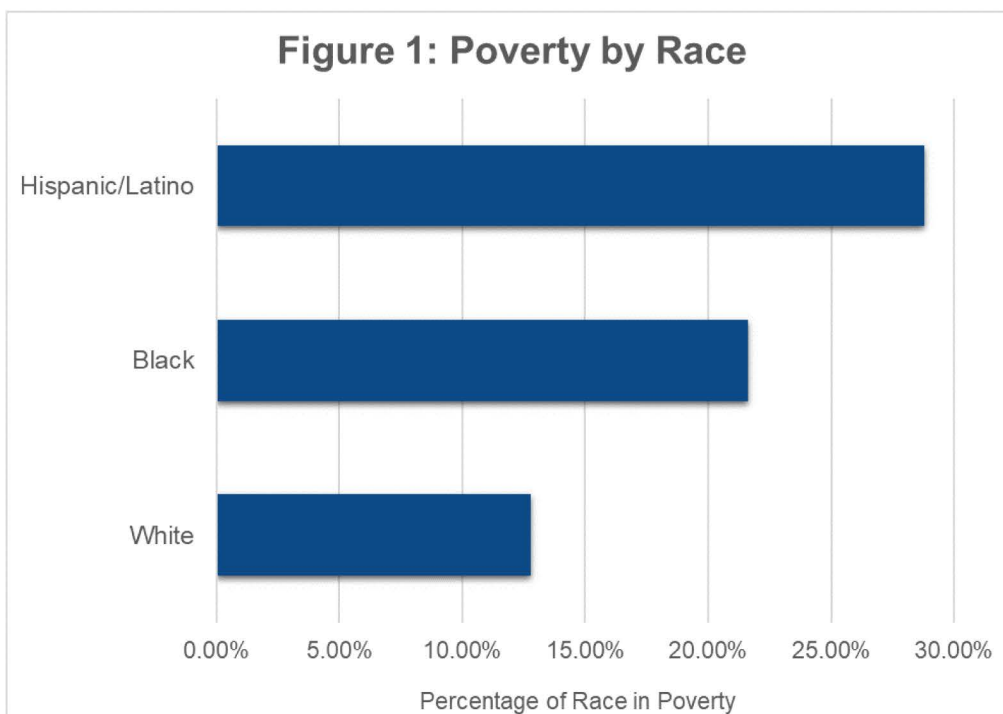


DIVERSITY GAPS IN THE UNITED STATES

In the United States, 21.6% of the Black population lives in poverty. For those who identify as Hispanic or Latino, that number jumps to 28.8%. Meanwhile, 12.8% of the White population lives in poverty in America, as shown in Figure 1 below (Data USA).



Such statistics are uncomfortable and should cause individuals and organizations to evaluate their own impact on racial discrepancies. Educational inequities at various levels of instruction contribute to the proportional racial imbalance across industries.

America is presently reckoning with the impact of longstanding differences between racial groups and how to move forward in such a way that people of all ethnic and socioeconomic backgrounds can utilize tools and understand information that has been largely reserved for groups of privilege. Organizations have a responsibility to strive for equality of opportunity in communities within their purview beyond those responsibilities required by law. By evaluating the current and projected state of the country, opportunities for investments of time and resources become apparent.

Demographic Analysis

By analyzing the demographic composition of the United States, its diversity gaps become more apparent. The U.S. population, according to census estimates from 2019, was 328,239,523.

**Figure 2:
Population by Race**

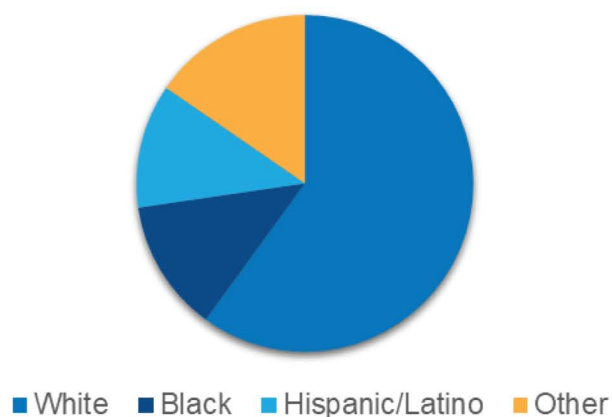


Figure 2 delineates the three largest racial groups: White with 197 million, Black with 41.6 million, and 39.1 million Hispanic or Latino. Although people who

identify as White account for the majority of the population today, minority groups are projected to experience significant growth in the coming decades, eventually outnumbering their White counterparts.

Generational Breakdown

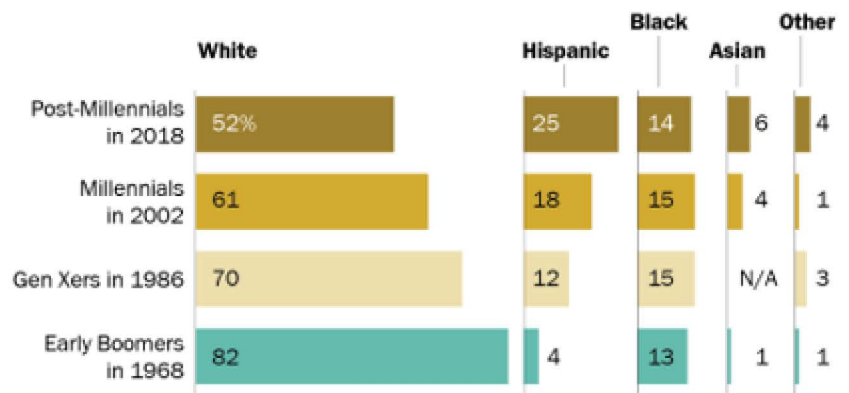
Further census analysis by generation reveals an aging population. The number of U.S. citizens over 39 years old – the age of the oldest Millennials – is more than two times the size of Millennials and Gen Zers. This can be attributed to better health and longer life spans. Despite the aging population, workforce demographics are trending younger as Millennials and Gen Zers continue to enter and increase their role in the labor market. These generations are essential digital natives who trend more towards completing secondary education and continuing towards post-secondary education at two- and four-year colleges and universities. The generational cutoff between Generation Z and its successors is yet to be determined, but estimates suggest the final year will be about 2012, making the youngest members of this generation 8 years old in 2020.

Additionally, Millennials and Gen Zers are more racially and ethnically diverse than previous generations. Pew Research Center identified the percent of 6- to 21-year-olds of each generation at an early stage in each generation's development.

Baby Boomers in 1968 were 82% White; with each new generation, that number dropped an average of 10 percentage points, bringing the U.S. to just over half White with Gen Z, as shown in the chart on the right. Minority populations within these two generations are steadily increasing and are aligned with projections for continued growth. This continuity leads to the important consideration of disparity between the racial groups: **if America continues to diversity, what specific areas require improvement in representation?**

One-in-four post-Millennials are Hispanic

% of 6- to 21-year-olds who are ...



Note: Racial groups include only single-race non-Hispanics. Hispanics are of any race. Asians include Pacific Islanders. The CPS did not separately identify Asians until 1988. Hispanic origin was not collected until 1971. The racial and ethnic composition of Boomers in 1968 was imputed on the basis of 8- to 23-year-olds in the 1970 census.

Source: Pew Research Center analysis of 1986, 2002 and 2018 Current Population Survey Annual Social and Economic Supplements and 1970 decennial census (IPUMS).

"Early Benchmarks Show Post-Millennials on Track to Be Most Diverse, Best-Educated Generation Yet"

PEW RESEARCH CENTER



Educational Gap

The National Center for Education Statistics has recorded an increase in public high school graduation rates across race in the period it has collected data. However, Black and Hispanic students are still graduating in smaller percentages than their White peers, with profound gaps of up to 24 percentage points in some

states. 79% of Black students and 81% of Hispanic students graduated in the 2017-18 school year, in comparison to 89% of White students. These numbers reflect the percentage of students who graduate within four years of starting ninth grade.

Young people of color are less likely to pursue post-secondary education than their White counterparts, the result of which contributes to income gaps between

the racial groups. Sarah Brown writes that “The reasons for these disparities are widely known in higher education: Black students [and, by extension, other students of color] tend to come from lower socioeconomic backgrounds, have families with little or no college experience” and graduate from schools which did not prepare them for the pursuit of higher education (Chronicle). A U.S. Department of Education analysis of diversity in higher education institutions revealed that there is an almost 7 percentage point difference in the number of White adults who hold Bachelor's degrees in comparison to people of Hispanic

origin, and an almost 8 percentage point difference in comparison to Black people (see Figure 3 on the left). Many barriers may contribute to this disparity, including the need to work for financial provision and the inability to afford higher education. Lack of a post-secondary

degree and overall variance in the level of education completed significantly widens salary differences both within and between groups.

The same Department of Education analysis found that a White person who completed high school had total money earnings of approximately \$37,000, as demonstrated in

Figure 4 to the right; if they completed a Bachelor's degree or higher, earnings nearly doubled. A Hispanic or Latino person experiences similar financial growth, with total earnings nearly doubling. For a Black person who holds a Bachelor's

Figure 3: Bachelor's Degrees by Race

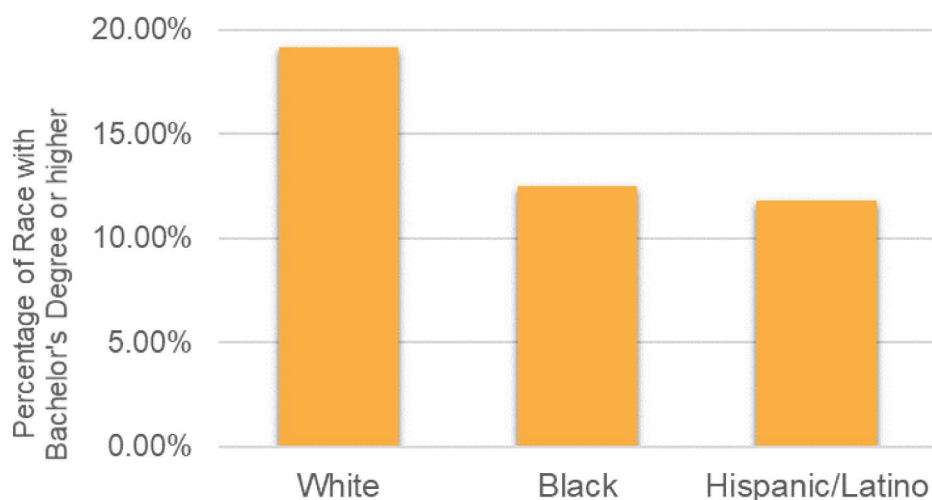
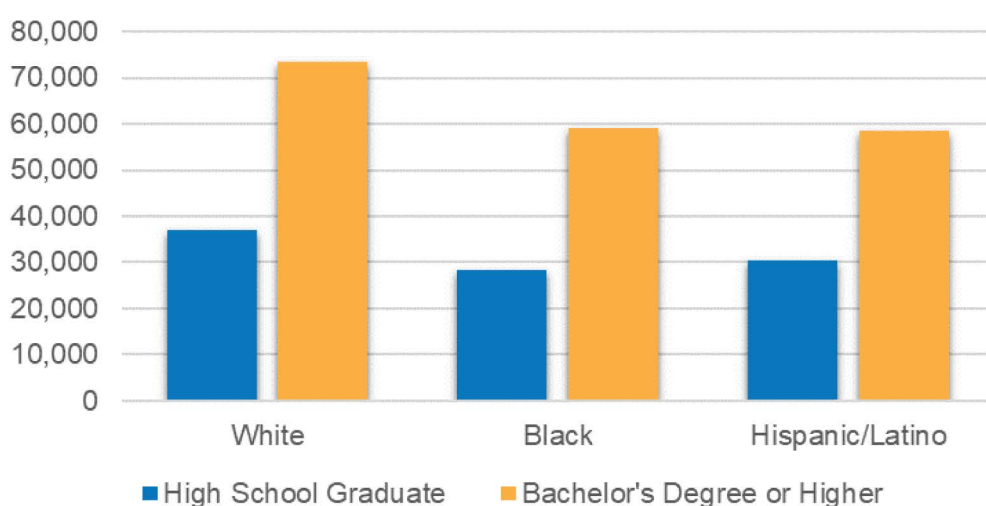


Figure 4: Average Salary by Race



degree or higher, their earnings more than double, increasing by approximately 103%.

Without question, degrees are effective tools to improve one's financial standing, regardless of racial background. However, minority groups attend college in smaller numbers, and those who do can expect to earn over \$10,000 less annually than White people with similar educational attainment levels. Total earnings are impacted by the job one holds in the workforce, as well as the educational attainment levels, from high school graduation, Associate's and Bachelor's degrees, and beyond.



Workforce Gap

Varying degrees of education translates to the workforce. In the U.S., some of the largest industries according to revenue are healthcare, financial activities, and professional and business services. Such industries often require higher levels of educational attainment, so the number of minorities progressively diminishes,

and those industries skew White. Diversity gaps, then, exist at every level and are typically exacerbated at each life stage.

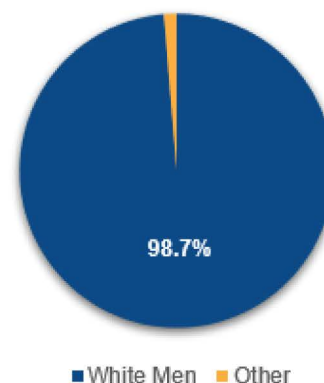
In the health care industry, classified by the Bureau of Labor Statistics as “Health care and social assistance,” almost three quarters of the nearly 22 million workers are White. “Professional and business services” has increased imbalance at over 77% White. This industry includes legal services, accounting, computer systems design, and scientific research, among other activities.

Financial Activities

This segment which includes operations like banking, insurance, investments, and real estate, is even more imbalanced, with approximately 80% of this workforce segment identifying as White.

Financial management companies are predominately owned and operated by White men, as shown in Figure 5 below (Foster and Maynard).

Figure 5: US Asset Mgmt Industry Operations



Within this same subsector, 88% of senior fund managers are White, and junior positions such as analysts and associate managers have over 70% of workers who identify as White (Ibid).



Gaps in familial security and ability, educational attainment, and workforce representation influence an individual's social mobility. Young people who did not grow up with both parents in the home, whose parents did not pursue or encourage the pursuit of higher education, and who do not see faces which resemble theirs in societal institutions face difficulties in upward mobility. In many cases, individuals do

not know the basic principles which could help them improve their own and their family's livelihoods; by partnering with advantaged groups, they can learn to understand and utilize tools which increase their capability of leaving poverty behind.

Organizational Responsibility

While significant progress has been made in a country which is only a few centuries old, there continue to be opportunities for growth as America evolves. Peter Smith, Ed.D., founding president of both California State University Monterey Bay and the Community College of Vermont, writes:

“In the continuing tension between liberty (an individual notion) and justice (a societal notion), the time has come to say that all personal progress is not the sole responsibility of the individual.”

This tension compels individuals and institutions to stand alongside each other to navigate the complexities of societal systems. One such system is the business world, and organizations can meet that compulsion by creating learning opportunities in their areas of strength for their communities of influence.

Cooperation from organizations, paired with individuals' eagerness to learn, enables strides towards balanced educational and labor force representation, strides which progress towards the final closure of the diversity gaps in the United States. Passive observation is no longer an option. Financially, institutions cannot afford to leave behind a significant portion of the upcoming working class. Ethically, they ought to seek what is best for whole societies. Institutional change will be made one company at a time.

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About the Author

Allison McNally is a recent graduate of the University of Arizona. She earned a Bachelor of Science in Business Administration (Management emphasis) and a Bachelor of Art in Information Science & E-Society with Magna Cum Laude distinction. Allison served as a peer mentor for first year students, recruited students to the Honors College as an Honors College Ambassador, and worked with different nonprofits on planning and marketing projects throughout college.

SEM's Initiative

SEM Wealth employees are specialized in finance. For individuals learning about their place in the business world, one key aspect is financial literacy, which is the "education and understanding of various financial areas including topics related to managing personal finance, money, borrowing, and investing" (Investopedia). In other words, it is the comprehensive understanding of managing finances, which impacts individual and family decisions on a daily basis.

Few high schools teach about financial literacy, and its presence on college campuses is typically through brief introductions or major-specific courses. For these reasons, most American adults are lacking, with less than one third correctly answering four out of five financial literacy questions posed by FINRA (Investopedia). With an educational gap in financial literacy and an obligation on the part of business to teach young people and raise up an increasingly financially literate society, SEM Wealth has created a program to introduce financial education to those without a formal financial education.

ROOTED in Financial Literacy will be launched in the Tucson, Arizona and Richmond, Virginia areas in order to promote equal opportunity across the racial, socioeconomic, and generational spectrum. As America grows increasingly diverse and interested in balancing the scale, companies must allocate a portion of their time and resources to improving the future.



ROOTED in Financial Literacy is still in the planning phases. Once launched in these areas, the goal is to spread the program across the United States.