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***The Legacy of George Floyd: An Examination of Financial Services Industry Commitments to
Economic and Racial Justice***

**Before the U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON DIVERSITY AND INCLUSION**

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Good afternoon, Chairwoman Beatty, Ranking Member Wagner and members of the U.S. 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 to examine corporate commitments to economic and racial justice.

Business Roundtable is an association of 231 Chief Executive Officers (CEOs) of America's leading companies working to promote a thriving U.S. economy and to expand opportunity for all Americans. These CEO members lead companies that employ more than 20 million people, and our companies have over half a million small business suppliers.

In my role, I am responsible for overseeing the Roundtable's racial equity and justice policy agenda. Just a few months ago, I was serving as judiciary counsel for Congressman David Cicilline. Prior to that, I was a senior litigation associate at a D.C. law firm representing community health centers, Head Start programs, and other federal grantees and safety net providers across the country. I joined Business Roundtable in April because I believe in the CEOs' commitment to ensure the business community is part of the solution to address racial equity.

As a CEO organization that represents almost all sectors of the economy, Business Roundtable is uniquely positioned to take action to bring about real change for communities of color and work toward advancing racial equity. Here are a few examples of how our member companies are acting:

- Over the past year, PayPal has invested \$510 million toward racial and economic justice. This includes \$15 million in PayPal Empowerment grants that were distributed directly to approximately 1,400 Black-owned businesses. Of the small businesses receiving grants, 62% of the recipients were women and 53% were sole proprietors.¹

¹ PayPal, *Taking Action for Racial Equity and Social Justice*, <https://about.pypl.com/values-in-action/advancing-social-justice/taking-action-for-racial-equity-and-social-justice/default.aspx#black-owned-tab>

- Cummins solidified agreements with Community Development Financial Institutions (CDFIs) and non-profit charitable organizations and municipal partners to distribute \$3 million in aid to Black-owned businesses focusing on four cities.²
- Prudential made a \$10 million contribution to the Financial Solutions Lab, a new initiative by the Financial Health Network, a nonprofit organization that brings together diverse industry innovators to remove barriers to financial wellness, specifically in underserved markets.³
- MassMutual provided Healing Racism Institute of Pioneer Valley with a \$300,000 grant, serving as lead gift for the launch of a \$1 million three-year capital fund drive for the Institute. The company also made a \$500,000 contribution to the Urban League of Springfield. That investment will be used to further support the Urban League’s ongoing work to establish equality in education and promote economic advancement for the African American and Black community throughout Greater Springfield.⁴
- Duke Energy deposited \$5 million into Optus Bank, a Black-owned bank (MDI and CDFI) based in South Carolina, furthering the company’s support for diverse and minority-owned businesses.⁵

Members of this Committee and of the Congressional Black Caucus have helped to urge corporate America to take action and prioritize diversity, equity and inclusion. We are grateful for the partnership. That work took on new urgency in 2020, which was a year of reckoning for America. In response to the murder of George Floyd, Business Roundtable CEOs consulted with experts from across the ideological spectrum to understand the key policy considerations around policing reform. We then released a set of policing reform principles and have continued to press publicly for members of both parties to come together around reforms to ensure equity in law enforcement.

² Cummins, *Local Black-Owned Small Businesses Receive Grant From Cummins*, (Mar. 9, 2021), <https://www.cummins.com/news/releases/2021/03/09/local-black-owned-small-businesses-receive-grant-cummins>

³ Ron Varrial, *Prudential’s \$10 Million Contribution Continues Work to Close Racial Wealth Gap* (June 30, 2020), <https://news.prudential.com/prudentials-10-million-contribution-continues-work-to-close-racial-wealth-gap.htm>

⁴ MassMutual, *Healing Racism Institute Of Pioneer Valley Receives \$300,000 Grant From The Massmutual Foundation* (April, 28, 2021), <https://www.massmutual.com/about-us/news-and-press-releases/press-releases/2021/04/healing-racism-institute-of-pioneer-valley-receives-300000-grant-from-the-massmutual-foundation>; MassMutual, *The Urban League of Springfield to Use Half Million Dollar Contribution From Massmutual to Impact the Livelihood of Local Citizens* (June 19, 2020), <https://www.massmutual.com/about-us/news-and-press-releases/press-releases/2020/06/the-urban-league-of-springfield-to-use-half-million-dollar-contribution-from-massmutual-to-impact-the-livelihood-of-local-citizens>

⁵ Duke Energy, *Duke Energy Establishes Relationship With Optus Bank To Support Minority-Owned Businesses*, (Jan. 14, 2021), <https://news.duke-energy.com/releases/duke-energy-establishes-relationship-with-optus-bank-to-support-minority-owned-businesses>

Our members then turned to an issue central to fairness and equity in our economy, the racial wealth gap. Business Roundtable recognizes that the racial wealth gap, is a product of hundreds of years of policies and practices that have denied economic opportunity to Black Americans. Over time, harmful policies and practices have led to significant disparities:

- In 2019, the typical White family held eight times the wealth of the typical Black family and five times the wealth of the typical Hispanic family.⁶
- In 2019, the average Black and Latino families, respectively have approximately fourteen cents and seventeen cents for every one dollar in wealth held by White families.⁷
- A 2016 report found that Black college graduates, on average, owe \$52,726 in student debt while the average white college graduates owe \$28,006.⁸
- Black and Latino families are five times less likely to receive large gifts and inheritances and are less likely to have emergency savings than White counterparts.⁹
- There are 8.4 million unbanked and 11.4 million underbanked households in the United States. Seventeen percent of Black households and fourteen percent of Latino households are unbanked versus 3 percent of White households. Eighteen percent of Black households and fifteen percent of Latino households remain underbanked versus six percent of White households.¹⁰
- Twenty nine percent of Black small-business owners receive loan approvals from large banks in comparison to sixty percent and fifty percent for White and Latino owners, respectively.¹¹

⁶ Neil Bhutta, Andrew C. Chang, Lisa J. Dettling, and Joanne W. Hsu, *Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances*, Federal Reserve (Sept. 28, 2020), <https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm>

⁷ *Id.* (“In the 2019 survey, White families have the highest level of both median and mean family wealth: \$188,200 and \$983,400, respectively (Figure 1). Black and Hispanic families have considerably less wealth than White families. Black families’ median and mean wealth is less than 15 percent that of White families, at \$24,100 and \$142,500, respectively. Hispanic families’ median and mean wealth is \$36,100 and \$165,500, respectively.”)

⁸ Judith Scott-Clayton and Jing Li, *Black-white disparity in student loan debt more than triples after graduation*, Brookings Institution: Economic Studies (Oct. 20, 2016), https://www.brookings.edu/wp-content/uploads/2016/10/es_20161020_scott-clayton_evidence_speaks.pdf.

⁹ [Signe-Mary McKernan](#), [Caroline Ratcliffe](#), [Margaret Simms](#), and Sisi Zhang, *Do Financial Support and Inheritance Contribute to the Racial Wealth Gap?* (Sept. 6, 2012), <https://www.urban.org/research/publication/do-financial-support-and-inheritance-contribute-racial-wealth-gap>

¹⁰ Federal Deposit Insurance Corporation, *2017: FDIC National Survey of Unbanked and Underbanked Households* (October 2018), <https://www.fdic.gov/householdsurvey/2017/2017report.pdf>

¹¹ André Dua, Deepa Mahajan, Ingrid Millán, and Shelley Stewart, *COVID-19’s Effect on Minority Owned Small Businesses in the United States* (May 27, 2020), <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/covid-19s-effect-on-minority-owned-small-businesses-in-the-united-states>.

To understand corporate America's role in addressing the racial wealth gap, we engaged in hundreds of conversations with experts, including fellow panelist Darrick Hamilton, as well as Marc Morial and Cy Richardson at the National Urban League. That process was focused on listening and gathering information, with the goal of identifying areas where corporate America could make a real difference. This process culminated in the Business Roundtable's Special Committee on Racial Equity and Justice which released a set of corporate actions and public policy recommendations focused on six key areas: employment, finance, education, health, housing and justice.

Since that announcement on October 15, 2020, Business Roundtable member companies have been taking important steps to advance racial economic equality in areas like affordable housing, support for community-based financial institutions, affordable lending and minority-owned small business support.

We are tracking progress toward reaching the Roundtable's pledges, assessing what resources have been distributed toward the commitments and, over time, understanding the impact of member company contributions on communities of color. Based on our initial tracking efforts, Business Roundtable member companies have committed to providing over \$1.8 billion in grants and low-cost debt to Community Development Financial Institutions (CDFIs) that are Black or Latino-led or are serving Black or Latino communities by 2025. Our member companies are also on track to reach a Roundtable-wide goal of \$600 million to Minority Depository Institutions (MDIs) by 2025.

Additionally, Business Roundtable members have directed their efforts to providing support for small businesses by making financial contributions to funds focused on minority-owned small businesses. To date, Business Roundtable member companies have committed to providing over \$5 billion to minority-owned small businesses via capital, grants, low-cost debt and technical assistance, including focused investments in historically underserved and undercapitalized communities.

To help Americans of color attain financial security, Business Roundtable member companies are committed to developing and adopting product innovations to support building credit and moving individuals from credit invisible to credit scorable. Our member companies have also taken stock of their internal affairs and have endorsed and implemented financial wellness programs. For example, in 2018, PayPal assessed the financial wellness of their employees and found that many of their employees had a difficult time paying their bills every month. That member company took immediate action by raising pay for their hourly and entry-level employees and offering financial counseling programs. Since PayPal's initial financial wellness assessment, it continues to evaluate pay on a regular basis for all employees.

Our member companies that are financial institutions are committed to reaching more unbanked and underbanked Black and Latino households by offering and promoting low- and no-cost bank products, including checking and savings accounts. Business Roundtable member companies also understand that affordable housing is critical to financial security, which is why

member companies have set a goal of \$30 billion to build 200,000 affordable housing units by 2025. To date, Business Roundtable members have committed nearly \$23 billion toward their goal of building affordable housing units. We are continuing to track pledges, as well as progress toward reaching this goal.

In addition, under the leadership of Alex Gorsky of Johnson and Johnson, Business Roundtable members have engaged in efforts to provide greater transparency around their progress in creating a more diverse workplace. CEOs endorsed voluntary public disclosure of key diversity metrics on at least an annual basis, including board, senior executive, workforce and supplier diversity. In an effort to increase diversity, our members also have corporate partnerships with community organizations and Historically Black Colleges and Universities (HBCUs). We are excited to provide more details on our partnership with HBCUs in the coming weeks.

CEOs have also endorsed implementing processes to close the pay equity gap and conduct periodic pay equity reviews and analysis. Based on Business Roundtable's preliminary 2021 stakeholder survey results of 125 members, 88.5% of member company respondents have conducted a pay equity review in the past 3 years and plan to undertake a pay equity review in the next 3 years.

Business Roundtable members also understand the importance of evaluating their recruitment, hiring and promotion practices. Over 80 Business Roundtable companies have participated in a new multi-year effort to reform their hiring and talent management practices to emphasize the value of skills.

Additionally, Business Roundtable, through its Workforce Partnership Initiative, has partnered with community colleges, colleges and universities, and private training providers so that employers can help ensure that workers are prepared for high-demand occupations and that on-the-job training and mentoring are available to underrepresented populations. The Workforce Partnership Initiative has expanded to focus on underrepresented workers by bringing companies and education and training providers together to train and recruit workers for high-demand careers by providing internships, apprenticeships and full-time employment opportunities.

Our members know one year of commitments cannot undo the centuries of harm done to Black Americans and other people of color. There is much more that needs to be done to effectively address the racial wealth gap and other inequities faced by communities of color. But our members are committed to making progress and welcome the work and partnership of this Committee to advance our shared goal of securing equity and opportunity for all Americans.

Thank you for the opportunity to serve as a witness before the Subcommittee. I look forward to your questions.