



Task Force 01

FIGHTING INEQUALITIES, POVERTY, AND HUNGER

Afro-Descendant Economic Empowerment: Overcoming Challenges and Opening Up New Pathways

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Abstract

Economic empowerment for African descent was one of the first strategies the global Black Movement implemented at the beginning of the twentieth century. Amidst multiple conditions, Afro-descent workers usually face regular racial discrimination in job markets, and their relative participation in the business world is still distant from its full potential. It mainly concerns the relatively low educational level of Afrodescents. Parallel aspects of economic disempowerment of Afro descent comprehend precarious social security networks, lack of access to loans, and housing price devaluation.

Economic empowerment should not be a synonym for an attitude that places individual achievement ahead of community development and well-being. In this sense, combining economic strategies with parallel and not less crucial initiatives in the political system and collective rights of participation, human rights guarantees, gender equality, and environmental protection is necessary.

Diagnosis of the Issue

Economic empowerment for African descent was one of the first strategies the global Black Movement put in motion during the beginning of the twentieth century, as exemplified by the initiatives led by Booker Washington at the beginning of the twentieth century in the United States focused on African American professional qualification and entrepreneurship, a strategy also persecuted by several other activists since currentçy.

However, these were just episodic examples of a broader movement that went in that direction in the United States and worldwide, especially in Latin America and the Caribbean. Millions of black workers are occupied in multiple conditions: employers, self-employed, cooperative laborers, and employees struggling to attend to the material necessities of their families and communities. Here, it is also necessary to mention the uncountable numbers of African-descent females, frequently as household heads, selling products or providing services in their homes or the streets of some main urban centers of the planet to sustain their families.

Amidst multiple conditions, Afrodescent workers usually face regular racial discrimination in the job market, earn low revenues, have lower access to good opportunities and promotions, are less benefited during the economic boom and are more vulnerable to dismissal during economic retraction. Focusing on the Latin American reality based on 2010 Census round data and following the domestic classificatory terminologies, in Colombia, three of each four black workers were informal, and in Ecuador, six in every ten Afrodescendant workers (both *Afro-Ecuadorians* and *mulattos*). In Brazil, the informality rate was 45% among *pretos* and 48% among *pardos*. In Costa Rica, the informality corresponded to the situation of 27% *negros* and 30% of *mulattos*

were informally occupied). Similarly, in Panama, the informality rate of black workers was 29%. Indeed, in all the countries where information on the Afro-descendent population is available, the informality rate of African descent was superior to that of the white population (Freire et al., 2018; Paixão & Rossetto, 2020).

Still referring to 2010 Census rounds, the unemployment rate of Afro-descendants was higher than that of white, white-mestizo, or no-ethnic groups. In relative terms, Brazil had the biggest asymmetries between Afro-descendants and whites. So, the unemployment rate of *preto* workers was 48% higher than white workers, while the difference between *pardos* and whites was equal to 61%. Ecuador also showed significant asymmetries, being the unemployment of blacks and mulattos 35% higher than mestizos and whites. The difference between African descendants and the dominant or the no-ethnic group was around 31% in Colombia, 25% in Uruguay, and 23% in Panama. In Costa Rica, the hiatus was about 22% for *negros* and 11% for mulattos (Paixão & Rossetto, 2020).

Examining women's unemployment rate, in Brazil, the ratio between unemployed black women and white men was around 150%, and between brown women and the latter, it was about 260%. In Uruguay, the difference between black women and white men was about 189%. In Ecuador, the asymmetries between African-descent women and the dominant groups (mestizo and white) were also very high (115% for blacks and around 230% for mulattos). In Panama, the ratio between black women and white men was also quite sharp: 76% (Paixão & Rossetto, 2020).

Looking at Afro-descent reality as entrepreneurs in the United States, in the 2010s decade, African Americans corresponded to about 12% of the adult population but 9.6% of American firms and 2.1% of employer firms (U.S. Department of Commerce, Minority Business Development Agency, 2018). In 2010, in Brazil, only 3.3% of black and 4.3%

of brown labor force were employers, contrasting with almost 12% among whites. So, while Afro-Brazilians comprised about 54% of the inhabitants, they were just 25% of the employers's racial makeup. Considering employers with more than one employee hired, this percentage shrinks to 17%. Among non-employer businesses, more than two-thirds of Afro-Brazilian entrepreneurs had only elementary education, whereas among whites, this percentage was 52%. Among self-employed Afro-Brazilian entrepreneurs, less than 20% were covered by the Social Security system.

Based on the 2010 Census round, Afrodescends workers with at least a secondary degree were a smaller group in comparison with white or white-mestizo workers. These disparities are present in Ecuador (the difference between *blancos* and *negros* was equal to 26.4 pp, and between *blancos* and *mulatos* to 20.3 pp); in Brazil (*brancos* / *pretos*, 17.2 pp; and *brancos* / *pardos*, 16.8 pp); and in Uruguay (*blancos* / *negros*, 21.1 pp). The difference between the non-ethnic group and Afro-Colombians was 8.5 pp. In Costa Rica, notwithstanding *negros* had a higher level of education than white workers, the proportion of mulatto workers with at least the secondary level completed was 13.3 pp inferior to the rate of the white labor force. In Cuba, racial asymmetries were 1.3 pp for blacks and 3.1 pp for *mestizos/mulatos*, and although it was lower than in the other countries, it was still higher than among workers with poor education (Paixão & Rossetto, 2020).

Almost two-thirds of African Americans' net worth in the United States was made by home property (among whites, this proportion was around 40%) (Brimmer, 2014). It is just an example of a few aspects of economic disempowerment associated with housing, a family asset handed down over generations. Poorly served neighborhoods of educational health and recreation facilities or socio-racially segregated and regularly exposed to violence and drug traffic may devalue house values beyond encumbering in

multiple ways family socioeconomic conditions and self-esteem. Afrodescents undergo this reality in several parts of Latin America, the Caribbean, and Europe. In Brazil, *pretos* and *pardos* have more precarious access to public services such as drinking water, sewage, and garbage collection (Paixão & Carvano, 2008). World Bank's data shows that "Afro-descendants are about twice as likely to live in slums than non-Afro-descendants in countries such as Brazil, Colombia, Costa Rica, Ecuador, Mexico, and Uruguay."

Although featuring a formal universalism, the main ideological currents that dominated the political and ideological debate during the last one-hundred and a half years showed a chronic inability or unwillingness to treat human diversity with the required rigor and urgency. Contrarily, more or less influenced by scientific racism, eugenics, or an ingrained sociocultural and economic ethnocentrism, these orientations also consolidated an image that Afrodescendent people, alongside other historically discriminated groups, were unable to achieve personal and collective material progress due to their race or culture.

The above understanding does not mean that the reality of racial discrimination is unknown to economists and social sciences who, at least since Becker's "Economics of Discrimination," have acknowledged the principle of "racial distaste" as one of the components that is part of the rational economic agent's decision (Becker, 1995). Over time, following theoretical approaches refined that interpretation, bringing up further variables such as profiling and statistical discrimination (Arrow, 1998; Phelps, 1972), feedback effects against people previously affected by racial discrimination (Loury, 2021), dual labor market theory pointing out – framed upon theory and stylized facts – that Afrodescendent were usually doomed to "non-internal" job market (Bulow & Summers, 1985). Therefore, it does not make sense to say that the academic setting, public and

private institutions, and corporations ignore or do not have access to the literature showing the racial discrimination guiding economic behavior and corresponding effects.

The bank system, where the lending money decision is grounded over the principle of adverse selection and moral hazard, is an economic branch in which the problem of “asymmetric information” is particularly present, including credit rationing and discouragement caused by race discrimination and feedback effect. In the United States, a survey accomplished by the Federal Reserve System (Federal Reserve System, 2016) showed that White-owned non-employer firms experienced the highest approval rates (60%) for new financing, while African American owned non-employer firms experienced the lowest approval rates (43%) for new financing. Even among low-risk applicants, only 56% of black-owned non-employer firms were approved, compared with 74% of white-owned non-employer firms (Federal Reserve Bank of Cleveland & Federal Reserve Bank of Atlanta, 2017). In Brazil, the few studies accomplished so far about this issue also showed that Afro-Brazilian business owners also face higher rates of credit denial (Paixão, 2023; SEBRAE, 2019).

Globally, still today, there persists an understanding that development, high-status positions, better remunerations, and high-skilled occupations do not combine with darkened-skinned people. Territories with a high concentration of black and Indigenous people – like Bahia, Maranhão or the Amazon region in Brazil, Costa Chica and Chiapas in Mexico, and Choco in Colombia – are usually identified as spaces of low socioeconomic development. This pervasive understanding also meets consequences for the so-called traditional communities subject to natural resource spoliation in the face of big development projects (not seldom supported by official funds) that are always

officially self-justified under the narrative of the necessity of progress (Engle & Lixinshi, 2021; Paixão, 2014).

The new technological transformations add old challenges with new ones. The emerging online economy reproduces the old eugenic logic of self-consolidating as an occupational field with scarce room for African descendants. In California's Silicon Valley (USA), "Black and African Americans only accounted for 8.7 percent of employees in computing and mathematical occupations" (Clement, 2024). The new media platforms, articulated with multiple economic interests, became a space particularly vulnerable to hate discourse, racism, and other forms of bigotry and intolerance that inevitably reap Afro-descendants as one of their main targets.

The sum of aspects mentioned throughout this report has, as a consequence, a chronicle and structural impact on Afrodescent well-being, social protection, and vulnerability (Theodoro, 2022). World Bank data shows that "Afro-descendants are, as a result, overrepresented among the poor and the extremely poor in the region. In 2015, they represented 38 percent of the total population in the six Latin American countries for which there are data, yet they comprised 47% of the poor and 49% of the extreme poor." (Freire et al., 2018, p. 71)

It would be naïve to guess that economic empowerment would be in itself enough to overcome centuries of social and racial injustice, racism, segregation, and sexism. Traumatic experiences such as the Black Wall Street massacre of a white mob in 1921, in some sense, display that devoided by other instruments of social and political protection, economic progress might become a fragile mechanism of Afro-descent empowerment (Albright et al., 2021; Myers, 1999). It is necessary to avoid seeing material progress as the only engine of collective well-being without considering different

economic development models determined by the productive process and how material wealth is produced and distributed. Furthermore, economic empowerment should not be viewed as a synonym for an attitude that places individual achievement ahead of community development and well-being. Nonetheless, these limitations do not mean downgrading the importance of Afro-descent economic empowerment for improving peoples' socioeconomic, cultural, and political conditions. In this sense, combining economic strategies with parallel and not less crucial initiatives in the political system and collective rights of participation, human rights guarantees, gender equality, and environmental protection is necessary.

Recommendations

Considering the sum of evidence described above, we call upon the G20 States to take the following actions.

- ✓ Acknowledge that contemporary racism and all correlated ideologies, attitudes, and behaviors have a structural effect on economic life, encumbering and even endangering millions of Afrodescents every moment around the globe;

- ✓ Incorporate racial inequality and its reasons in the scope of political economies, development policies, and macroeconomic adjustment programs, never forgetting to measure the potential positive and negative effects on Afrodescent peoples;

- ✓ General reorientation of public banks of development strategies by placing Afrodescent economic development as one of their top-notch priority: raising resources for training Afro-descendants – always considering its gender dimension - to enter a competitive market where they are underrepresented; establishment of a growing number of enterprises led by Afro-descendants allowing them to access the formal economy, credit, growth, and employ workers;

- ✓ Implement, advance, and improve the statistical visibility of Afro descent, incorporating in the Census, household surveys, demographic and health surveys, and administrative records accurate variables able to collect information about these groups, their gaps compared to hegemonic contingents, and their evolution over time;

- ✓ Implement and support corporate policies framed upon the principles of gender and race diversity and inclusion as well as its regular monitoring targeting to eliminate the barriers against Afrodescent and women to the formal job market, improve

corporations' strategy for training and promotion, and protect them against the business busts;

- ✓ Actions to eliminate poverty among Afrodescent communities employing minimum income policies, community business support, preferably through cooperatives, and labor force education and professional qualifications;

- ✓ Action in support of Afro-descent agricultural workers, guaranteeing their regular market access to sell their crops, formal access to land, agronomical technical assistance, credit, and insurance against drought, flooding, and other similar storms;

- ✓ Regular support to Afrodescent businesses with entrepreneurial training and technical assistance, credit access, access to domestic and international markets, joint ventures, and other support mechanisms;

- ✓ Credit policies oriented to Afrodescent necessities, including mortgage conditions, affordable interest rates, housing valorization (also through public policies in urban zones hegemonically inhabited by Afrodescents), monitoring and overcoming the reasons for credit discouragement and rationing;

- ✓ Affirmative action policies for public procurement establishing minimal percentages of public budgets to be spent with Afrodescent contractors at all levels;

- ✓ All of the above ten recommendations must be viewed under a multidimensional approach, including women, no binary population, and correlate groups historically victimized by discrimination, persecution, and segregation.

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