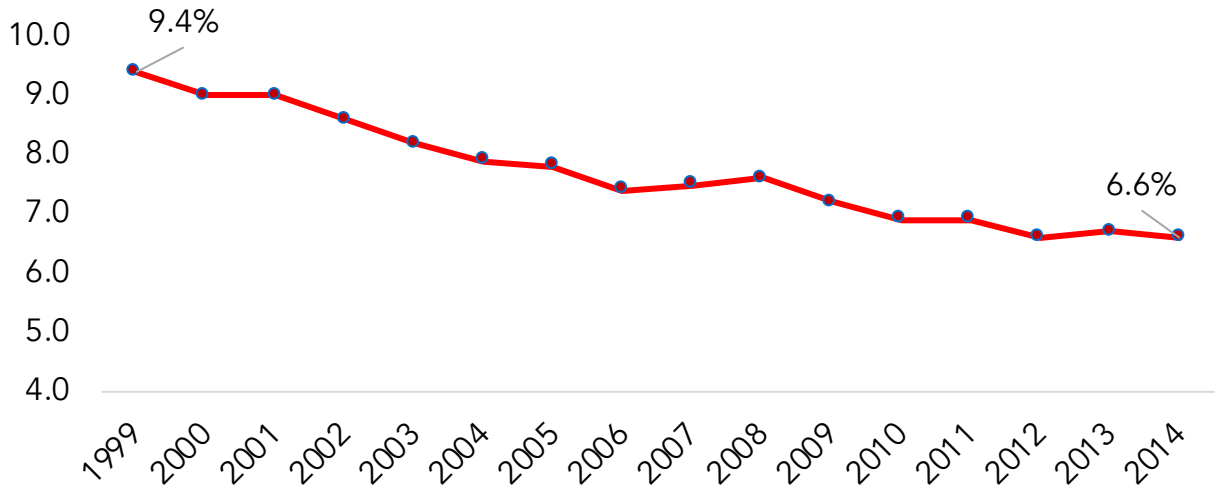
Since the 1950s, union membership has decreased by 81%.[12] One reason for this is that during and in the aftermath of economic crises, corporations are more likely to engage in anti-union activities and punish workers who engage in labor movements.

During the Great Depression, organized workers were targeted at higher rates for layoffs[13] and companies increased spending on union surveillance.[14] In the aftermath of the Great Recession of 2008, non-unionized jobs largely replaced union jobs. Union jobs only accounted for 0.4% of all new hires in recovery.[15]

Andrew Sum, an economist at Northeastern University, commented on the diminished power of workers during the Great Recession of 2008 saying, "There's no need to pay workers more. Workers do not have the collective bargaining power to demand that they get paid more. And, so, as a result, the upper hand at the current time is held by corporations."[16]

The protections that unions provide workers of color and female workers are all the more critical during recessions when unemployment is high and worker power is low. When labor organizing is restricted, this severely limits the ability of people of color and women, who today make up a significant proportion of union membership, to negotiate for their needs.

Figure 3 - Percentage of Private Sector Workforce in a Labor Union in the US[17]



Lesson 4:
Company responses in response and recovery decimate diversity in quality jobs.

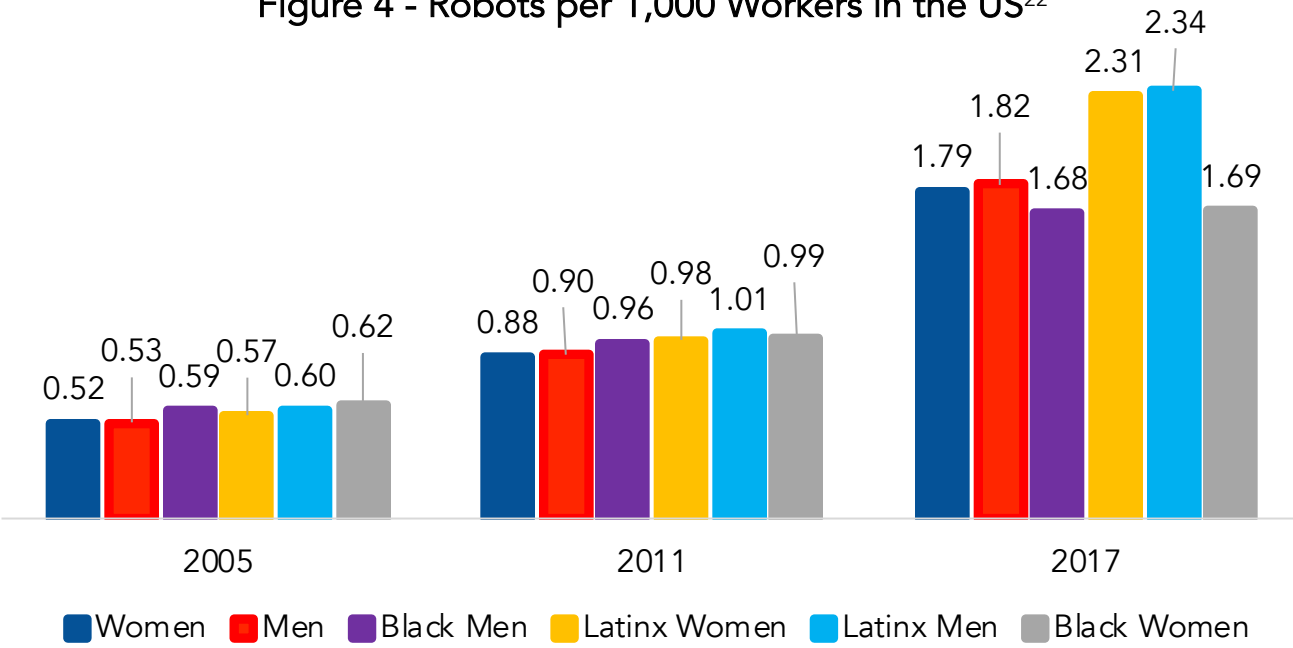
The response of companies to economic crises has accelerated the automation of jobs held by people of color and women and has drained companies of diverse talent.

During the Great Recession of 2008, one of the responses companies took to weather the storm was to automate lower-skill roles.[18] Since then, replacement of workers with technology has skyrocketed (see Figure 4). The highest increase in automation of work since 2009 has been among Latino and Latina workers. From 2009 to 2017, they experienced a 171% and 174% increase in automation.[19]

Secondly, when companies lay off workers, they often rely on metrics that inadvertently target workers of color and female workers. Utilizing level and tenure as the metric for determining who gets to keep their job favors older, white, male workers who have been with the company for longer and occupy more senior positions. For example, following the Great Recession of 2008, Black representation in full-time roles in the finance industry in Chicago decreased by 20%.[20]

Hourly, part-time, and lower wage workers are typically first out the door with little access to pensions or severance packages. During the Great Recession in 2009, the unemployment rate for Black workers was 15.7% (compared to 9.5% for white workers).[21]

Figure 4 - Robots per 1,000 Workers in the US[22]



Lesson 5:
Businesses can innovate and thrive in times of crisis if equity is centered.

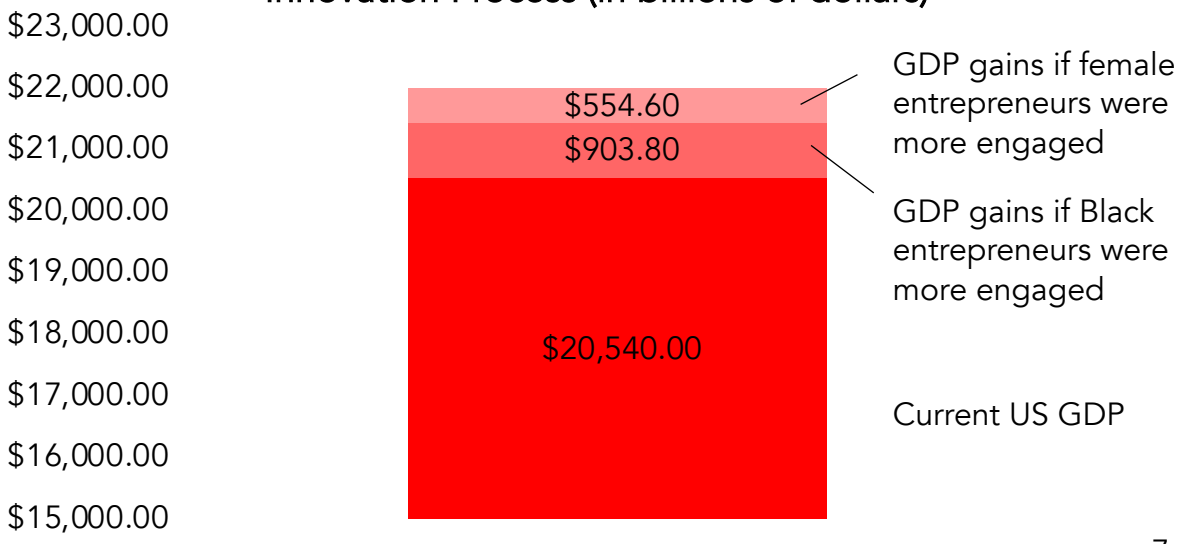
On the positive side, historical crises have spurred major private and public innovation. Scientific research backs this up.[23] The explosion of ecommerce in Asia is attributed to regional responses to the SARS outbreak in the early 2000s.[24] The Great Depression caused an unprecedented investment in new public infrastructure projects as part of the New Deal.

However, this innovation will not reach its true potential if it fails to include people of color and women. Evidence shows that diversity in companies fuels innovation.[25] A study by economist, Dr. Lisa Cook, finds that innovation and economy activity are stifled in times of racial violence.[26] If people of color and women were able to fully participate in the innovation process in the US, GDP would be substantially higher (see Figure 5).

BCG recently published a study that analyzed the top five actions that companies who survived and thrived during the Great Recession of 2008 took. Number four is building resilience, which includes hiring diverse talent.[27]

A study by Great Places to Work found that, "companies with consistently inclusive workplaces thrived before, during, and after the Great Recession, earning a 4x annualized return" in the stock market.[28]

Figure 5 – Losses in US GDP from Black and Female Entrepreneurs Not Being Engaged in Innovation Process (in billions of dollars)[29]



Playbook Part IV

These five lessons are already playing out in the face of COVID-19. Workers of color and female workers are experiencing severe health and economic impacts, hindering their ability to fully recover. Financial institutions are serving as gatekeepers to money trickling into the hands of minority-owned and women-owned businesses. Many companies have been making the headlines for their anti-union responses to COVID-19. And innovation, such as increasing automation, is already on track to skyrocket as a result of the crisis.

Part IV of the Playbook will introduce the 10 plays needed to transform current responses to the pandemic into recovery strategies that protect workers of color and women. It is not too late to change course.

Annex A – Sources

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