



Racial Equity in America's New Industrial Transformation

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Recent Federal Industrial Policy Legislation

- ▶ In 2021 and 2022, Congress passed three major pieces of industrial policy legislation that promise to transform and renew U.S. manufacturing.
- CHIPS & Science Act, Aug. 2022 (semiconductors and related)
- Inflation Reduction Act, Aug. 2022 (clean energy)
- Infrastructure Investment & Jobs Act (aka Bipartisan Infrastructure Law), Nov. 2021 (transportation and broadband)
- ▶ Impact of these laws on racial equity will depend on minority-owned manufacturers currently in supply chains that the laws support.



Objectives

For Black- and Hispanic-owned manufacturers in 13 key supply chains that the three laws support, we aim to:

- ▶ Understand the extent to which those manufacturers are represented in the supply chains.
- ▶ Understand how they compare in size with white-owned manufacturers.
- ▶ Understand how their geographic locations compare with those of white-owned manufacturers.
- ▶ Develop policy recommendations to reduce disparities.



How We Chose Manufacturing Supply Chains to Analyze

- ▶ Selected 13 supply chains based on policy importance, mix of older and newer technologies, and technical feasibility.
- ▶ Consulted industry and policy experts to help select supply chains.

Manufacturing Supply Chains Selected for Analysis	
Batteries	Semiconductors
Carbon Capture and Storage	Solar
Electric Vehicles	Wind
Rail Cars	Wireless Technology
Fuel Cells and Electrolyzers	Critical Minerals
Hydropower	Fiber Optic Cables
Nuclear Energy	



How We Conducted the Analysis

- ▶ Our analysis is limited to privately held Black- and Hispanic-owned Original Equipment Manufacturers (OEMs) and first-tier manufacturing suppliers in the 13 supply chains.
- ▶ We used federal government supply chain reports and U.S. Bureau of Economic Analysis input-output tables to identify supply chains.
- ▶ Using the Dun & Bradstreet Hoovers database, NMSDC data on NMSDC-certified minority-owned companies, and publicly available information on Black and Hispanic/Latino ownership, we identified Black- and Hispanic/Latino-owned manufacturers that were OEMs or first-tier supplier in each of our 13 supply chains.
- ▶ We compared the Black- and Hispanic-owned firms to each other and a 3 percent random sample of white-owned firms.



Findings

- ▶ Black- and Hispanic-owned manufacturers are highly underrepresented in all supply chains.
- ▶ Black- and Hispanic-owned manufacturers are larger than their white-owned counterparts but still very small.
- ▶ The locations of Black- and Hispanic-owned manufacturers are similar to those of white-owned manufacturers.



Recommendations



1. Increase capital access

- ▶ Encourage financial institutions or technical assistance providers that serve manufacturers to promote the use of supply chain finance in manufacturing supply chains over traditional asset-based lending to help smaller businesses resolve cash flow issues.



2. Increase technical assistance and training for suppliers

- ▶ Expand the curricula of existing procurement technical assistance providers, such as those that operate APEX Accelerators (formerly Procurement Technical Assistance Centers), to meet the specific needs of suppliers in advanced manufacturing supply chains.



3. Identify and remove barriers in advanced manufacturing STEM education

- ▶ Increase state and federal funding for graduate education at HBCUs and other minority-serving institutions in science and engineering fields that feed into advanced manufacturing.



4. Reform the procurement practices of OEMs and other large purchasers

- ▶ As they roll out future rounds of funding to supplement CHIPS, IRA, and IIJA funds (including funding under state-level counterparts to the CHIPS Act), state and local governments should echo federal policies that give preference to bids that include an actionable, specific supplier diversity plan, such as the provisions attached to federal CHIPS Act funding for manufacturing plants. This should apply to both OEMs and first-tier suppliers.



5. Collect and disseminate data about advanced manufacturing supply chains

- ▶ The Census Bureau, Bureau of Labor Statistics, and the National Science Foundation should coordinate comprehensive supply chain mapping of advanced manufacturing industries to complement the promising but disconnected efforts that have already begun.



6. Black- and Hispanic-owned manufacturers may have opportunities at lower tiers of their supply chains

- ▶ Black- and Hispanic-owned manufacturers at lower tiers of their supply chains may have more opportunities to benefit from the IIJA, CHIPS Act, and IRA.



What You Can Do

ICIC calls on industry leaders, policymakers, and stakeholders to embrace the recommendations laid out in this report and join the movement toward a more equitable manufacturing sector. This initiative not only addresses racial disparities but also unlocks potential for economic prosperity that is inclusive and sustainable.



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