

SPNA Review

Volume 1 | Issue 1

Article 5

5-1-2005

Evaluating Strategies for Promoting Minority Construction Contracting

Barbara M. Taylor
Grand Valley State University

Follow this and additional works at: <http://scholarworks.gvsu.edu/spnareview>

Recommended Citation

Taylor, Barbara M. (2005) "Evaluating Strategies for Promoting Minority Construction Contracting," *SPNA Review*: Vol. 1: Iss. 1, Article 5.
Available at: <http://scholarworks.gvsu.edu/spnareview/vol1/iss1/5>

Copyright ©2005 by the authors. SPNA Review is reproduced electronically by ScholarWorks@GVSU. http://scholarworks.gvsu.edu/spnareview?utm_source=scholarworks.gvsu.edu%2Fspnareview%2Fvol1%2Fiss1%2F5&utm_medium=PDF&utm_campaign=PDFCoverPages

EVALUATING STRATEGIES FOR PROMOTING MINORITY CONSTRUCTION CONTRACTING:

BARBARA M. TAYLOR
Grand Valley State University

This analysis addresses the issue of disparity between minority-owned businesses and non minority-owned businesses in securing city contracts in the city of Grand Rapids, Michigan. Understanding the implications of unfair contract disbursement on the economy of Grand Rapids is extremely important as the city becomes more diverse. It is important that Grand Rapids remain a viable city and to do so, fairness in contract disbursement must be addressed. It examines the previous policy which required businesses to maintain a percentage of minority workers, the policy used by the city of Chicago which sets aside a certain portion of city contracts for minority owned businesses, and the current policy which uses a discount program to help achieve diversity in awarding contracts. This analysis examines each policy on five criteria: 1) Does the program increase access to government contracts? 2) What is the percentage increase of minority and women businesses in city contracts? 3) Can the policy stand up in the courts? 4) What is the cost to the city? 5) Is the policy politically feasible?

INTRODUCTION

In most cities across the United States where there are significant numbers of minorities, there have been tensions among the races and prejudicial treatment toward those minorities. According to Myron Orfield, (2002) much of the progress made by the Civil Rights Movement in the 1960s has been lost. Unemployment and poverty are common companions to those in concentrated black neighborhoods and black-owned businesses struggle as their owners are unable to maintain a standard of living equal to their white counterparts. Loans to these minority businesses are difficult, if not impossible to acquire, therefore growth for these firms is virtually impossible to achieve.

Since the abolishment of slavery, blacks have been pigeon-holed into certain employment arenas that whites have deemed suitable for them. These arenas include service businesses such as; food, barber shops and beauty parlors. “At one time blacks dominated many of the South’s skilled trades; however when slavery was ended, the whites who were protected by craft unions and Jim Crow institutions, secured jobs that blacks were skilled in. Since whites avoided servility professions, this left this field open for blacks where they have predominantly remained.” (Bates, 1993, pg. 20).

The small community businesses that blacks have been allowed to operate, usually struggle for existence because they are located in neighborhoods that suffer from unemployment and poverty, due to low waged jobs – the “working poor”. However, these struggling businesses are the lifeline and support to these neighborhoods by hiring blacks from the area, which in turn decreases the residents’ dependence on government programs. Research by Timothy Bates found that:

“White owners of small businesses continue to exclude minorities; black owners, by contrast, consistently hire minority workers. This pattern holds up regardless of the firms’ location. White owners employ a predominantly-and often entirely-white workforce even when their businesses are located in inner-city minority communities. By contrast, black-owned firms in the same communities utilize a labor force made up overwhelmingly of minority workers...” (Bates, 1993, p. xviii)

Black owned businesses receive only a small percentage of small business loans that are available to help such enterprises develop (Immergluck & Mullen, 1998) and increase their overall success rate. Without the aid of these loans to help black-owned businesses which hire blacks that would otherwise be unemployed, a greater hardship is manifested in these communities, poverty becomes concentrated within these areas and all the problems that come with it increases. Inability to acquire funding has hampered black entrepreneurs in their fight to acquire enterprises in fields that were considered non-black and has increased the need for government assistance for those living in black neighborhoods in a disproportionate amount.

The Negro businessman encounters greater difficulties than whites in securing credit. This is partially due to the marginal position of Negro business. It is also partly due to prejudicial opinions among whites concerning business ability and personal reliability of Negroes. In either case a vicious circle is in operation keeping Negro business down. Quote by economist Gunnar Myrdal. (Bates, 1993)

Researchers have found that the acceptance rate for short-term loans requested by blacks, are below that of any other ethnic group. Data show that

blacks are being singled out and denied loans that are being granted to their white counterparts.

Redlining, which is the practice where banks deny loans to businesses simply because they are located in a certain neighborhood, is a common practice among bankers toward black communities. This practice has created a serious problem for black businesses because black firms are usually located in black neighborhoods; therefore these businesses suffer adversely from this practice which aids in defeating them before they get started. It has also been found that white-owned businesses that are located in minority neighborhoods, also suffer the plight of redlining. (Bates, 1993, p.76)

Minorities suffer from discrimination in both the government and the non-government sectors. Research from across the country has shown that there is a disproportionate amount of government contracts awarded to non-black contractors. In the city of Grand Rapids, a much smaller percentage of black-owned businesses receive city contracts in proportion to the blacks in the total population, compared to white male owned businesses in proportion to the whites in the total population. (Appendix A & D). While African Americans constituted 12 percent of the population in the United States in 1992, they owned only 3 percent of U.S. businesses. (Enchautegui, Fix, Loprest, VonDerLippe, Wissoker, 1997). Minority businesses also capture a disproportionately small share of all business receipts with African American firms receiving only 1 percent of all such revenues. (Enchautegui et al., 1997).

Similar to other cities in this country, Grand Rapids' black population suffers from a disparity of fair and equitable treatment between the races. Based on the City of Grand Rapids' population statistics, Caucasians make up 63% of the city's workforce but only 29.9% of the total population. (Appendix B). The disparity study found that disparity calculations on census availability white male-owned firms were over utilized, while black and hispanic-owned firms and WBEs (Women Business Enterprise) were significantly underutilized. Asian-owned firms, in contrast, were over-utilized (Grand Rapids Disparity Study, April 2002, p. VII-15), and when added into the percentages this over utilization skewed the results. However, these apparent disparities have prompted the city to address this problem with a policy of incentives.

HISTORY OF THE DEPARTMENT

The City of Grand Rapids was incorporated as a village in 1838 and by 1876 it was recognized worldwide as a leader in the production of fine furniture (City of Grand Rapids, 2002). The city began as an aldermanic system (one run by aldermen); however, in 1916 it adopted a commission-manager form of government which was one of the first in the country. Since that time, the political leadership of elected officials has been effectively combined with the managerial experience of a city manager. The city commission of Grand Rapids

is a legislative body and its members are the city's policy-makers. The city manager is hired by the commission to serve as the city's chief administrator. (City of Grand Rapids, 2003)

Since its inception, the city has expanded departments to meet the ever changing needs of its citizenry. In 1976 the city formed the Equal Opportunity Department to deal with discrimination issues (Upton, 2004). Its mission is "to ensure that all citizens, businesses, employees, and applicants for employment have equal opportunity and equal access to housing, city employment, city contracts, programs, service activities and facilities in accordance with applicable state, federal and local Affirmative Action/Equal Employment Opportunity laws" (City of Grand Rapids, 2002). To further insure that these issues were significantly dealt with, the city formed the Office of Workplace and Community Diversity which is broken down further into the office of Economic Development and Administrative Analyst. This office endeavors to keep an eye on the pulse of the city and to adapt to the ever changing needs of the community by examining policies and programs already in place and by instituting other programs to address problems that may have been neglected.

The city government is commissioned to represent the entire community and due to recognized inequalities in government representation, the department of Equal Opportunity was formed in 1976 to help address these issues. The mission of this department is to actively promote opportunities to enhance diversity and inclusion for all people in the community. This department seeks to; increase supplier diversity, increase workforce diversity, eliminate institutional racism and discrimination in our city government and community, affirmatively recommend mortgage lending discrimination studies (City of Grand Rapids, 2004).

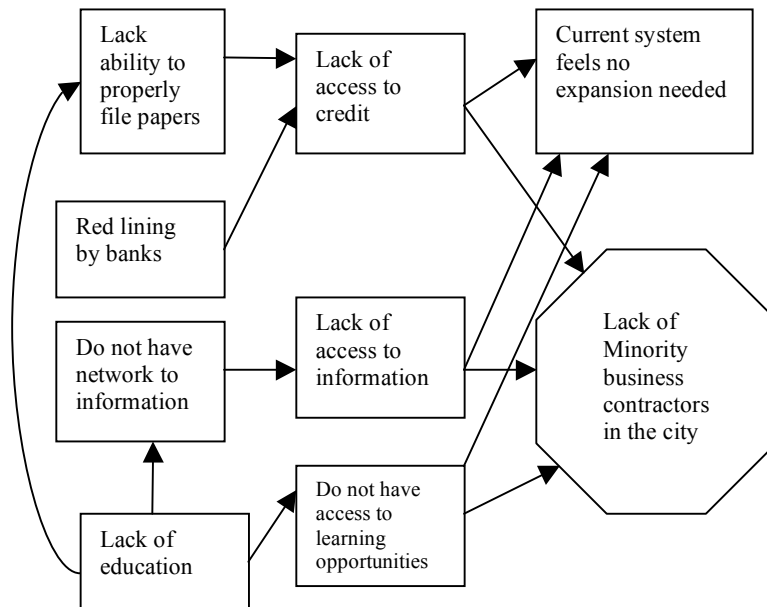
PROBLEM IDENTIFICATION

The policy of diversity for city awarded contracts is quite extensive, therefore, this analysis will be addressing only the part of the policy that deals with city awarded construction contracts. According to the disparity study done by the city of Grand Rapids in 2002, there is a disparity of government contracts awarded to different sectors of the population. "Hard copy contract data for the years 1987 through 1998 indicate that Grand Rapids awarded 782 prime construction contracts valued at almost \$288 million during that period. "White male contractors accounted for 98.73 percent of the total dollar amounts of prime contract value", while Minority/Women Business Enterprises received the remainder 1.27%" (Disparity Report, p. VI-7). According to the construction bidder availability EOD Certified, Grand Rapids MSA Relevant Market list, there are 7.23% Black construction firms available for bid as compared to 80.72% white male construction firms (Disparity Report, p. V-11 - MSA) (Appendix A). With 94.17% (Appendix C) total dollar amounts awarded to

white male construction firms and a 80.72% availability of such firms, the percentage of contracts awarded to white male construction firms compared to their availability is above that which should be awarded if equity among the firms is to be accomplished (Appendix D). Black firms only received 4.39% of total dollars construction contracts, while their availability was 7.23%.

As this data are reviewed, the question should be asked why in such a lucrative market that black construction firms are unable to grow to the point of creating substantial revenue which would enable them to qualify for availability to city construction contracts. Some of the reasons may be that these businesses are at a disadvantage because of lack of access to credit, lack of access to information, and lack of education on how to bid for contracts. Therefore, disparity in getting loans which would aid in the expansion of business, and this expansion would increase probability of availability to city construction contracts, may play a part in black-owned businesses securing a proper portion of city construction contracts. According to the study by Maria Enchautegui and colleagues (1997) disparity in minority contracting at the state and local government levels exists nationwide.

The causal model below demonstrates the problems that may lead to the disparity in city contracts to minority businesses.



CURRENT POLICY

To help address the problem of diversity, equity and fairness in business opportunities and construction in the city, the department of Equal Opportunity has moved from its former construction contract policy to a policy of bid discounts. The policy addresses supplier diversity, workforce diversity, economic vitality, community partnerships, and environment. For the sake of this study, only supplier diversity, workforce diversity and economic vitality will be addressed.

In order to achieve diversity and equity in awarding of city contracts, one avenue that the city of Grand Rapids has taken is the institution of a discount factor that will award discounts to businesses that are minority-owned businesses, qualified minority business employers or businesses that subcontract to minority business employers. These discounts are as follows:

For Supplier Diversity among certified minority business employers the discount range is from 0.5 to 5%. For suppliers certified as women business employers the range is from 1 to 2%. When at least one of the joint venture partners is a MWBE the city will apply a bid discount, 5% for MBE and 2% for WBE participation (City of Grand Rapids Executive Summary, 2003, p. 2). Under Workforce Diversity, the contractors seeking to obtain a 1% bid discount for workforce diversity must demonstrate that women and minorities are employed in “relative proportion” to their availability in the civilian labor force. Relative proportion means that women and minorities are reflected in a given job category at 80% of their availability in the relevant labor force (City of Grand Rapids Executive Summary, 2003, p 3).

The above discounts are just one part of the incentives offered to help increase supplier diversity in the city of Grand Rapids. The overall emphasis is on the achievement of the strategic plan of supplier diversity set forth by the city in 2003 and not necessarily an equality in black-owned business access or city awarded contracts. These bid discounts and incentive programs are not mandatory for a business to be considered for a city contract, but they are intended to encourage greater participation on the part of businesses that are at a disadvantage because of minority status. There are other incentives, such as stream cleanup and mentoring programs that would also give contractors points toward securing city contracts. According to city officials, after the second generation study was performed by D.J. Miller Company, an independent firm, the reason given for changing the program from the former one is that the level of disparity did not rise to the level in which a goal program would be warranted (Parks, 2004). Therefore, in a proactive step, the city proceeded in changing the

policy. However, it must be noted that while the city was having a new study done, the goal program was suspended and participation plummeted (Parks, 2004). This fact causes concern for the success of the new program which does not specify goals, but relies on incentives to increase participation.

EVALUATING THE POLICY

The evaluation criteria used are; 1) Does the program increase access to government contracts? 2) What is the percentage increase of minority and women businesses in city contracts? 3) Can the policy stand up in the courts? 4) What is the cost to the city? 5) Is the policy politically feasible?

Did the program increase access to government contracts? What is the percentage of minority and women businesses in city contracts? Because the new policy was put into affect December 2003, there is no specific data to verify its success. However, the section of the policy examined in this analysis is intended to increase minority access to government contracts by offering discounts to firms that meet the criteria of being a minority owned business or hires a “relative proportion” of minorities to encourage participation and help level the playing field. It is the hope of city officials that contractors will hire more women and minorities in order to take advantage of these discounts and increase their chances of securing city contracts. To address the education and access issues that minority and women-owned businesses may have, the city has begun training programs and networking opportunities. This program is not minority specific but for all small businesses in the city (Parks, 2004).

The access to city contracts are increased only for those firms that are able to pre-qualify for these contracts. The city is seeking to address the inability to qualify for city contracts by minority businesses and those who hire minorities by working with the Association of Building Contractors to help increase networking opportunities and offering a training program in bidding, bonding, etc. (Parks, 2004).

Can the policy stand up in the courts? One of the primary reasons for the change in the policy was to strengthen its chances against court challenges. With the Richmond v. Croson decision in January 1989, (Enchautegui et al.,1997), cities were compelled to produce a disparity study in which it must be shown that certain levels of disparity exists among minority contractors. After Grand Rapids’ disparity report in April 2002 was published with insufficient levels of disparity, the decision was made to change the policy. This policy has incentives and no goals or percentages to be reached, therefore, city officials are very hopeful that the majority owned firms will be willing participants and that the policy will be successful in perpetuating the proper balance between white and minority-owned businesses, as well as increase participation in other areas that will help the city to accomplish its strategic plan. There had not been any

court challenges to the old policy, but the concern for a court challenge was ever present for city officials.

What is the cost to the city? The costs to the city of Grand Rapids would be more than the former policy because the city may be paying more for services contracted by minority businesses and those businesses that employ minorities and meet the criteria for the discount program. If these businesses are able to secure contracts under this program, they could charge as much as 5 to 7% more for work performed. The total cost to the city depends on the total participation in the discount program. However, the city feels that these costs will be offset in the value of other incentive participation, such as, stream cleanup and the mentoring program (Parks, 2004).

If the program is successful, the benefit to the minority communities would be that it will help in the overall economic development which in turn will aid the whole city. Increased participation is the key in order for this policy to help minority-owned businesses; however, the new policy does not require participation and majority-owned businesses may secure contracts with different discounts that are available by offering stream cleanup and mentoring which smaller minority owned-businesses are unable to offer.

Is the policy politically feasible? Politically, the new policy was unanimously accepted by the commissioners (Parks, 2004). With the negative media about “Affirmative Action”, cities are shying away from anything that might cause questions about quotas; therefore, the new policy places the city of Grand Rapids in a neutral position without having to deal with threats of reverse discrimination. However, the new policy is being closely watched to monitor its success. If the program does not increase minority participation, that part of the policy will be revisited and goals will be reinstated if the disparity increases. As Deborah Stone states (Stone, 2002), it is all in the way the numbers are interpreted and presented. If the policy fails to meet its intended outcome, a new disparity study would be conducted with a new firm (Parks, 2004).

ALTERNATIVES

Former Policy. The former policy which addressed the construction contracts, stated that “In each contract awarded by the City, it shall be the goal for majority contractors to reach not less than 11% participation of Local Minority Business Enterprises and not less than 1% participation for Local Women Business Enterprises in: a) all construction contracts of an amount of \$10,000 or more, financed in whole or in part by the City of Grand Rapids; and b) all construction contracts awarded or administered by the City, of an amount of \$10,000 or more, financed in whole or in part with federal/state funds unless otherwise regulated.” (City of Grand Rapids Commission policy, 1997).

This policy not only helped minority business owners, but also helped those minorities who may have been seeking employment in the field. It caused

the majority business owners to be constantly aware of the issue of disparity between white and minority businesses, therefore encouraging them to hire minorities and women. However, those who are majority business owners rebelled against a policy that they felt forced them to comply with specific goals for minority hiring and participation, therefore, these white business owners seem to welcome the new policy. But as noted earlier, when the goal program was suspended for a time to complete the disparity study, participation plummeted and the disparity ratio increased. The plummeting of participation at this time is caused for concern and needs further study to access the cause.

According to a report by Enchautegui and colleagues (1997, p. 17) “African American-owned businesses are most underutilized in the professional services industry category. Underutilization is also relatively high in the goods and other services industries for these businesses.” The disparity report for the city of Grand Rapids confirms this finding, however, it did show that according to percentage of availability among African American-owned businesses that qualified for contracts, the utilization of these businesses actually increased and the disparity ratio had lessened. It is unsure the exact process that was used to determine the percentage of availability among minority-owned businesses. It should be noted that even though the bulk of contracts went to white-owned businesses, black and women-owned businesses did see an increase. Much of the increase was due to women-owned businesses or those companies owned by whites who hired women, and not necessarily minorities. When these numbers are examined with a discriminating eye, it is obvious that black owned businesses are still left out of the loop. These businesses do not qualify to bid or are unable to compete for city construction contracts because of lack of financing, or they are unknowledgeable of the bidding process, or both.

The former policy helped to level the playing field as was intended, and the disparity report shows that the gap was significantly narrowing between majority and minority contractors. City officials state that if the current policy does not accomplish adequate levels of diversity among awarded city contracts, the old policy will be considered for reinstatement.

Set Aside Policy. Another alternative considered is a set-aside policy used by the City of Chicago. The policy establishes a goal of awarding 25% of the dollar value of all contracts of \$10,000 or more to Minority Business Enterprises and 5% to Women Business Enterprises. Additionally, all purchases of less than \$10,000 are targeted for Minority/Women Business Enterprises (www.cityofchicago.org, 2004). This policy is meant to insure minorities are able to secure city contracts at an equitable rate and also includes educational outreach programs and workshops for Minority and Women Business Enterprises.

Chicago City officials see a policy such as this as “demonstrating the city’s continued commitment to the success of minority and women owned businesses” (www.cityofchicago.org, 2004). It also serves to show the country

that the City of Chicago places a great value on its whole population and is aggressively working toward equity for all of its citizens.

EVALUATION OF ALTERNATIVES

To evaluate alternative policies we must look at the same criteria as we did for the existing policy in the City of Grand Rapids. 1) Did the program increase access to government contracts? 2) What is the percentage of increase of minority and women businesses in city contracts? 3) Can the policy stand up in the courts? 4) What is the cost to the city? 5) Is the policy politically feasible?

Former Policy

Did the program increase access to government contracts?/What is the percentage of increase of minority and women businesses in city contracts?/Can the policy stand up in the courts? The former policy for the city of Grand Rapids increased participation by minority and women owned businesses and increased access to government contracts. From 1988 to 1998, Black participation increased from 0.0% to 4.39% which clearly shows that the policy was working (Disparity Study) (Appendix C). It also sent a message of concern and commitment to the problem by making specific requirements that the majority owned businesses had to comply. It secured that contracts were available for those firms that seriously dealt with the issue of minority and women in business.

Even though it was difficult for minorities to gain city contracts, with this policy, there was an avenue of access. Many majority-owned businesses were compelled to subcontract to minority businesses in order to secure city contracts, thereby, aiding the whole community with jobs and giving minority and women owned firms access to the system they were otherwise shut out of. However, because of the *Richmond v. Croson* decision in 1989, it was feared by the City of Grand Rapids that the policy could not stand up in court; therefore, the city changed the policy although it had never been challenged. The city officials considered the change to be proactive.

What is the cost to the city?/ Is the policy politically feasible? The cost of the former policy was that of policing of compliance by the Equal Opportunity Department and the financing of some contracts which would eventually earn funds for the city when contractors finished the project and repaid their loans. Much paper work was needed to assess compliance with the not less than 11% participation of local minority business enterprises and not less than 1% participation for local women business enterprises for majority contractor (City of Grand Rapids, Commission Policy, 1997). When the benefits of job creation for minorities filter into these neighborhoods, the benefits outweigh the cost of administration of the program. Benefits include

jobs to unemployed blacks and women, direct effects of money earned being spent in the neighborhood, indirect effect of that same money being recycled within these neighborhoods, less dependence on the system for financial assistance by those hired by these firms, and good will from the community toward the city.

Because of the possibility of a lawsuit in light of the *Richmond v. Croson* case, the city officials considered this policy as a political time-bomb, thus the necessity for change. They felt that the complaints from the majority owned businesses and court challenges concerning affirmative action policies throughout the country would eventually spark a court confrontation for the City of Grand Rapids. If this policy is presented to the majority population as a way to decrease dependence of the minority population on the government system, revitalize the urban center, and tie into Governor Granholm's "Cool Cities" initiative, the citizens could see the city as progressive and friendly toward their minority population which would make this type of policy politically feasible.

Chicago Set-Aside Procurement Program

Did the program increase access to government contracts? It has been proven with data and statistics that the set aside procurement program for the City of Chicago works under all criteria set forth in this analysis. Access to government contracts was increased due to a percentage of government contracts being earmarked for minority-owned businesses. These set-aside contracts assure that minorities will be able to secure a fair portion of contracts awarded by the city and that minority business participation with the city will increase. This policy assists in helping to close the gap between white and minority owned businesses that are awarded city contracts.

The Set Aside program enables minority business owners to compete on a more level playing field and in the process learn valuable skills that will help them secure contracts from other sources as well. The city of Chicago has seen an increase in the number of jobs that are created by these firms, thereby, decreasing the need for government assistance for those living in these neighborhoods (www.cityofchicago.org).

What is the percentage of increase of minority and women businesses in city contracts? Since its passage, this program has exceeded its goals. Minority or Women owned business enterprises were awarded 48% of city contracts from January to September 2003, which is a steady rise over the past year (www.cityofchicago.org). In order for minority and women-owned businesses to take advantage of this set-aside program, they must have a make-up of at least 51% owned and controlled by a minority or woman and be city-certified. There are currently 2,300 minority and women-owned businesses that are certified by the city of Chicago (www.cityofchicago.org).

What is the cost to the city? When considering this Set Aside program, the cost to the city is paying higher prices for minority contracts that are unable to offer lower prices due to the size of their firms and the inability to secure cheap supplies because of the lack of bulk ordering. However, according to the City of Chicago data, when comparing the benefits of increased minority participation, increased minority good will, increased minority jobs in the city, decrease in unemployment, and increased success of minority-owned businesses (www.cityofchicago.org), the benefits far outweigh the costs. The city officials view this as a step toward alleviating potential future problems and increasing diversity in the city as well as healing racism.

Is the policy politically feasible? /Can the policy stand up in the courts? This Set Aside policy is politically feasible because it increases the economic impact of an area as it redistributes the wealth. The minorities of the city do not feel disenfranchised, and will be less likely to insight groups of discontent due to disparity. A plan to thwart off potential future conflicts helps in successful governance of the city and it also raises minority citizens to a level beyond that of survival to one that is concerned about the city of Chicago. This policy also gives majority-owned businesses a way to become acquainted with minorities which they would otherwise avoid, thereby closing the racial divide and destroying many stereotypes that continue to fuel racism.

The Chicago Set-Aside policy has been challenged in the court system and has been able to successfully withstand these challenges. This may suggest that there is a more aggressive stand to be taken to ensure equity in awarding city contracts than waiting for the majority to participate in incentive programs. “When you bring more women and minorities into the business place, you unleash wave after wave of new energy and creativity”, says Chicago Mayor Richard M. Daley (www.cityofchicago.org).

DISTINGUISHING AMONG POLICIES

The current policy for the City of Grand Rapids is still in the testing phase. It does not concentrate on minorities, but looks at a complete strategic plan that the city has adopted. Officials are very hopeful that majority business owners will be encouraged to aggressively pursue minority participation. The reasoning for this hopefulness is that these businesses want to avert the policing required by the former policy. This policy focuses on training, education, and networking, and increased community help.

The Former policy of the City of Grand Rapids increased the number of contracts that were awarded to minority and women qualified businesses, however, it required time and energy and increased staff to monitor. This policy set predetermined requirements that qualified a business as a minority or women business enterprise. It had clear goals that were set by the city officials and was able to be compared on a yearly basis to see if those goals were being met. This

policy focuses on assuring that minority and women-owned businesses were being represented in city awarded contracts.

The *Set-Aside procurement policy for the City of Chicago* requires that a specific amount of city contracts be designated for minorities. These contracts would only be up for bid among those firms that qualify as minority or women businesses and those who are aggressively hiring minorities or women. This policy focuses on assuring that minorities and women are not excluded from city awarded contracts and assures that these contracts will be available for such businesses.

LIMITATIONS OF THE ANALYSIS

This analysis was unable to secure hard figures for comparison. The disparity study that was referenced, although very comprehensive, looked at availability of minority and women businesses and did not address the development of those businesses, or the availability of funds to those businesses. Where minority data was given, the Asian population was included which almost always received contracts above their percentage level of availability, therefore, the final numbers for other minorities are somewhat skewed. Black-owned businesses were often shown as being non-available in the census report for construction bidding. The consideration that was used for availability was not clear and must be questioned. We must also consider whether black-owned businesses qualified “in the non-availability” category because of solely majority defined standards. If this is the case, results will also be skewed due to the majority standards that have kept these businesses from the market in the first place.

The disparity report was difficult to understand and many of the charts gave data from different time spans which made it difficult to make an accurate comparison. There was also no clear explanation of how data was analyzed from the different sectors.

Hard data for the city of Chicago was difficult to attain, therefore, this report relied on figures provided on the city’s website. It was impossible to ascertain how this data was gathered and how accurate the figures are.

ASSUMPTIONS

In this analysis there were several assumptions made: *First*, it was assumed that all city officials truly want diversity among contractors. If this is the case, the aggressive steps in this analysis could be implemented with success for those who make policy will be pulling in the same direction. They would be willing to take on challenges to achieve the goal of fairness and diversity in city construction contracts. *Second*, it was assumed that minority businesses will hire minorities. As mentioned earlier in this analysis, black-owned businesses

hire minority workers (Bates, 1993), therefore, this issue has been addressed from an historical standpoint, but must leave room for the possibility that this pattern might change. **Third**, it was assumed that minority businesses will be successful if aided in getting city contracts. In giving minority businesses city contracts, it is the hope that these businesses will be successful, however, if these minority owned firms are not successful in the long-run, in the short-run they have provided jobs for those minorities who would not otherwise be employed at the time. It would also give skills to those employers and employees that can be used to secure other employment if these minority businesses fail. **Fourth**, it was assumed that banks and bonding institutions will be willing to help minority-owned businesses secure financing and bonding to help them be successful in amassing the upfront capital that is needed to start jobs when contracts are secured. However, if we review past practices, we find this is not the case and additional assistance and networking would be necessary to aid in the lack of financial backing for minority-owned businesses. **Fifth**, it was assumed that the majority community would be willing to help with minority businesses and minority unemployment by sacrificing jobs in their own sector. Research by Myron Orfield (2002) has shown that if concentrated poverty is allowed to continue in our urban centers without help and concern from the majority population, eventually that poverty will affect the entire city and weaken its infrastructure.

GOVERNMENTAL RESPONSIBILITIES

Economic Efficiency asks that the greatest amount of good be accomplished with available resources. Policies may not always accomplish efficiency when only direct effects are being considered. However, if true efficiency is to be addressed, we must not fail to examine indirect and unintentional effects.

According to Stone (2002), when evaluating efficiency we must realize that there are trade-offs and to maintain equality, efficiency is often loss. Stone also notes that there are market imperfections that must be considered as well as polis realities (Stone, 2002). Market is “a social system in which individuals pursue their own welfare by exchanging things with others whenever trades are mutually beneficial” (Stone, 2002, p16) Polis is the essential city-state for the perpetuation of a political society (Stone, 2002). Because of the discrepancies between the two, (market and polis), efficiency is difficult to achieve.

The former policy of the City of Grand Rapids and the Set-Aside procurement policy of the City of Chicago insure fair access to city contracts; however, efficiency may suffer for the increase of equity. According to officials, the city of Grand Rapids seeks to be efficient in all of its dealings; nonetheless, the city must not fail to realize that in the battle for efficiency, equity should not be ignored. The city should not fail to recognize the need of

the entire community and realize that when one sector suffers the community in its entirety suffers.

Equity – People look to their governmental agents for equitable treatment and as the establisher and upholder of such. Equity refers to the distribution of goods and services among individual members or subgroups of a society (Patton & Sawicki, 1993). In this country we have been urged to believe if there is no other place that equal access should be attained, it should be in government. However, disparity reports show that equity among the races has not yet been attained in government, thus there is an ongoing need for studies and policies to correct the problem.

When equity is dealt with, there are many different issues that come to the forefront. According to Stone (2002) there are dilemmas that must be contended with and choices that must be made in the fight for equity. There are different ways of dividing a product or service, and different ways to equate worth (Stone, 2002). Stone presents the problem of equity as one that is challenging and each municipality must deal with its own unique set of issues.

In the fight for equitable access to city contracts, the city of Grand Rapids must define the value of its minority population and businesses to the community. There will be a continued debate about equity in city contract distribution because people do not agree on the relevant value of helping minority businesses succeed. The city must strive to create equity on all levels of government, and access to city contracts is only a start.

Rights pose another issue and shifts from the viewpoint of those who are being affected by the lack they have experienced to all of the citizens. The positive right (Stone, 2002) of equal access is backed by the power of the government and it is the government that should assure that everyone has equal access to government contracts. However, it is sometimes found that if the rights of one are preserved, the rights of another may be infringed upon. If we fail to look at inequalities among groups of people, their needs and the effects of ignoring those needs, the normative right (Stone, 2002) to live without being overly burdened by taxation to compensate for this sector of society who has been disenfranchised will eventually be eroded. Therefore, it is in the privileged majority's best interest to aid in the establishing of equity of access to government contracts and whatever is capsule by it. Our system of government must look into the future and see that the right to access in all areas for all citizens is a key fundamental right that must be established and defended.

The former policy of the city of Grand Rapids concerning city awarded contracts was both procedural and substantive (Stone, 2002). It spelled out a process to follow in awarding contracts and also defined an entitlement of minority, women-owned and certified minority employers to receive contracts. The set aside procurement policy also falls under the above specified rights. However, as we look at the new policy, it does not deal with rights but with strategic goals and a hope to keep a balance of incentives.

EMPHASIS OF ANALYSIS

This analysis sought to answer five questions when looking at an appropriate city contractors' policy. 1) did the program increase access to government contracts, 2) what is the percentage of increase of minorities in city contracts, 3) Can the policy stand up in the courts, 4) what is the cost to the city, 5) is it politically feasible.

These questions were addressed from the perspective of the City of Grand Rapids in their effort to establish a feasible and equitable policy concerning the award of city construction contracts to minority and women owned firms. Both the current and former policies of the City of Grand Rapids were reviewed, as well as the Set-Aside procurement policy of the City of Chicago.

This analysis seeks to look at the issue of equity to all groups of the construction industry that are vying for city contracts. It seeks to emphasize the need for equity and the value to the community that would be realized if equity could be established in the awarding of city construction contracts. Although equity is difficult to establish among the qualified bidding contractors, it is emphasized in this analysis that the fight is a necessary one because of past and consistent disparities. We must also consider that lack of access to information, limited this analysis.

The values considered were costs to the city, vitality of minority businesses, jobs to the unemployed, and good-will in the community. There are inherent values that cannot be assigned a monetary value. These values are both present and future, the value of having a government and its policies be representative of the whole community, the value of good-will toward an historically disenfranchised sector of the community, the value of less unemployment among minorities, the value of future generations seeing that there is hope to be seen as equals and given the right to validate their worth. These future gains are beyond our expertise to prescribe a value at this time. It would be helpful to conduct an IMPLAN (IM pact Analysis for PLANning) study of city awarded contract data to examine the direct, indirect, and future effects of contracts awarded to minority contractors.

RECOMMENDATIONS

In order to be progressive and achieve true diversity in the city of Grand Rapids, the former policy is recommended. This policy will keep in the forefront the issue of diversity and forces those non-compliant firms to comply and be aware of the problem of minority inequality among city awarded construction contracts on an ongoing basis. With the new policy, the majority-owned firms have no incentive to hire minorities or sub-contract with minority-

owned businesses once the contract is secured, therefore doing little to decrease the disparity that exists among minority and majority owned businesses. The requirement by the former policy of 11% participation of Local Minority Business Enterprises and not less than 1% participation for Local Women Business Enterprises creates a fair and equitable distribution according to census statistics of population breakdown in the City of Grand Rapids.

A policy such as the former one for the City of Grand Rapids increases access for minority-owned businesses to city construction contracts and will improve employment opportunities for minorities and women, thereby increasing direct and indirect economic and social effects on the community as a whole. The reinstatement of the former policy will help diffuse the concentrated poverty that is found within the city and help decrease minority need for government assistance on an ongoing basis by creating more job opportunities within these poverty-stricken neighborhoods. According to Orfield (2002), creation of jobs within the inner city will aid in sustaining a viable infrastructure by increasing the tax base.

The former policy has not yet been challenged in the court system; therefore, it is premature to assure its success in the process. However, this policy has good grounds to stand on and city officials should be willing to fight for true diversity. This policy aids in diversity and encourages creativity when all races are included, and it breeds good-will among the minority community. At the present time, the minority community has feelings of ill-will toward the city government because of lack of access and higher levels of unemployment and poverty that exists in their neighborhoods.

This policy has been a success in the past in achieving the goals set forth by the city. It has increased access by minorities, increased city awarded contracts to minorities, given minorities jobs that would otherwise be unemployed, and decreased the level of disparity among minority-owned firms. Because of the conservative attitudes in Grand Rapids, politically this policy has received resistance; however, its feasibility is established due to precedence set forth throughout the country.

The cost to the city for administering such a program is minimal if the future costs of ignoring the problem are considered. Some of these problems include: higher unemployment rates; larger pockets of poverty; ill-will toward the city; weaken infrastructure due to a lower tax base. This policy assures minorities that they will not be left out of the loop for city awarded construction contracts. Without clear cut goals, over time problems of equity are often forgotten and instead of moving forward, society finds that it has gone further backward than its first steps has progressed it.

REFERENCES

- Bates, Timothy. (1993). *Banking on Black Enterprise: The Potential of Emerging Firms for Revitalizing Urban Economics*. Washington, D.C.: Joint Center for Political and Economic Studies.
- City of Chicago. (2004). "MBE/WBE Program Overview"
www.cityofchicago.org, retrieved April 1, 2004
- City of Grand Rapids. (2003). "Administrative Guidelines for the Equal Business Opportunity-Construction Policy", adopted by the city Commission, December 2003.
- City of Grand Rapids. (1997). "Commission Policy & Administrative Guidelines for Minority and Women Business Enterprises under City Contracts", adopted December 1997.
- City of Grand Rapids. (2002). "Annual Report on Equal Opportunity and Diversity." (April). Grand Rapids, MI: Executive Summary.
- City of Grand Rapids. (2004). "Equal Opportunity Department".
<http://www.ci.grand-rapids.mi.us/133> , retrieved February 17, 2004 from City of Grand Rapids-Government Information.
- City of Grand Rapids. (2004). Office of Supplier Diversity.
http://www.ci.grand-rapids.mi.us/index.pl?page_id=729 retrieved February 17, 2004 from City of Grand Rapids-Government Information.
- Enchautegui, Maria E., Michael Fix, Pamela Loprest, Sarah von der Lippe, and Douglas Wissoker. (1997). *Do Minority-Owned Businesses Get a Fair Share of Government Contracts?* Washington, D.C.: The Urban Institute.
- Frisch, Katherine. (2004). "A strong commitment backs the City of Chicago's efforts to attract and retain minority"
www.cityofchicago.org, retrieved April 1, 2004.
- Immergluck, D., Mullen, E., (1998). The Intrametropolitan Distribution of Economic Development Financing: An Analysis of SBA 504 Lending Patterns, *Economic Development Quarterly*, Nov. 1998 Vol.12(4), pp 372-378, Reprinted with permissions. Thousand Oaks, CA: Sage publications
- Orfield, Myron. (2002). *American Metropolitics: The New Suburban Reality*, Washington, D.C.: Brookings Institution Press.
- Parks, Lauri, 2004 Assistant to Department of Workplace and Community Diversity, interviewed April 9, 2004.
- Patton, C, Sawicki, D. (1993). *Basic Methods of Policy Analysis and Planning, Second Edition*. Upper Saddle River, N.J.: Prentice Hall
- Stone, Deborah, (2002). *Policy Paradox: The Art of Political Decision Making, Revised Edition*. New York, N.Y.: W.W. Norton & Company, Inc.

Upton, Robert. (2004). Director of Department of Workplace and Community Diversity, interviewed March 15, 2004.

Barbara Taylor is a graduate student in the Grand Valley State University Master of Public Administration program. Her research interests are policy equities for minority businesses with an emphasis on business and urban development and design.