



CENTER FOR
ECONOMIC
INCLUSION

Testimony to the Frontline Worker Pay Working Group

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OUR PURPOSE

We are a cross-sector organization committed to strengthening Minnesota's **civic infrastructure and collective capacity** to disrupt systems and influence market forces to **catalyze shared prosperity and advance an inclusive economy.**

Awareness.

Action.

Accountability.



CENTER FOR
ECONOMIC INCLUSION

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Frontline Worker Pay: **Two Categories of Workers**

1. Low-income workers who have no paid leave options.
2. Groups that have been disproportionately impacted by the COVID-19 pandemic, including workers of color and immigrant workers who have faced the multiple hardships and disadvantages of being:
 - More likely to be furloughed or laid off
 - More likely to be frontline workers in critical industries that are paid low wages
 - Have limited or no health insurance benefits
 - Put in direct contact with the public or other working conditions that pose increased risks for contracting COVID-19



Disproportionate Impact of Dual Pandemics Requires Proportionate Solutions & Investments

- **Black, Indigenous, Latinx, and Asian individuals** makeup 23% of Metro areas labor force, yet **constituted 36.6 percent of UI claims** as of September 2020
- Growth in the Black-white wage gap with a more than **20% increase in the Black–white wage gap between 2000 and 2020**
- **41% of Black-owned businesses**—some 440,000 enterprises—have been shut down by COVID-19, compared to just **17% of white-owned businesses nationally**
- 4 industries most impacted by job contraction and business closures: **Accommodation and Food Services, Retail Trade, Health Care and Social Assistance, and Other Services**

THE OPPORTUNITY



Strategic Solution **and Investments**

McKinsey studies recommend investing in immediate relief in the form of direct resources for **employee community-relief funds to help minority-owned small businesses** respond to the pandemic and protect employees

Optimal Impact

Pennsylvania example:

Policymakers invested \$50 million in federal aid grants to over 600 businesses to provide a temporary \$3 hourly boost to employees earning less than \$20 an hour. Health care providers received most of the money, followed by the food industry.

High
Focus

High
Impact

Economic
Growth



Strategic Solution **and Investments**

High Impact

Maryland example:

Policymakers invested in over 14 industries or sectors totaling between 25% and 35% of the labor force to provide workers who make less than \$100,000 a year with \$3 an hour in hazard pay.

High
Focus

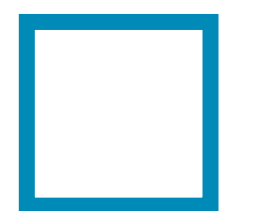
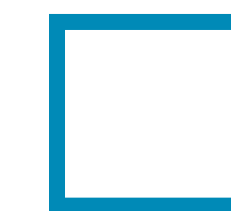
High
Impact



Limited Impact

Seattle ordinance:

Mandates all grocery stores with over 500 workers provide their workers with hazard pay of \$4 an hour. Flat rate means all workers regardless of compensation level and hardship, receive same amount.

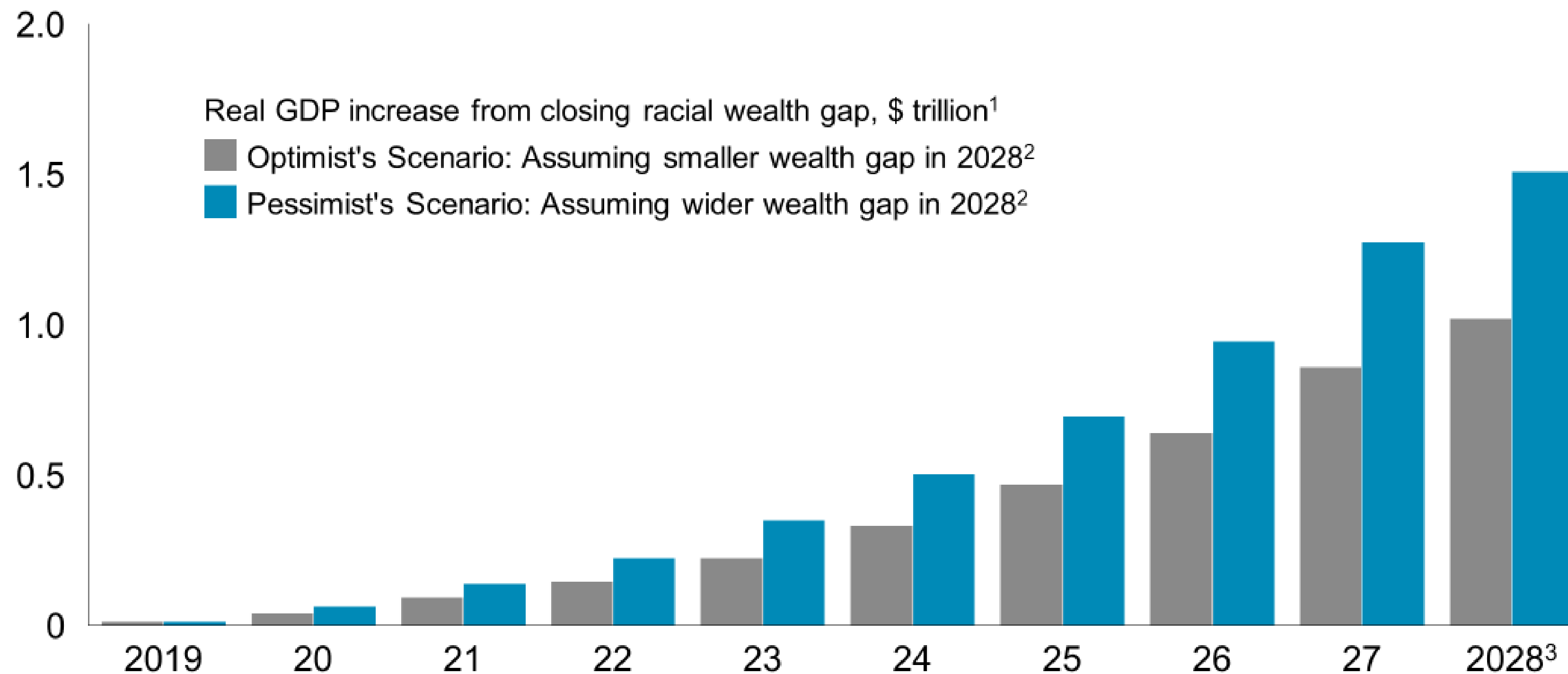


NOTE: Several states, local governments, and businesses have offered some sort of premium pay throughout the pandemic - analysis compiled by the American Action Forum. Each varies in scope from money awarded to people who qualify.

Economic Impact to GDP

US Racial Wealth Gap = \$1-1.5 Trillion in Lost Economic Output

By closing the racial wealth gap, the US GDP could be 4-6% higher by 2028



11-12K

Total increase in GDP⁴ per capita between 2018-2028, greater than any expansion in the last 30 years

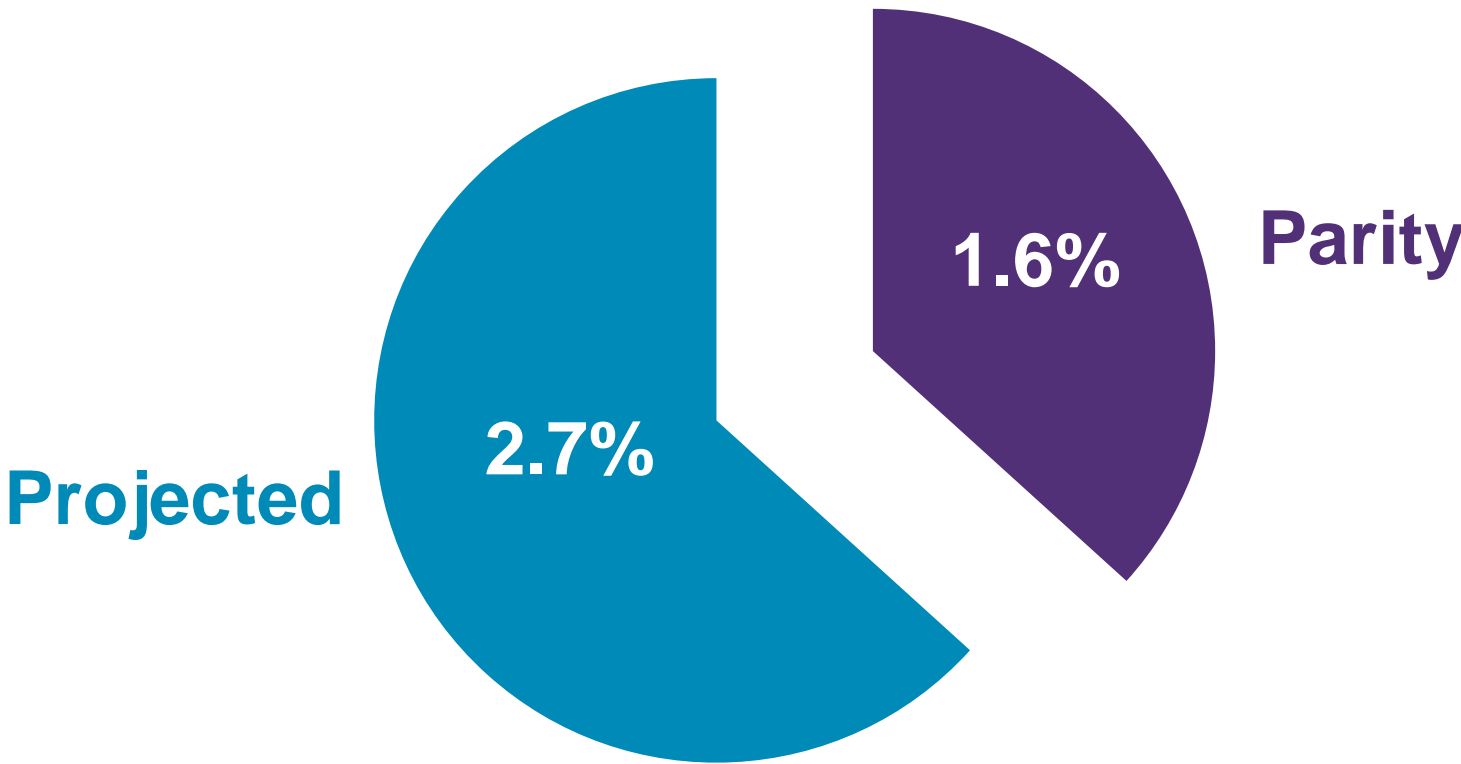
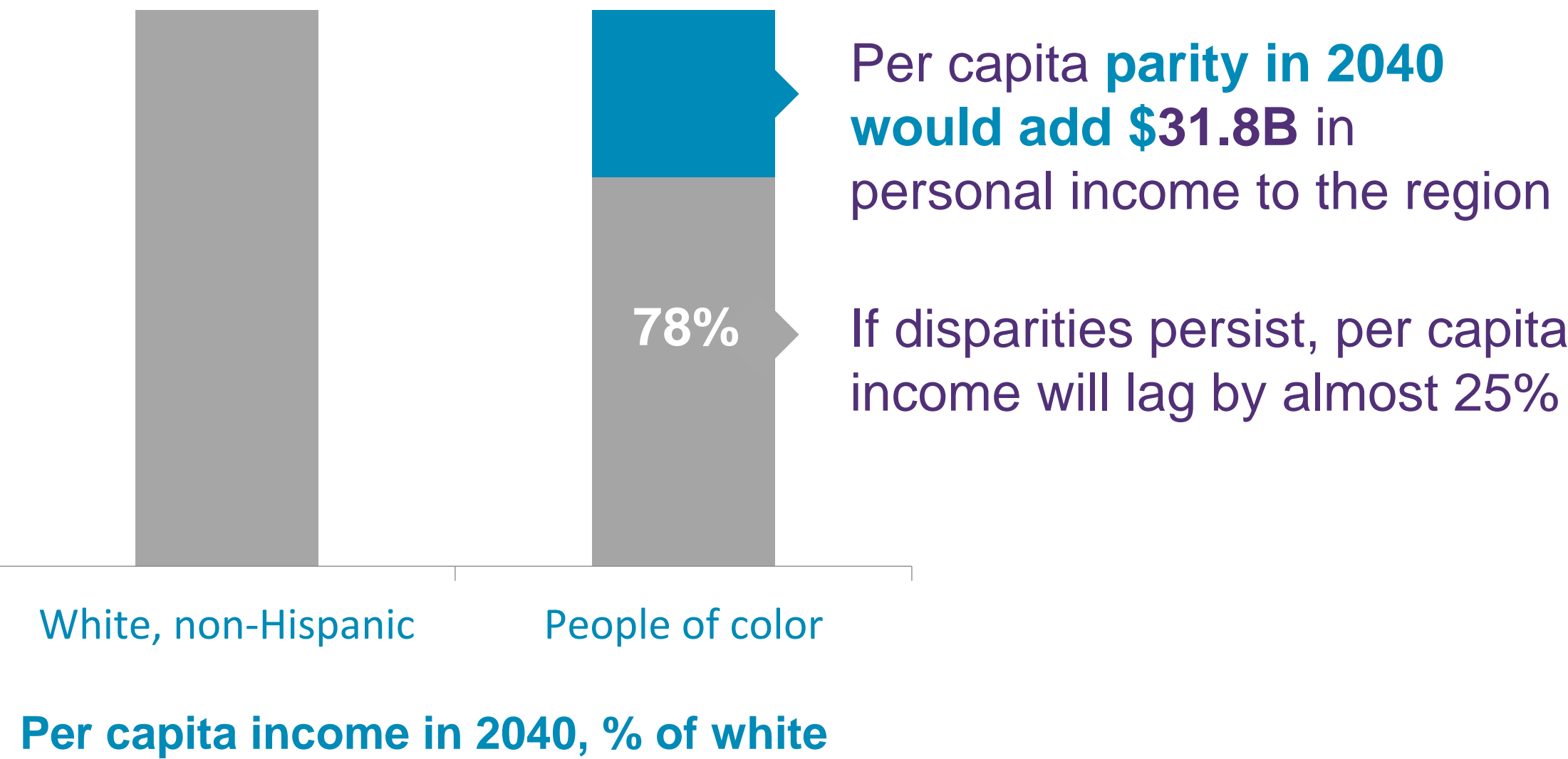
¹ 2018 dollars ² Assumes that over time, wealth gap will close in linear fashion, reaching scenario's assumed targets by 2028

³ \$2,631 billion - \$3,990 billion in nominal dollars ⁴ \$7,500 - \$11,400 in nominal dollars



Only the full economic participation of people of color will unlock our region's potential for growth

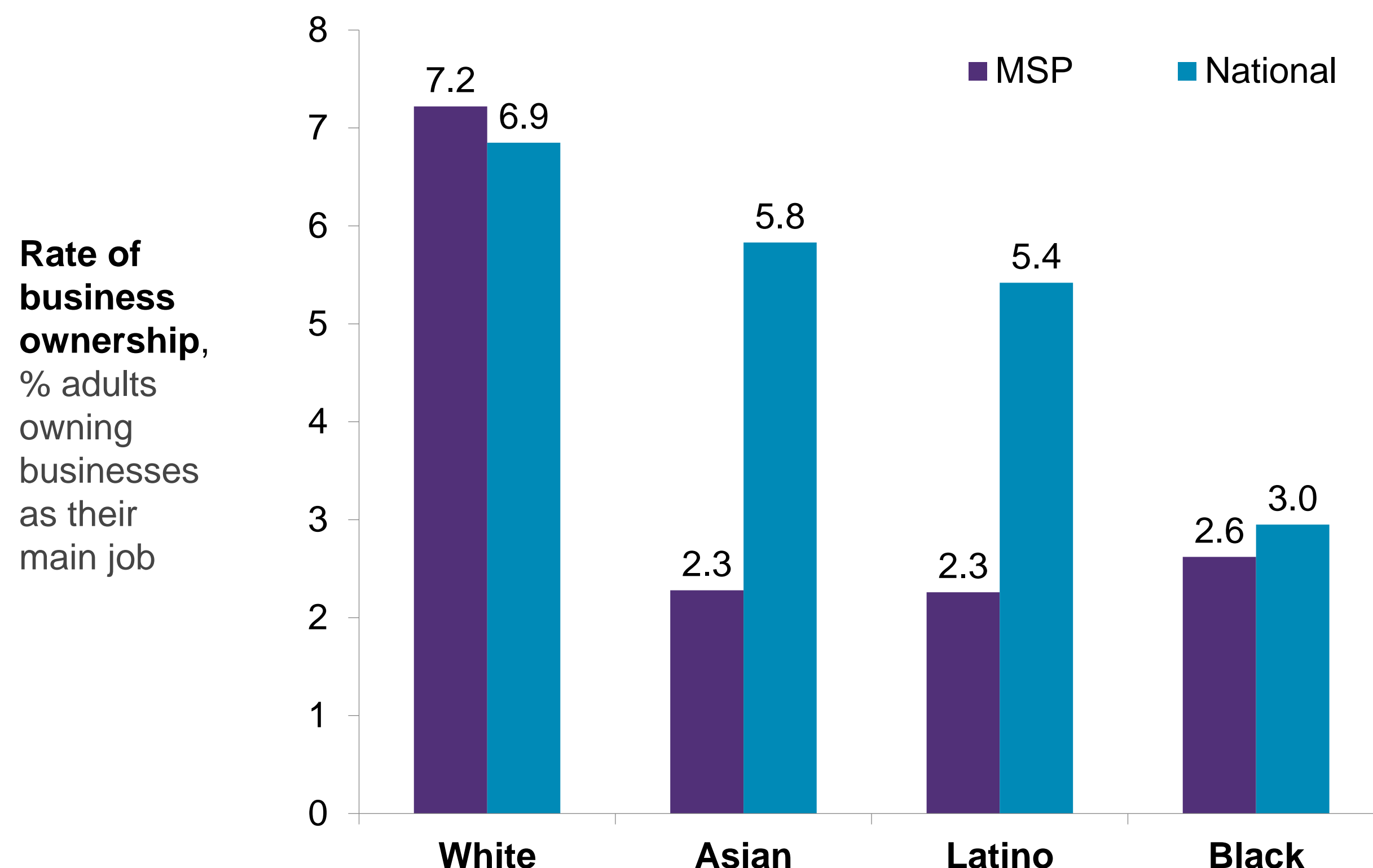
Driving per capita income parity, would yield
an additional **\$31.8B in GDP annually**¹...



Parity would add
\$31.8B in GDP
annually, or **+1.6%**
annual growth

Economic inclusion drives new business creation

The rate of business ownership is artificially low for Black, Indigenous, Asian and Latinx people, and especially so in MSP¹



There is huge, untapped potential for job growth

- Collectively, Black, Indigenous, Asian, Latinx and Immigrant-owned businesses generate \$5.2B in annual revenue and are Minnesota's 9th largest employer²
 - They also grew at 3.5 times the rate of all MN businesses³
- If the rate of minority business ownership were at parity with whites, the resulting business would employ ~87K more workers⁴

The background of the slide is a photograph of a city skyline, likely San Francisco, with various skyscrapers and a bridge visible. A semi-transparent teal overlay covers the entire image. A large purple arrow points from the left towards the right, containing the text.

THE CHOICE IS OURS