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One move companies can take to improve diversity

Many companies are trying to increase their hiring of diverse employees. Opening hubs, factories, and other worksites where Black people live is a powerful but overlooked lever.

by Bryan Hancock and Monne Williams

Diversity, equity, and inclusion (DE&I) is increasingly becoming a priority for the US private sector. Companies collectively spend hundreds of millions of dollars on DE&I initiatives, implementing a range of programs to reach out to a diverse talent pool and to create a culture that supports workers from all backgrounds. For good reason: McKinsey research has shown that large companies in the top quartile for ethnic and cultural diversity outperform those in the fourth quartile by 36 percent.[1] Besides addressing obvious issues of fairness and equity, increased diversity pays by broadening a company's talent pool, improving decision making, increasing insight into a broad range of customers, driving employee engagement, and improving a company's global image.

Yet, as a new study from McKinsey documents, progress has proved painfully slow. *Race in the workplace: The Black experience in the US private sector* offers one of the most comprehensive views on the subject, drawing on data from the US Bureau of Labor Statistics, the US Census Bureau, the US Equal Employment Opportunity Commission, and 24 participating companies that collectively represent about 3.7 million workers.[2] The report makes clear that placing a higher value on diversity and implementing an unfocused set of initiatives has not translated into talent parity for Black workers. This failure manifests itself in numerous ways, but two data points make the problem clear. First: while Black employees make up 14 percent of the workforce at the report's participating companies, they make up just 7 percent of the managers and hold just 4 to 5 percent of jobs at the senior-manager, vice-president, and senior-vice-president levels. Second: on the current trajectory, it will take about 95 years for Black employees to reach talent parity across all levels in the private sector.

The killing of George Floyd last year and the subsequent sustained protests demanding social justice forced US companies to reevaluate the role they play in society—as well as how to address the challenges their Black employees face. The companies responded by, among other things, publicly committing more than $66 billion toward initiatives that combat racism, support Black communities and businesses, and promote equality.

But money alone cannot solve the problems of equity in the workplace. There is no simple solution to this systemic issue. Companies must play their part in a number of ways, inside and outside their four walls.

On their own, companies should define their corporate aspirations for confronting racial equity and take the necessary steps to address structural barriers. They must analyze their DE&I baseline in the context of the industries and geographies in which they operate and be continually strategic about DE&I initiatives. They should examine those initiatives closely, reinforcing those that work and reimagining the rest. They must track progress to increase accountability and then share their successes. They need to scale up sponsor- ship efforts, repair the "broken rung" from entry-level positions to managerial ones, recruit from historically Black colleges and universities, and create models for allyship.

Companies must also engage with external stakeholders. True progress calls for system- level change, an examination of our broader society, and active collaboration among companies and other stakeholders. A more concerted effort may be required. To build broader momentum for system-level change, companies should consider efforts such as sharing best practices on effective programs, pursuing collaborative efforts with local governments and social-service organizations to push for comprehensive solutions that address disparities in everything from education to healthcare, and committing to continued investment and research.

We believe that companies should do *all* of this. If they do, they can have a profound impact on the success and well-being of *all* their employees.

One article can't cover all of these initiatives in depth. Instead, this article focuses on one lever that companies don't use enough: locating hubs, branches, second headquarters, factories, and more in places where Black people live. As companies contemplate their postpandemic return-to-work strategies, adding a racial-equity lens to their decision making could have lasting effects. In the previous century, millions of Black people left the South to go to companies with jobs in cities such as Chicago and Detroit, a historic shift known as the Great Migration. In the current century, companies looking for a more successfully diverse workforce might want to launch a reverse migration—going to Black people rather than hoping that Black people will come to them.

The geographic challenge

Fewer than one in ten Black workers is located in the fastest-growing geographic regions of the country. As defined in the McKinsey Global Institute's *The future of work in America: People and places, today and tomorrow,* report, these include high-growth hubs, such as Austin and Seattle; "silver cities," such as Prescott, Arizona; and small powerhouses, such as Reno, Nevada, and Provo, Utah (exhibit). Given the low migration

rates for all races in the United States, Black workers will be less able to take advantage of job growth in these markets, reducing their access to key industries of the future, such as technology. On the other hand, Black workers are overrepresented in slow-growth markets, including stable cities (such as Cleveland and Detroit) and distressed "Americana economies," which include many rural areas of the South, where some 60 percent of Black workers live. Black people are strongly represented in certain urban areas that are projected to have strong growth, including megacities (such as Chicago and New York) and the urban peripheries (such as Clayton County, which abuts Atlanta). But they are often disconnected from the most promising opportunities there. Researchers have extensively documented the segregated geography[3] and unequal access to transit[4] that can impede the ability of many Black workers to get to good jobs.

This lack of opportunity is exacerbated by the systemic hurdles along corporate America's talent pipeline. Even in states with a large number of Black professional workers, Black college graduates find themselves underrepresented by up to 4.5 percent. While Black employees account for a representative 12 percent of entry-level positions in the private sector, they account for just 7 percent of managers. The rupture at this first promotion opportunity skews the rest of the pipeline and helps explain why only four of the Fortune 500 CEOs are Black. If Black people were appropriately represented in that cohort, the Fortune 500 would have 60 Black CEOs.

The power of moving to areas with a strong Black workforce

When companies consider locating their new facilities in areas with a large concentration of Black workers with relevant skills, they have the opportunity to kick-start a renewal of Black labor. There are, of course, many factors that weigh into a company's decision about where to site a new facility, including financial considerations, proximity to customers and suppliers, access to talent, and more. Adding a racial-equity lens to this list could have significant potential for companies and their stakeholders.

Consider the hunt for talent. Companies tend to be drawn to high-growth hubs, with their developing ecosystems of young professionals. Many of these hot spots, including Austin, Silicon Valley, and Provo, Utah, are also anchored by universities. Often, these locations aren't accessible to significant numbers of Black people. Companies can try to attract Black talent to these hubs, and many have. But there is ample evidence that it can be hard for Black workers to succeed in regions where they are likely to be "onlys." Recreating the systems that support them in the states where they are currently concentrated can be very challenging.

Put simply, companies will have more success moving to Black workers than waiting for Black workers to move to them. Sometimes that will mean locating in low-growth regions that have strong pipelines of Black talent. There are far greater numbers of qualified Black workers in Detroit and Baltimore, for example, than in Provo. Sometimes that entails taking the time to identify an accessible neighborhood in a relatively well-growing urban environment. Black workers we interviewed as part of our research noted that they often face challenging commutes to and from the office, in many cases because of a lack of good public transit.

Companies that look primarily at high-growth areas could be missing an opportunity to broaden their talent pools and become more diverse. More and more companies are now realizing this and are adjusting their moves accordingly. For example, on February 11, Microsoft announced that it would establish a new data-center region in Georgia's Douglas and Fulton counties. It purchased 90 acres to house a new campus in Atlanta, which has become something of a tech hub over the past decade. At the Georgia Institute of Technology's Technology Square, you can now find companies such as Anthem, AT&T, Chick-fil-A, Coca-Cola,
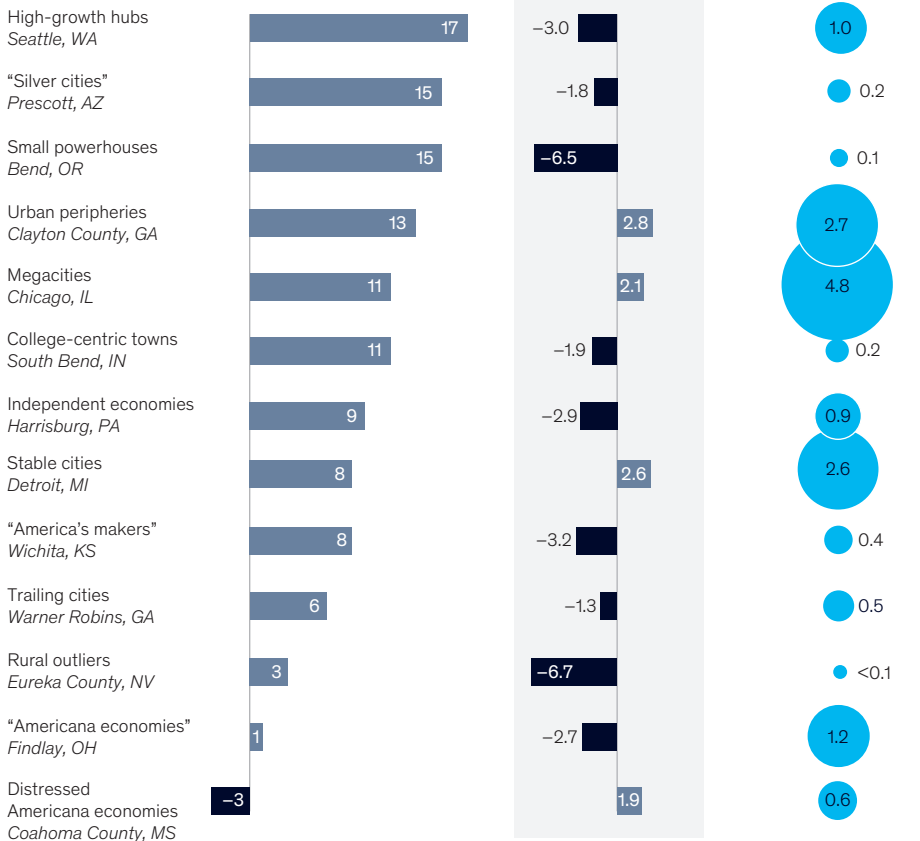
Exhibit

Two-thirds of Black US workers live in four community archetypes in which they are overrepresented compared with the wider labor force.

Archetypes of US future-of-work communities by job-growth projection and Black-worker representation

Projected net job growth by community archetype, 2017–30, %, *example communities in italics*	Black-worker representation gap,[1] 2019, %	Number of Black private-sector workers, 2019, millions
High-growth hubs *Seattle, WA* — 17	−3.0	1.0
"Silver cities" *Prescott, AZ* — 15	−1.8	0.2
Small powerhouses *Bend, OR* — 15	−6.5	0.1
Urban peripheries *Clayton County, GA* — 13	2.8	2.7
Megacities *Chicago, IL* — 11	2.1	4.8
College-centric towns *South Bend, IN* — 11	−1.9	0.2
Independent economies *Harrisburg, PA* — 9	−2.9	0.9
Stable cities *Detroit, MI* — 8	2.6	2.6
"America's makers" *Wichita, KS* — 8	−3.2	0.4
Trailing cities *Warner Robins, GA* — 6	−1.3	0.5
Rural outliers *Eureka County, NV* — 3	−6.7	<0.1
"Americana economies" *Findlay, OH* — 1	−2.7	1.2
Distressed Americana economies *Coahoma County, MS* — −3	1.9	0.6

Note: The left side of the exhibit shows how fast job growth is in each community archetype. That is compared with the over- or underrepresentation of Black workers in those communities, along with the number of Black workers who live there.
[1]Representation gap is difference relative to average Black-worker representation in the US private sector of 12%.

Delta Air Lines, Emerson Climate Technologies, Georgia Power, Home Depot, Keysight Technologies, NCR, Panasonic, Siemens, Stanley Black & Decker, thyssenkrupp Materials Services, UCB, UPS, and Worldpay. Microsoft's Atlanta presence will create the tech giant's third biggest hub. The company is working with local organizations on the move. For instance, it is trying to address gentrification concerns by setting aside a quarter of those 90 acres for low-income housing in the Quarry Yards neighborhood. And it will work with a local not-for-profit to close the digital skills gap with training and certification.

This isn't only happening in Atlanta. ClassPass, a Montana-based booking start-up for gyms, fitness studios, and spas, has expanded to Houston to, in part, diversify its workforce. Maryland, with its strong local universities and incubators and its close proximity to federal-contracting opportunities in the nation's capital, has lured its fair share of start-ups over the past few years. The impact that moves such as these have on the Black community can be significant. In almost every state, Black employees are underrepresented in jobs relative to their educational attainment. In Georgia, for example, Black employees account for 25.8 percent of all college grads but just 21.3 percent of the professional workforce.[5] An infusion of just 15,000 professional jobs for Black grads across the state would make up the difference.[6]

Closing the gap at the top of the hiring range would create a powerful cascade effect. Let's say a company moves into a neighborhood that is 30 percent Black and opens a new hub featuring 500 jobs that require a college degree. If the company hires representatively, 150 Black grads will join the company. If even a third of those people come from jobs that didn't require a college degree, 50 openings would be created for Black people with only some college education. And when those people leave their jobs, 50 jobs would then open up for workers with only high-school degrees. In other words, opening an office with 500 professional jobs in a Black neighborhood might well create good jobs for 250 Black workers.

Building on this, if 200 companies were to do this one time, corporate America could site an additional 100,000 jobs in Black neighborhoods and create 50,000 more opportunities for Black workers. If those moves were concentrated in finance, for example, they would wipe out about 39 percent of the industry's employment gap between Black workers and other workers.[7] Whatever the business field, a regular series of these kinds of moves would radically improve the prospects of Black workers and in turn improve the neighbor-hoods and regions where Black people live.

The lesson? Moves such as Microsoft's have a positive impact. But scores of such moves into regions with large pools of talented Black workers could transform the unequal balance between Black and white hiring in the private sector.

Back to work

At companies around the globe, leaders are thinking about how they want their companies to return to work after the pandemic. They are considering a wide range of factors: How big a role will remote work play now? How do they lock in crisis-driven efficiencies? Should the lessons learned during the pandemic affect the structure of their organizations? Many

leaders are also asking themselves how they can use this reset as an opportunity to create a more equitable company and to contribute to the creation of a more equitable society.

This article isn't meant to suggest that moving to where Black workers are located is any kind of silver bullet. In the article that follows, "The Black experience in the workplace," you will find a series of exhibits from our research that document the full extent of the problem of race in the workplace in the United States. The reverse migration that we are proposing that companies consider doesn't come close to addressing all these issues. Moving doesn't address the education gap. It doesn't address the fact that many Black employees feel isolated and ignored in the workplace. It doesn't address the biases that interfere with Black workers' progress up the corporate ladder.

As companies return to work, they have a great opportunity to reset the place of Black workers in corporate America. They must seize this chance to commit even more to diversity in the workplace. We hope that business leaders ask themselves one question as they focus their recommitment to their DE&I initiatives: As we reopen, are there locations that we may have overlooked in the past that we should now target because they have the kind of Black talent our company needs? The answer could have profound implications for their companies and society as a whole. Q

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[1] Sundiatu Dixon-Fyle, Kevin Dolan, Vivian Hunt, and Sara Prince, "Diversity wins: How inclusion matters," May 19, 2020, McKinsey.com.

[2] The companies we studied range in size from 10,000 to 1.4 million US employees and are distributed across all geographies.

[3] Richard Rothstein, *The Color of Law: A Forgotten History of How Our Government Segregated America*, New York, NY: Liveright Publishing, 2017.

[4] See Christof Spieler, "Racism has shaped public transit, and it's riddled with inequities," Kinder Institute, August 24, 2020, kinder.rice.edu; and Anita M. Cozart, "Transportation matters: Closing the chasm between housing and transportation to foster communities of opportunity for all," *Journal of Affordable Housing and Community Development Law*, 2017, Volume 25, Number 2, pp. 219–29, americanbar.org.

[5] National Center for Education Statistics, nces.ed.gov; US Equal Employment Opportunity Commission, eeoc.gov.

[6] There are some 73,200 Black professionals in Georgia.

[7] Moody's Analytics; Occupational Employment Statistics, US Bureau of Labor Statistics, 2019, bls.gov; US Census Bureau American Community Survey, 2019; McKinsey analysis.

Bryan Hancock is a partner in McKinsey's Washington, DC, office; **Monne Williams** is a partner in the Atlanta office.