

## **CHAPTER 4.**

# **Marketplace Conditions for Minorities and Women**

Understanding conditions within the local construction and construction-related professional services marketplace is important when evaluating the need for initiatives to ensure that local government contract opportunities are open to minority- and women-owned firms (MBE/WBEs). The BBC study team conducted quantitative and qualitative analyses of the local business environment and how marketplace conditions may affect minorities and women.

BBC analyzed the paths to firm ownership in construction and professional services to determine whether, but for any past race or gender discrimination, there would be more local MBE/WBEs available for local government contracts and subcontracts. Business owners usually come from the ranks of people working in those industries.

- Part A of Chapter 4 examines representation of minorities and women among employees in these sectors and Part B analyzes rates of business ownership for minorities and women.
- Appendices E and F provide detailed quantitative information. Appendix I explains data sources for the marketplace analyses.
- Appendix J presents a comprehensive review of the qualitative information collected in the study.

BBC also examined whether MBE/WBEs, once formed, have similar opportunities for success as other firms within the local marketplace.

- The study team examined access to capital, bonding, insurance and other factors for minority-, women- and majority-owned businesses.<sup>1</sup> Part C of Chapter 4 summarizes these results.
- Part D analyzes relative success of MBE/WBEs in the local marketplace.
- Appendices G and H present detailed quantitative results, and Appendix J provides qualitative information.

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<sup>1</sup> The term “majority-owned firms” refers to firms not owned by minorities or women.

Quantitative information regarding the local construction industry usually pertains to the construction industry as a whole. For federal data sources such as the U.S. Census, the industry definition that most closely matched professional services was architecture, engineering and related services. As explained in Chapter 3, the seven counties that comprise the federally-defined Portland Metropolitan Statistical Area (MSA) — five counties in Oregon and two counties in Washington — make up the relevant geographic market area for the disparity study.

As much as possible, BBC based its marketplace analyses on quantitative and qualitative information for the Portland MSA.

## **A. Entry and Advancement of Minorities and Women**

BBC examined the representation of minorities and women in the construction and professional services industries relative to all Portland MSA industries. The study team also compared the advancement of minorities and women into supervisory and managerial roles to the advancement of non-Hispanic whites and males. Appendix E provides details about BBC's quantitative analyses of the representation of minorities and women in construction and professional services.

**Quantitative information about entry and advancement in construction.** Quantitative analysis of the Portland marketplace — based primarily on data from the 2000 U.S. Census and the 2006-2008 American Community Surveys (ACS) — showed that certain MBE/WBE groups appear to be underrepresented in the construction industry compared to all industries considered together.<sup>2</sup> In addition, some of those groups appear to face barriers regarding advancement to supervisory or managerial positions.

- In 2006-2008, 2 percent of workers in the Portland construction industry were Asian-Pacific Americans compared to 6 percent of workers in all industries.
- Eleven percent of workers in the Portland construction industry were women, which was less than one-quarter of the proportion of women when considering all industries together (46%). Women were only 1 to 3 percent of workers in some construction trades.
- In contrast, Hispanic Americans comprised a relatively large share of the Portland construction industry — 14 percent of the construction workforce was made up of Hispanic Americans compared to 9 percent of the entire Portland MSA workforce.

Among construction workers, Hispanic Americans and women were less likely than non-Hispanic whites and men, respectively, to advance to the level of first-line supervisor. In addition, women working within the local construction industry were less likely than men to be managers.

Educational attainment of minorities and women in the Portland area was generally consistent with educational requirements for construction jobs. Factors other than formal education may be behind the relatively low representation of certain groups in the construction industry.

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<sup>2</sup> Data from the 2000 Census were the most current Census data available at the time of this study.

Analysis of the Portland construction industry revealed patterns of entry and advancement that were similar to those found for the United States as a whole.

**Quantitative information about entry and advancement in architecture, engineering and related services.** BBC also used 2000 U.S. Census data and 2006-2008 ACS data to examine employment and advancement for different racial/ethnic/gender groups in the Portland architecture, engineering and related services industry. As with construction, certain racial/ethnic/gender groups were underrepresented in this industry.

Education is an important factor for entry and advancement in architecture and engineering. Typically, a four-year college degree is an important qualification for architects, engineers and people working in related fields, and barriers to education may affect employment and advancement for certain minority groups.

College education appears to be a barrier to entry and advancement in local architecture, engineering and related services for African Americans, Hispanic Americans and Native Americans. For each of these groups, the percentage of workers age 25 or older with at least a bachelor's degree was substantially lower than that of non-Hispanic whites in both 2000 and 2006-2008.

In light of information about educational attainment, BBC examined whether there were disparities in the representation of minorities and women in the professional services industry.

- In 2006-2008, there was a statistically significant lower representation of Hispanic Americans in local architecture, engineering and related services (1.6%) compared to college-educated Hispanic Americans aged 25 years and older (3.2%) in the Portland MSA.
- Women were also underrepresented in Portland area architecture, engineering and related services. In 2006-2008, women represented 27 percent of workers in this industry but represented 46 percent of the college-educated Portland workforce that was at least 25 years old (a statistically significant difference).

**Qualitative information about entry and advancement.** BBC conducted in-depth interviews with Portland businesses and trade associations that provided information about barriers that minorities and women may face regarding entry and advancement in the Portland marketplace.

Several interviewees identified difficulties associated with entry and advancement for minorities and women in the Portland construction and professional services industries. They reported that such difficulties exist in many forms, including unfavorable work environments, stereotypical attitudes, and offensive comments or behavior.

- Some interviewees reported stereotypical attitudes on the part of customers and buyers in Portland as a contributor to unfavorable work environments for minorities and women. For example, a Hispanic female owner of a professional services firm reported that she has experienced discrimination. She said, "When I came from Mexico, my theme and my mantra was, 'As long as you work hard, discrimination should not exist,

because you have proven yourself.’ And I was really wrong.... It started to click [for me]. It didn’t matter how many hours I put in ... they were giving opportunities to only Caucasian women.”

- Other interviewees reported instances of racial slurs or sexist comments. An African American and Native American male owner of a contracting firm said, “You hear slurs towards minorities, and then, you know, when you call people out on it, they say, ‘I’m kidding, so, whatever.’” A white female owner of a professional services company reported, “This sexual harassment thing — I mean, it’s there. And we have to constantly retrain our people so that they understand the rules — the rules of engagement, so to speak, and the rules of professionalism.”

Other interviewees indicated that they have not experienced difficulties associated with entry and advancement, or that certain factors — such as stereotypical attitudes — were not an issue for their firms.

Some individuals reported that union apprenticeship programs in some trades were improving opportunities for minorities and women in construction. “Union apprenticeship programs in particular can be part of the solution to those problems,” according to one researcher testifying at the Public Forum.

**Effects of entry and advancement barriers on the Portland marketplace.** The barriers that certain minority groups and women appear to face entering and advancing within the Portland construction and professional services industries may have substantial effects on business outcomes for MBE/WBEs.

- Typically, employment and advancement are preconditions to business ownership in the Portland marketplace. Because disparities exist in entry and advancement for certain minority groups and women in the construction and professional services industries, it follows that there may be barriers that prevent some MBE/WBEs from ever forming, perhaps reducing overall MBE/WBE availability in the Portland area.
- Quantitative and qualitative evidence suggests that certain minority groups and women are underrepresented in the Portland construction and professional services industries, particularly in supervisory and managerial roles. Such underrepresentation may perpetuate beliefs and stereotypical attitudes that firms owned by those groups may not be as qualified as majority-owned firms.

## **B. Business Ownership**

National research and studies in other states have found that race, ethnicity and gender affect opportunities for business ownership, even after accounting for other factors. Figure 4-1 summarizes how courts have used those studies when considering implementation of the Federal DBE Program in other states.

BBC examined whether there are disparities in business ownership for minorities and women in the Portland workforce compared to non-Hispanic white males. The study team developed regression models of business ownership using 2000 Census data for the Portland construction and professional

services industries. The models identified disparities for certain minority groups and women after accounting for personal characteristics such as education, age and ability to speak English. For MBE/WBE groups exhibiting statistically significant disparities, BBC compared actual business ownership rates with simulated rates if those groups, based on personal characteristics, owned businesses at the same rate as similarly situated non-Hispanic whites and white males.

The following section summarizes results and Appendix F provides details about BBC's quantitative analyses of business ownership rates in the Portland marketplace.

**Quantitative information about business ownership in construction.** Quantitative analysis of the Portland construction industry revealed statistically significant disparities in business ownership rates for certain minority groups:

- The business ownership rate for African Americans in 2006-2008 was less than one-half that of non-Hispanic whites; and
- Compared to all other race/ethnicity groups, Hispanic Americans had the lowest self-employment rate, about 9 percent.

Asian-Pacific Americans working in the construction industry had higher rates of business ownership than other groups, including non-Hispanic whites.

BBC statistically modeled business ownership using 2000 Census data and 2006-2008 ACS data. Sample sizes for minority groups other than Hispanics were relatively small, which somewhat constrains the ability to identify statistically significant disparities in rates of business ownership. The regression analyses included factors such as age, home value, ability to speak English and education as well as race/ethnicity/gender of the worker.

BBC did not find statistically significant disparities in business ownership rates for African Americans or for Hispanics, perhaps because of relatively small sample sizes. Asian-Pacific Americans had higher rates of business ownership than other groups. However, women had lower rates of business ownership in the construction industry in both 2000 and 2006-2008 after accounting for other factors.

Figure 4-2 compares observed business ownership rates to simulated business ownership rates if non-Hispanic white women working in the construction industry owned businesses at the same rate as similarly situated non-Hispanic white males (i.e., "benchmark business ownership rate"). The study team calculated a business ownership disparity index by dividing the observed business ownership rate for white women by the benchmark business ownership rate (and then multiplying by 100). A value of "100" would indicate "parity" in business ownership rates; a lower value indicates a larger disparity.

**Figure 4-1.**  
**Use of regression models of business ownership in defense of the Federal DBE Program**

State and federal courts have considered disparities in business ownership rates when reviewing implementation of the Federal DBE Program, particularly when considering DBE participation goals. For example, disparity studies in Minnesota and Illinois used regression models to analyze the impact of race/ethnicity/gender on business ownership in the combined construction and engineering industry. Results from those models helped determine whether race- and gender-based disparities exist after statistically controlling for other personal characteristics. Those analyses, which were based on 2000 Census data, were included in materials submitted to courts in subsequent litigation concerning implementation of the Federal DBE Program. BBC used the same sources of data and similar regression models to analyze business ownership in Portland.

There were 69 percent as many businesses owned by white women as would be expected based on the characteristics of those women and the business ownership rates of white men (disparity index of 69). In other words, non-Hispanic white women working in the Portland area construction industry owned businesses at about two-thirds the rate of similarly situated non-Hispanic white men.

**Figure 4-2.**  
**Comparison of actual construction business ownership rates in Portland to simulated rates, 2006-2008**

Group	Self-employment rate		Disparity index (100 = parity)
	Actual	Benchmark	
White female	18.9%	27.5%	69

Note: As the benchmark figure can only be estimated for records with an observed dependent variable, comparison is made with only this subset of the sample.

Source: BBC Research & Consulting from statistical models of 2006-2008 ACS data.

**Quantitative information about business ownership in professional services.** As with construction, BBC examined business ownership rates for minorities and women working in the Portland area architecture, engineering and related services industry (i.e., professional services industry). The rate of business ownership for minorities was less than one-half that of non-minorities in 2006-2008.<sup>3</sup>

BBC also developed statistical models of business ownership for people working in architecture, engineering and related services that accounted for factors such as age, education, marital status and other characteristics. The study team developed the model using combined Census data for Oregon and Washington because of small sample sizes for the Portland MSA<sup>4</sup>. Even with the larger geographic area and use of 2000 Census data, sample sizes were still small for individual minority groups. There were statistically significant disparities only for the “other minority” group and for women.

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<sup>3</sup> Samples sizes were too small to provide results by minority group.

<sup>4</sup> As detailed in Appendix F, results suggest that business ownership rates within the Portland MSA are not significantly different from the larger geographic region of Oregon and Washington.

Figure 4-3 compares actual business ownership rates for the “other minority” group and white women to simulated benchmark business ownership rates if individuals in these groups owned businesses at the same rate as similarly situated non-Hispanics whites and non-Hispanic white males. A disparity index of 60 indicates that white women working in the architecture, engineering and related services industry in Oregon and Washington owned firms at less than two-thirds the rate of similarly-situated white men.

**Figure 4-3.**  
**Comparison of actual professional services business ownership rates in Oregon and Washington to simulated rates, 2000**

Group	Self-employment rate		Disparity index (100 = parity)
	Actual	Benchmark	
Other minority group	9.4%	19.3%	49
White female	8.0%	13.3%	60

Note: As the benchmark figure can only be estimated for records with an observed dependent variable, comparison is made with only this subset of the sample.

Source: BBC Research & Consulting from statistical models of 2000 Census of Population data.

**Qualitative information about business ownership.** BBC conducted in-depth interviews with representatives of Portland area businesses and trade associations who provided information about whether minorities and women face barriers regarding business ownership. A number of interviewees cited difficulties associated with meeting the preconditions of starting and maintaining a business, including issues with experience and expertise, attracting qualified personnel and being excluded from industry networks.

Several interviewees indicated that it is difficult for minorities and women to own businesses in Portland due to the existence of a “good ol’ boy” network and due to the influence of unions. For example, an African American male owner of a construction firm, reported, “There’s a whole bunch of [‘Good Old Boy Networks’ or other closed networks] out there. [They say] ‘Well, you don’t do it quite like Johnny does it. I’m used to Johnny, the way he does.’ ... I get a lot of that.” Working with unions can also present a barrier as an African American male owner of a professional services firm stated. He reported that he actively seeks people of color as employees. He stated that when he requests that the union send him personnel who are people of color, the union always sends him Caucasian females “because they say [Caucasian females] are minorities.”

**Effects of business ownership barriers on the Portland marketplace.** Quantitative information indicating barriers to business ownership for women in construction and in professional services may affect the number of Portland area women-owned firms available to perform work in Portland.

### **C. Access to Capital, Bonding and Insurance**

Access to capital represents one of the key factors that researchers have examined when studying business formation and success. If discrimination exists in capital markets, minorities and women may have difficulty acquiring the capital necessary to start or expand a business, as discussed in Appendix G. BBC examined whether MBE/WBEs have access to capital — both from their homes and through business credit — that is comparable to that of majority-owned firms. In addition, the study team examined information about whether minorities and women face any barriers in obtaining bonding and insurance.

**Quantitative information about home mortgage lending.** Wealth created through homeownership can be an important source of funds to start or expand a business. Barriers to homeownership or home equity can affect business opportunities by limiting the availability of funds for new or expanding businesses. BBC analyzed potential effects of race/ethnicity/gender on homeownership and mortgage lending in Portland. Data from 2000 and 2006-2008 indicated that, compared to non-Hispanic whites:

- Fewer African Americans, Hispanic Americans and Native Americans in the Portland MSA owned homes, and those who did own homes tended to have lower home values.
- Asian-Pacific Americans and Subcontinent Asian Americans also had relatively low homeownership rates.
- African Americans, Asian Americans and Hispanic Americans applying for home mortgages were denied loans at a greater rate.
- African Americans and Hispanic Americans were more likely to receive subprime loans, and Native Americans were more likely to receive subprime refinancing loans.

**Quantitative information about business credit.** Business credit is also an important source of funds for small businesses. Any race- or gender-based barriers in the application or approval processes of business loans could affect the formation and success of minority- and women-owned businesses.

**Survey of Small Business Finances.** To examine the role of race/ethnicity/gender in business capital markets, the study team analyzed data from the Federal Reserve Board's 1998 and 2003 Survey of Small Business Finances (SSBF).<sup>5</sup> Because SSBF records the geographic location of firms by Census Division, not by MSA, BBC examined data for the Pacific Census Division (referred to below as the Pacific region), which includes Oregon, Washington, California, Alaska and Hawaii.

BBC developed regression models of loan outcomes based on SSBF data to examine outcomes for MBE/WBEs after statistically controlling for neutral factors, such as education. Compared to non-Hispanic white-owned firms, BBC observed statistically significant disparities in loan approval rates for African Americans and Hispanic Americans. In addition, when they received business loans, MBE/WBEs generally paid higher interest rates.

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<sup>5</sup> BBC used the most current SSBF data available at the time of this study.

Figure 4-4 compares loan approval rates for African Americans and Hispanic Americans to simulated benchmark loan approval rates if those groups were approved for business loans at the same rate as similarly situated non-Hispanic whites. Results indicate that:

- African Americans were approved for business loans at a rate that was less than two thirds (disparity index of 60) that of similarly situated non-Hispanic whites.
- Hispanic Americans were also approved for business loans at a rate lower than similarly situated non-Hispanic whites (disparity index of 71).

**Figure 4-4.**  
**Comparison of actual loan approval rates to simulated loan approval rates, 1998**

Group	Loan approval rates		Disparity index (100 = parity)
	Actual	Benchmark	
African American	46.4%	76.8%	60
Hispanic American	53.7%	75.9%	71

Note: Actual approval rates presented here do not sum to 100% because some observations were dropped in the probit regression.

Source: BBC Research & Consulting analysis of 1998 SSBF data.

**Results from availability interviews.** As part of its availability analysis, BBC completed telephone interviews with Portland businesses, firm owners and managers and asked if they had experienced any difficulties starting or expanding a business in your industry or with obtaining work. They were asked to think about experiences within the past five years when answering the questions.

When asked whether their company had experienced any difficulties in obtaining lines of credit or loans, nearly 40 percent of minority-owned firms and one-third of WBEs indicated that they had experienced such difficulties. Only 20 percent of majority-owned firms indicated difficulties obtaining lines of credit or loans when thinking about experiences within the past five years.

Minority-, women- and majority-owned firms alike often reported that they had experienced problems receiving timely payment for their work. Appendix G provides results for this availability interview question.

**Qualitative information about access to credit.** BBC conducted in-depth interviews with Portland businesses and trade associations that provided information about potential barriers when attempting to obtain credit, bonding and insurance.

Several interviewees reported that business credit is difficult to obtain and indicated that race and gender discrimination contributed to those difficulties.

- An African American male owner of a construction company stated he has experienced “different [interest] rates, more collateral required, and very lengthy and involved application processes” while attempting to obtain financing.

- The African American male owner of another construction company reported that he has been “discouraged from applying for some money ... [because the lenders have said] ‘We don’t really have the funds right now,’ or ‘we don’t know when they’ll be available,’ and then someone else [applies and the lenders say], ‘oh yeah, we’ll have money next week,’ or ‘fill out the application out now and give it to us, so your application will already be in when the money comes.’”

Some interviewees reported that they were denied financing for reasons other than race or gender discrimination. An Asian-Pacific male owner of a professional services firm said, “Prior to the financial crisis, I had no difficulties [obtaining financing]. Now it is almost impossible because money is tight for everyone.” Some white male business owners also reported difficulties obtaining credit due to general economic conditions. Several people providing comments at the Public Forum or as part of the public comment process also that they had difficulty obtaining credit, which negatively affected their businesses.

**Information about bonding and insurance.** Bonding is often required to bid as a prime contractor on public sector projects. In addition, public sector construction and professional services contracts typically require prime contractors and consultants to carry high levels of insurance. Bonding and insurance may present barriers to working within the public sector.

**Results of availability interviews.** As part of the series of questions in the availability interviews, BBC asked Portland area firms:

- Has your company obtained or tried to obtain a bond for a project?
- [and if so] Has your company had any difficulties obtaining bonds needed for a project?<sup>6</sup>

Among firms reporting that they had obtained or tried to obtain a bond, MBEs were three times as likely as majority-owned firms to report difficulties obtaining a bond. WBEs were twice as likely as majority-owned firms to report difficulties.

BBC also examined whether MBE/WBEs were more likely than majority-owned firms within the study area to report that insurance requirements represented a barrier to bidding. MBEs were about twice as likely as majority-owned firms to report such difficulties. Fewer majority-owned firms indicated that insurance requirements presented a barrier to bidding on projects.

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<sup>6</sup> In the introduction to this series of questions, respondents were asked to think about their experiences within the past five years.

**Qualitative information.** Portland area business owners and managers completing in-depth interviews also provided information about potential barriers to obtain bonding and insurance. Some interviewees did not report barriers associated with bonding and insurance, but others did. In some cases, minority and female business owners believed that bonding and insurance presented particular barriers for MBE/WBEs.

- Some interviewees reported that obtaining bonding and meeting bonding requirements are barriers to doing business. A professional organization executive said, “Bonding has always been a problem.” He reported that bonding has always been a “stumbling block” for businesses. Additionally, the director of a different nonprofit program reported that bonding companies do not apply requirements equally to all business owners. She said, “I do know that a lot of companies, when it comes to minorities [seeking bonds], they will bring a requirement out from under the table that they [have] to dust off.”
- The African American male owner of a construction company stated that “there’s nothing in our company history that will imply that you need to have additional insurance, bonding or joint checks,” but “we’re religiously asked for a bond. Of course this brings our price up. And then we talk to our competitors and they never have to pull bonds. And so the general contractor is saying for minority contractors ... ‘you pull a bond, but [majority-owned contractor] over here, you guys don’t have to.’ We run into that all the time.”
- A number of interviewees also reported that obtaining insurance was a barrier to MBE/WBE firms. A Hispanic male co-owner of a professional services firm stated that he believes insurance is a barrier and that discrimination based on race, ethnicity, and gender contributes to this barrier. He said, “Yes, the cost that M/W/ESBs have to incur versus the requests by public agencies regarding levels of insurance versus size of projects is difficult....”

**Effects of access to capital, bonding and insurance barriers on the Portland marketplace.** The disadvantages for certain MBE/WBE groups associated with access to capital, bonding and insurance may affect various business outcomes for MBE/WBEs.

- There is some quantitative and qualitative evidence indicating that it is more difficult for MBE/WBEs to access capital, bonding and insurance. Such difficulties may prevent some MBE/WBEs from ever forming or growing, reducing overall availability of those firms in the Portland marketplace.
- Access to capital, bonding and insurance are often required for businesses to pursue certain types of public sector contracts. There is evidence of barriers to those business inputs for MBE/WBEs. This may place MBE/WBEs at a disadvantage when competing for public sector work, especially as prime contractors and prime consultants.

## D. Success of Businesses

BBC completed quantitative and qualitative analyses that assessed whether the success of MBE/WBEs differs from that of majority-owned businesses in the Portland marketplace. The study team examined business success primarily in terms of business closures, contractions and expansions, and in terms of business receipts, revenues and earnings. Appendix H provides details about BBC's quantitative analyses of business success measures.

**Quantitative analysis of business closures, contractions and expansions.** BBC used analyses of U.S. Small Business Administration (SBA) data to examine business closures, contractions and expansions between 1997 and 2001.<sup>7</sup> The SBA analyses compared business outcomes for minority-owned firms to business outcomes for all firms considered at the state level. Findings indicated that:

- Between 1997 and 2001, African American- (56%), Native American- (42%) and Hispanic American-owned firms (35%) in Oregon closed at higher rates than all firms considered together (31%).
- The percentage of businesses expanding was lower for African American-owned firms (13%) and Native American-owned firms (26%) than that for all Oregon firms (29%). More Hispanic American-owned firms expanded (41%) than found for Oregon firms as a whole.

**Quantitative analysis of business receipts, revenues and earnings.** The study team also examined business receipts and earnings of Portland businesses as indicators of business success. BBC analyzed gross receipts and business owner earnings data from the U.S. Census Bureau as well as annual revenue data from availability telephone interviews that the study team conducted. Findings showed several key differences between MBE/WBEs and majority-owned firms in terms of business receipts, revenues and earnings:

- Analysis of 2002 Census Bureau data for Oregon indicates that mean receipts for minority- and women-owned firms were lower than non-Hispanic white- and male-owned firms in the construction industry and the professional services industry.<sup>8</sup>
- Using 2000 Census data (which reported 1999 business earnings) and 2005-2008 American Community Survey data, BBC examined business earnings for construction business owners. Because of small sample sizes, BBC combined results for all minority groups. There were no statistically significant differences in business earnings between minority- and non-minority business owners. Women business owners, however, earned substantially less than men (see Appendix H).

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<sup>7</sup> These data were the most recent business closure, contractions and expansion data available for Oregon at the time of the disparity study.

<sup>8</sup> Data were for the professional, scientific and technical services industry, which includes construction-related professional services.

- The study team also developed regression models of business owner earnings in the Pacific region based on 2000 U.S. Census data. The models examined the impact of race, ethnicity and gender on business owner earnings after statistically controlling for various neutral factors. Statistically significant disparities in business earnings were identified for women in the Portland construction industry.
- Sample sizes in the Census data were too small to examine earnings of minority and women owners of architecture, engineering and related services firms in the Portland MSA, or even the Oregon-Washington area. Based on data for the Pacific region, however, there appeared to be lower earnings for women business owners compared with male-owned firms after controlling for certain neutral factors (a statistically significant difference).
- BBC also examined 2009 revenue for construction and professional services firms completing availability interviews as part of the disparity study. Most MBEs, WBEs and majority-owned firms are relatively small, but a greater share of MBE/WBEs reported revenue of less than \$5 million.
- After controlling for firm specialization and length of time in business, BBC's regression analyses found no statistically significant differences in bid capacity for MBE, WBE and majority-owned firms (see Appendix H).

**Other results from availability interviews.** In the availability interviews conducted with local construction and professional services firms, BBC collected information on past bidding and perceptions of difficulties doing business within the local marketplace.

- MBEs and WBEs completing availability interviews were slightly more likely than majority-owned firms to have bid on a public sector construction contract within the past five years. WBEs were somewhat more likely than other groups to have bid as a subcontractor. Nearly all MBEs, WBEs and majority-owned firms reported bidding as a prime contractor or as a subcontractor on a private sector construction contract within the past five years.
- MBE professional services firms completing availability interviews were more likely than WBEs and majority-owned firms to have submitted a proposal for a public sector contract (as a prime consultant or a subconsultant) in the past five years. Conversely, MBEs were less likely than WBEs and majority-owned firms to report submitting a proposal (as a prime or sub) for private sector contracts.

Availability interviews also asked local area business owners and managers if they had experienced barriers or difficulties associated with various factors that could influence the success of businesses, such as the size of projects and learning about bid opportunities in the public and private sectors. The interviewer asked respondents to think about experiences within the past five years.

- About one-third of MBE/WBEs and majority-owned firms reported that size of projects presented a barrier. MBE/WBEs were no more likely than majority-owned firms to report difficulties with project size.
- Minority-owned firms were more likely to report difficulties learning of bid opportunities.
- MBEs and WBEs were more likely than majority-owned firms to report difficulties learning of subcontracting opportunities.

**Qualitative information about businesses success.** In-depth interviews with Portland-area businesses and trade associations provided information that may help explain race- and gender-based disparities in business success in Portland. Several interviewees described difficulties that may affect business success for MBE/WBEs in the Portland construction and professional services industries. Interviewees discussed stereotypical attitudes, difficulty attracting and retaining workers, unequal opportunities as prime contractors and subcontractors, unfair denial of bid opportunities and contract awards, and the existence of a “good ol’ boy” network.

A number of minority and female business owners indicated negative perceptions and double-standards for MBE and WBE firms.

- Some interviewees said that there is a perception that minority- and women-owned businesses do not have the same amount of experience and expertise as majority-owned firms. For example, an African American male owner of a professional services firm said, “Field superintendents and foremen have many, many, comments. They always show doubt when they are running a job, expecting me to fail and letting me know their expectation of me is very low. They think I will run out of money, shut down and be gone from the job.”
- Similarly, an Asian-Pacific male owner of a professional services firm said, “Often the prime contractor requires you to work in their office in the dark back corner like the worst dunce idiot employee. You have no names, just DBE 1, DBE 2, DBE 3, and they use you for simple jobs like drafting that shouldn’t even be considered engineering work in the first place. They refuse to use you in areas of your expertise, and you need to do this work to survive ....”
- The African American male owner of a construction firm stated, “I’ve seen some work of non-minority contractors — if I would have produced that same ... work, they would have made me come rip it out and do it again, because I’m [a] minority.”

- A white female owner of a professional services company reported, “Honestly, candidly, if you’re talking women-owned versus minority-owned, I think there’s probably a difference. I think there’s probably more stereotype casting [on the part of customers and buyers] for the minority business than the woman-owned [businesses]. I think it’s entirely possible that there are companies that might consider women-owned [firms] the lesser evil of two evils.”

Other interviewees discussed challenges associated with personnel and labor such as attracting qualified workers. Some issues may be related to firm size.

- A Hispanic female owner of a professional services firm reported that getting and keeping personnel can be an impediment to the success of firms like hers. She stated, “It’s hard to get good employees when you’re small, you can’t pay the same rates that a large firm does.” An African American female owner of a construction firm stated that the wage differential “makes it difficult to hold onto the best workforce.” She said that often times she will train workers and then they go work for other firms. She stated, “We don’t get the work, but the workers we brought in go back on the list and now those large firms, we’ve done their recruiting and training for them, and they capture our workforce.” She stated, “We can’t keep them working.”
- Some interviewees indicated that experience and expertise, attracting qualified personnel and being excluded from industry networks did not present a barrier for minorities and women.

Many interviewees reported acting primarily as subcontractors due to barriers to working as prime contractors, which they sometimes attributed to an inability to secure bonding or financing.

- An African American male owner of a construction firm stated that he primarily performs work as a subcontractor. He said that he has a desire to do more prime contract work, but the public sector creates larger projects and prices projects out of his market and bonding capability. He stated that “prime contract work opportunities fitting my capacity are hardly ever available.”
- The African American male owner of a construction firm said, “The public sector is inundated with bureaucratic [processes] with no scale of support for the administrative burdens they cause and barriers they create for those with fewer resources.”

Several interviewees indicated that their firms have been denied the opportunity to bid on contracts or have been denied contract or subcontract awards because of issues related to race/ethnicity/gender. Some interviewees also reported unfavorable prime contractor-subcontractor relationships.

- An African American female owner of construction firm reported that she was familiar with primes and customers denying women and minorities the opportunity to bid. She stated, “They just don’t contact you.” In addition, a white female owner of a construction firm, said, “I sometimes feel that something is going on that could be an unfair denial when I am not successful.”
- The African American male owner of a construction firm stated that he has experienced difficulties working with prime contractors whose “intent, from the beginning to the end, is to cost us money; to cost us a loss on the project, and they’re not working as a team on the project. They express the fact that the only reason why you’re out here is because you’re a minority, so with that it becomes really a difficult relationship to actually endure throughout the project ....”
- The white female owner of a construction firm reported that there are “some contractors out there [who] think it’s fun — this is well known in the industry — to try to destroy as many subcontractors as they can every year. They’ll treat their subs really poor. They don’t care; they just want their bottom line, they don’t care about the sub. If the sub ends up going bankrupt or ... out of business, they think it’s fun. It’s a game to them.”

Many interviewees indicated that a “good ol’ boy” network exists in Portland and that it makes it more difficult for small firms — including MBE/WBEs — to win contracts. The Native American male owner of a professional services firm stated that he has experienced barriers based on race or ethnicity on local government projects related to the “good ol’ Boy network.” He stated, “It’s ongoing with the larger businesses. On one of these projects, we were a sub, there were only two proposals from large businesses, so people obviously were talking and saying, ‘We already know who’s going to get this work; these guys are on the favored status.’ So even the large businesses don’t submit because they know they’re wasting their money, let alone small businesses.”

## **E. Summary**

Results of the marketplace analyses include the following:

- There is some evidence of barriers to employment and advancement affecting certain minority groups and women in the Portland area construction and professional services industries.
- There appear to be barriers to business ownership for women working in the construction and professional services industries.
- Minorities and women may face greater barriers than other firm owners regarding capital, bonding and insurance.
- The rate of business failure was higher for firms owned by certain minority groups.
- Based on U.S. Bureau of the Census data, there were disparities in revenue for construction firms and for services firms owned by certain minority groups and by women. Availability interview data show that most Portland area construction and professional services firms have relatively low revenue, but that MBE/WBEs were more likely to have annual revenue of less than \$5 million.
- Regression models indicated statistically significant disparities in business earnings for female owners of construction firms in the Portland MSA and for female owners of architecture, engineering and related services firms in the Pacific region.
- Availability interview results show that relatively more minority- and women-owned firms report difficulties identifying subcontracting opportunities compared with majority-owned firms.

There is qualitative information that suggests race and gender discrimination may be affecting opportunities for minority and female business owners in the Portland construction and professional services industries.