

Five Calls to Action for an Inclusive Economic Recovery



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Rebuilding a more inclusive and more equitable American economy as we recover from COVID-19

From March 2009 to February 2020, America enjoyed 11 years of persistent economic growth, during which the [S&P 500 returned 468%](#) and unemployment was at an all-time low of [3.5%](#). Yet 38 million Americans lived in complete poverty and a further [12 million Americans](#) were “working poor.” The quality of formal jobs [declined](#), workers shifted into the gig economy and earnings for [middle-wage workers stagnated](#). The economic gains were enjoyed by the few: [The top 20% of earners took home 52%](#) of national income. And the [racial wealth gap](#) worsened, with White households having on average seven times the wealth of Black households and five times the wealth of Latino households.

Well before COVID-19 crippled America’s economy, our country was suffering from deep economic inequality. There is now an unbelievable appetite to collectively rebuild the powerful \$21 trillion American economy. But just stimulating economic growth alone is NOT enough. The post-COVID economic recovery presents a powerful opportunity to embrace #InclusiveGrowth and create an economy which works for all of us. **This economic recovery is the right time to address the systemic economic discrimination that produces the racial wealth gap, so that people of color, especially Blacks and Latinos, have equitable opportunities and pathways to prosperity. It is the right time to say goodbye to gender-based economic discrimination. And it is a right time to invest in small towns and rural communities, which are persistently ignored despite the valuable assets they hold for our country’s economic vibrancy.**

New Growth Innovation Network (NGIN) is a national network of economic development practitioners innovating a new model of economic resiliency and growth which creates prosperity for individuals and communities which have been left out of recent economic opportunity. We present five calls to action for an inclusive economic recovery from COVID-19:

- 1. Identify “Next Economy” Opportunities and Prioritize Inclusion from the Start**
- 2. Incentivize Investment in Underrepresented Entrepreneurs**
- 3. Develop Tomorrow’s Workforce with “COVID Education Dividend” & Work Experience**
- 4. Get the Civics Right: Bold Local Leadership, New Tools, Innovative Practices**
- 5. Harness Data to Facilitate Tough Conversations & Drive Accountability**

This publication has been developed by New Growth Innovation Network CEO and President M. Yasmina McCarty with invaluable input from the NGIN Board of Directors, NGIN Members and the wider NGIN community. June 2020.

NGIN Five Calls to Action

1 Identify “Next Economy” Opportunities and Prioritize Inclusion from the Start

The post-COVID [need to build again](#) points to a significant number of green shoot economic opportunities which will attract investment capital in the months ahead. But new technology and high growth sectors have largely excluded diverse talent and entrepreneurs. [Google](#), at 22 years old, still has an employee base starkly different from the American workforce, with just [9% Black and Latino employees in the US and 32% female](#) employees overall.

Every economic development practitioner, community leader and educator should work tirelessly to ensure that underrepresented diverse talent gets connected to these “Next Economy” opportunities early and are able to meaningfully participate as employees and entrepreneurs from day one.

Regions will prioritize different post-COVID economic recovery strategies, but some considerations to ensure inclusion from the start include:

- Identify opportunities to attract new manufacturing, production and local innovation as certain industries move to re-shore elements of their supply chains; Ensure diverse entrepreneurs are well networked and financed for these opportunities
- Embed business incubators, maker centers, light manufacturing, etc. in low- and moderate-wealth communities
- Emphasize diverse leadership in health care innovations, which will be crucial in delivering effective and equitable response to the COVID-19 public health crisis
- Work with Universities on knowledge transfer strategies to ensure that diverse entrepreneurs can take up the opportunities as new tech is spun-out
- Invest in professional networks which intentionally build bridges between business leaders of different race and gender, opening up B2B connections for growth
- Ensure minority and women entrepreneurs are aware of economic cluster analysis highlighting the region’s prioritized sectors and adjacent high-growth support sectors e.g. logistics to support eCommerce
- Support minority and women entrepreneurs move into higher growth parts of their existing business sector e.g. a food service entrepreneur moving into packaged food production
- Support minority and women entrepreneurs acquire businesses in high growth sectors and/or acquire businesses ripe for innovation and transformation
- Ensure minority and women entrepreneurs are supported to respond to new COVID-market demands e.g. shifts to eCommerce

2 Incentivize Investment in Underrepresented Entrepreneurs (Blacks, Latinos, Women & Rural Entrepreneurs)

From historical businesses like [Ford](#) and [GE](#), to modern innovators like [Amazon](#), [Google](#) and [Apple](#), there is deep respect and support for entrepreneurship in the US. But sadly, the capital to support these high-growth businesses is severely inequitable. [Forbes estimates](#) that women entrepreneurs receive less than 4% of available Venture Capital funding and entrepreneurs of color receive just 2%. The other capital sources— family, friends, angel networks and banks – prove similarly

uneven in distribution, leaving Blacks, Latinos and women entrepreneurs with insufficient capital to start and scale their businesses. The Center for Global Policy Solutions estimated that America recently missed out on [1.1 million businesses](#) and 9 million jobs, which would have been developed by people of color, if we had invested more equitably. Phenomenal talent is being overlooked due to institutionalized biases and systemic discrimination.

Additionally, investment capital gravitates towards entrepreneurs in affluent neighborhoods of top-tier metros, leaving small towns and rural communities as “innovation desserts”. Both [poverty and working poverty are notably higher](#) in small towns compared to larger cities and job growth never fully returned to pre-2008-recession levels. However, there is a wealth of investment opportunity and assets to leverage: Rural communities have higher levels of entrepreneurship and [higher five-year business survival rates](#). Furthermore, traditional sectors and traditional skills found in rural communities are ripe for innovation and transformation e.g. AgTech, renewable energy, aquaculture, etc. The results of investments in rural communities have the potential to increase socioeconomic outcomes for these small towns as well as create enhanced value for the larger metros in that region (e.g. improved food supply ecosystem for rural and urban residents).

For each and every community to rebuild and recover equitably, intentional, inclusive and patient investment capital is required, with a special focus on reaching entrepreneurs of color, women entrepreneurs and small-town entrepreneurs. This can be achieved by:

- **Supporting community-focused financial institutions:** CDFIs and community banks focused on business lending have a proven track record in identifying the investment opportunities which mainstream financial institutions overlook. These institutions could do a great deal more in the COVID-19 recovery if they are able to significantly increase the capital they have available.
- **Significantly scale up equity capital for underserved entrepreneurs:** With so little risk capital available for underrepresented entrepreneurs, much more has to be done to ramp up equity funding. This can be done through creating new targeted equity funds, as SoftBank recently [announced](#), diversifying the leadership, culture and networks of existing VC funds, as [HBCUvc](#) and [Boston Impact Initiative](#) works to do or embedding equity instruments at community focused-financial institutions.
- **Incentivizing equity investments:** The federal government has a fantastic opportunity to incentivize equity investments made to underserved entrepreneurs. Tax frameworks like this have been used before (e.g. Opportunity Zones) and could be newly shaped to support an equitable COVID-19 recovery by giving preferential tax treatment to investors who make long-term equity investments in businesses and communities where capital doesn't naturally flow.
- **Attracting Environmental, Social and Governance (ESG) capital to inclusive economic growth:** ESG investment capital has grown significantly, with [\\$20 billion net new money flows](#) in 2019. Few organizations have managed to translate ESG capital into community-driven investment projects, but it is an attractive capital source to drive equitable outcomes in community and economic development.
- **Attracting philanthropic endowments to support inclusive economic growth:** There has been extensive work by philanthropies to align their endowment investment strategy with their program strategy. In the COVID-19 recovery, endowment investments could unlock patient and

intentional capital for inclusive economic development in low-wealth communities. Philanthropic capital is also well placed to increase investments in non-profit leaders of color who are on the front lines of COVID response and delivering vital economic response efforts in their communities.

3 Develop Tomorrow's Workforce with "COVID Education Dividend" & Work Experience

The US labor force was [164 million](#) strong in Feb 2020, but jobs were shed at staggering rates. As of April 2020, there were more than 40 million Americans looking for economic opportunity – [23.1 million newly unemployed](#), 10.9 million working part-time because they are unable to find full-time work and 9.9 million, who were not in the labor force when COVID-19 struck, but who want to find work.

For all the COVID-19 front line staff – hospital janitors, grocery store workers, [Instacart](#) shoppers, [Amazon](#) delivery drivers – and all the employees in hospitality, retail, food service, who are unable to put their skills to use whilst businesses are closed and demand is down, **this is a unique moment to provide them with a "COVID Education Dividend."** Unlike any other economic crisis and recovery, we have the off the shelf digital tools readily available. Corporations with learning modules (e.g. [LinkedIn Learning](#)), non-profits with learning resources (e.g. [Khan Academy](#)), specialized training institutes (e.g. [Per Scholas](#)), colleges and universities have an opportunity to make their digital offering widely available to the millions of COVID-front line workers and COVID-unemployed. **Now it is a matter of taking the perspective of the worker, providing them with the support they need to chart their learning journey and pooling education investment capital (philanthropic, governmental and private sector) to provide one free year of educational opportunities for up to 40 million Americans.**

Beyond the digital learning, corporations who have not been hard hit by COVID-19, should **commit to offer 6 months of work experience** to these new learners. Internships and apprenticeships would be invaluable to first generation professionals as they navigate job choices and education pursuits which create long-term economic mobility.

4 Get the Civics Right: Bold Local Leadership, New Tools, Innovative Practices

Our economic development plans and our approaches to both job creation and entrepreneurship have fallen short in delivering robust economic outcomes for people of color, women and rural communities. Indeed, the [racial wealth gap](#) worsened since the 2007 – 2009 recession. **As we move into the economic recovery, our tools, our modalities, and our way of doing economic development require material improvements.**

In particular, a racially intentional lens and a gender lens must now be consistently brought to all economic and community development. Diversity and equity must be foundational in all economic growth plans. Economic [inequality has been proven to hold back](#) overall economic growth and prosperity. Economic growth and inclusion are two sides of the same coin – mutually dependent and reinforcing.

Economic development practitioners together with their philanthropic supporters have an opportunity to embrace new tools and innovative economic development practices which explicitly work towards inclusive economic outcomes. Some of these practices have been invented, and we provide examples in our Annex Practice Guide e.g. [KC Rising](#) is an example of a new civic institution working towards both regional economic prosperity and economic inclusion, which has powerfully led business leaders to engage on racial equity and economic inclusion for the region. **But many approaches and practices which will deliver equitable economic outcomes still need to be invented.**

It goes without saying that none of this will be possible without bold local leadership which broadens the diversity of perspectives and brings together coalitions of community voices, business leaders and political decision makers to deliver equitable economic outcomes in this recovery.

5 Harness Data to Facilitate Tough Conversations & Drive Accountability
Data is a vastly available resource, but it is consistently underutilized to drive meaningful and long-lasting change. **Disaggregating both income and wealth data by race and gender is essential to framing the baseline challenge and setting targets.** Establishing the baseline picture, especially the data on racial disparities on income and wealth and historical underinvestment in our communities, is vital in aligning all stakeholders.

As we rebuild, it is essential that cities and non-profit leaders have readily available leading indicators, both on dimensions of income as well as wealth, to timely track economic gains across all members of the community. **Philanthropy and the non-profits they support have a particularly important role to provide funds to source rich data sets and big data tools, analyze and make disaggregated data and trends available in a timely and actionable manner, support economic practitioners use the data to build medium- and long-term inclusive economic recovery plans and finally use the data hold our business leaders, investors and governments to account for the outcomes.**

Way Forward

Business, government and community leaders are working to reignite America's \$21 trillion economy...and are faced with a poignant choice. **Rebuild exactly what we had before, which delivered the highest inequality rates America had ever seen with working families struggling to survive? Or build a better economy which creates pathways to prosperity for every American, especially people of color, women and those in rural communities.** We look forward to working with economic development practitioners to implement these five actions and prioritize inclusion so we can rebuild a more equitable and inclusive economy as we recover from COVID-19.

ANNEX: Examples of Inclusive Economic Practices

1. Identify “Next Economy” Opportunities and Prioritize Inclusion from the Start	
Investment in Underrepresented Entrepreneurs in High Growth Sectors	In 2017, The Center for Urban Entrepreneurship and Economic Development (CUEED) at Rutgers University launched the Black and Latino in Technology (BLT) initiative to help minority entrepreneurs pursue high growth, high value technology business opportunities. In 2019, Rutgers CUEED formed the Black and Latino Angel Investment Fund of NJ and secured \$500,000 in commitments from local investors.
Incubator Centers for Under-represented Entrepreneurs	A Space Called Tribe Co-Work and Urban-Innovation Lab is a co-working space and urban innovation lab that is community centered. It is located in Overtown, a historically black neighborhood in Miami, and is dedicated to both creating a prosperous environment for black entrepreneurs and serving the community.
Supporting Diverse Talent Prepare for “Next Economy” Jobs	Retrain America powered by Catalyte is an exchange that connects anyone – regardless of background, education or prior experience – with an opportunity to get retrained for jobs of the future. Catalyte finds and develops technology talent others can’t, using AI to close the talent gap and produce sustainable and diverse technology workforces.
2. Incentivize Investment in Underrepresented Entrepreneurs & Rural Communities	
Equity Capital for Underrepresented Entrepreneurs	FocusFund powered by JumpStart is a \$10m venture capital fund investing in startups led by people of color and women located in Ohio, a group of entrepreneurs often overlooked by equity capital. The portfolio has had strong results, with the companies going on to raise a further \$42m in follow-on capital.
Prioritize CDFIs for Equitable Capital Allocation	<p>LISC will administrator the new \$100 million loan fund for small businesses and nonprofits in New York State. Funding will be distributed via five community development financial institutions and will go to enterprises, especially women- and minority-owned ones, with 20 or fewer employees that didn't receive SBA PPP capital.</p> <p>AltCap was deliberately selected as the partner to implement the KC Region Small Business Relief + Recovery Loan Fund. AltCap is a local CDFI with the mission “to increase the flow of capital to communities and businesses not adequately served by mainstream financial institutions.”</p> <p>Community Reinvestment Fund, USA has several inclusive financing initiatives underway in response to the pandemic. Their PPP lending has reached diverse and very small businesses and nonprofits through a network of CDFI Community Partners that have referred borrowers to CRF’s SBA Small Business Loan Company, resulting in financing for more than 1,500 small businesses and nonprofits of almost \$500 million.</p>

Tech-enabled Community Finance Solutions	<p>Lendistry provides economic opportunities and progressive growth capital for small business owners through a tech platform. It was launched in 2014 after seeing promising small business owners in underserved communities struggle to get approved for the funding.</p>
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3. Develop Tomorrow’s Workforce with “COVID Education Dividend & Work Experience

Transforming Education and Workforce Systems to Deliver Equitable Outcomes	<p>JFF works to transform education and workforce systems to create equitable economic advancement. COVID-19 has magnified deeply ingrained economic inequality and JFF calls on business, education, private investment, and government leaders to collaborate in radical new ways to support the most vulnerable workers and families.</p> 
Early Investments to Ensure Equitable Education and Workforce Opportunities	<p>The Ewing Marion Kauffman Foundation works to ensure that every individual can realize their economic potential through education and entrepreneurship. Their education investments have consistently prioritized closing equity gaps and their recent systemic efforts with schools, non-profits and regional employers focused on ensuring secondary students graduate with “market value assets” to prepare them for further education and career opportunities. Market value assets include work experiences (internships or client connected projects), nine or more hours of post-secondary credit, regionally embedded recognized credentials and entrepreneurial experiences.</p>
Education Dividend for Regional Prosperity	<p>In 2017, Rhode Island moved to provide two years of tuition-free community college, with an ask to students to stay in the state two years after graduation. Governor Gina Raimondo said, “It’s an investment in our economy.”</p>
Education & Workforce Prep for the COVID-unemployed	<p>Coursera launched an effort to help countries, states, and cities reskill their unemployed workers to re-enter the workforce. Government agencies serving unemployed populations can get Coursera for unemployed workers at no cost, offering 3,800 courses (with certificates) and 400 specializations.</p>
Apprenticeships	<p>Miami-Dade College partners with U.S. Department of Labor to support an apprenticeship program. The curriculum facilitates technical job instruction with a hands-on workforce learning experience in aviation, creative design, technology, hospitality, finance, life sciences and logistics.</p>

4. Get the Civics Right: Bold Local Leadership, New Tools, Innovative Practices	
Civic Structure for Inclusive Regional Prosperity	KC Rising was established to unite business leaders, community leaders, donors and educators around shared regional prosperity. It used data, and its role as an intermediary, to align stakeholders that long-term sustained regional prosperity would only be achieved by intentional efforts to tackle racial and economic inequality.
New Institutions with Equity at the Foundation	In 2019, the City of Akron Ohio created the Office of Integrated Development, combining the departments of Planning, Economic Development, Recreation and Engineering. It aligned around a five-year plan with goals which included advancing economic opportunity and implementing policies designed to alleviate inequity.
New Institutions for a New Economy	New civic structures are sometimes required to bring varied stakeholders and voices around a common goal of inclusive growth, as evidenced by the recent creation of the Southland Development Authority in Chicago.

5. Harness Data to Facilitate Tough Conversations & Drive Accountability	
Intentional and disaggregated data and insights for underrepresented entrepreneurs	Next Street with support from JP Morgan Chase, worked with stakeholders across Houston to understand the small business environment and develop strategies to reduce disparities. The research helped identified 24 gaps and barriers facing minority- and woman-owned small businesses and identified seven prioritized actions to enable them to build wealth.
Embedding equity and economic opportunity into community measurement	Fourth Economy built the Community Index incorporating data from five areas: Investment, Talent, Sustainability, Place, and Diversity. The composite brings together equity (an equitable community, where diverse economic activity is reflective of a diverse population) and economic growth (a productive regional economy with active businesses that have access to the capital, markets, and workforce they need to grow).
Tracking access to opportunity	To dig into equitable economic development data, Community Science considers not only economic outcome indicators (i.e. jobs gained, average wages increased, etc.), but also indicators in access to opportunities such as who is getting what opportunities or who would likely benefit from which investments.
Data to ensure equitable representation before designing interventions	Before designing and deploying COVID-relief funds, Baltimore Development Corporation over-surveyed women and minority entrepreneurs who were less visible in existing data, to ensure they understood the needs of all their small businesses. They also deliberately made their process <i>not</i> first come, first serve, anticipating that this approach favors larger formal businesses and may discriminate against smaller and minority owned businesses.