

# CHAPTER ES.

## Executive Summary

The City of Boston (the City) retained BBC Research & Consulting (BBC) to conduct a *disparity study* to assess whether any barriers exist that make it harder for minority- and woman-owned businesses to compete for City contracts and procurements.<sup>1</sup> The City implements the Small Local Business Enterprise (SLBE) Program to encourage the participation of small businesses, minority-owned businesses, and woman-owned businesses in City contracting. To do so, the City uses various *race- and gender-neutral measures*. In the context of contracting and procurement, race- and gender-neutral measures are measures that are designed to encourage the participation of small businesses in a government organization’s contracting, regardless of the race/ethnicity or gender of the businesses’ owners. In contrast to race- and gender-neutral measures, *race- and gender-conscious measures* are measures that are specifically designed to encourage the participation of minority- and woman-owned businesses in government contracting. The City does not currently use any race- or gender-conscious measures as part of the SLBE Program.

As part of the disparity study, BBC assessed whether there were any disparities between:

- The percentage of contract and procurement dollars that the City awarded to minority- and woman-owned businesses between July 1, 2014 and June 30, 2019 (i.e., *utilization*); and
- The percentage of contract and procurement dollars that minority- and woman-owned businesses might be expected to receive based on their availability to perform specific types and sizes of City prime contracts and subcontracts (i.e., *availability*).

BBC also assessed other quantitative and qualitative information related to:

- The legal framework related to the SLBE Program;
- Local marketplace conditions for minority- and woman-owned businesses; and
- Contracting practices and business assistance programs that the City currently has in place.

The City could use information from the study to help refine its implementation of the SLBE Program, including setting an overall aspirational goal for the participation of minority- and woman-owned businesses in City contracting and procurement and determining which program measures to use to encourage the participation of those businesses. BBC summarizes key information from the 2020 City of Boston Disparity Study in five parts:

- A. Analyses in the disparity study;
- B. Availability analysis results;

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<sup>1</sup> “Woman-owned businesses” refers to non-Hispanic white woman owned businesses. Information and results for minority woman-owned businesses are included along with their corresponding racial/ethnic groups.

- C. Utilization analysis results;
- D. Disparity analysis results; and
- E. Program implementation.

## **A. Analyses in the Disparity Study**

Along with measuring disparities between the participation and availability of minority- and woman-owned businesses for City contracts and procurements, BBC also examined other information related to the City's implementation of the SLBE Program:

- The study team conducted an analysis of federal, state, and local regulations; case law; and other information to guide the methodology for the disparity study. The analysis included a review of legal requirements related to minority- and woman-owned business programs (see Chapter 2 and Appendix B).
- BBC conducted quantitative analyses of outcomes for minorities and women and the businesses that they own throughout the *relevant geographic market area (RGMA)*.<sup>2</sup> In addition, the study team collected qualitative information about potential barriers that minorities and women and the businesses that they own face in the local marketplace through in-depth interviews, telephone surveys, public meetings, and written testimony (see Chapter 3, Appendix C, and Appendix D).
- BBC analyzed the percentage of relevant City contracting dollars that minority- and woman-owned businesses are available to perform. That analysis was based on telephone surveys that the study team completed with nearly 800 businesses that work in industries related to the specific types of construction, construction design, other professional services, support services, and goods and supplies contracts that the City awards (see Chapter 5 and Appendix E).
- BBC analyzed the dollars that minority- and woman-owned businesses received on more than 47,000 construction, construction design, other professional services, support services, and goods and supplies contracts that the City awarded during the study period (see Chapter 6).
- BBC examined whether there were any disparities between the participation and availability of minority- and woman-owned businesses on construction, construction design, other professional services, support services, and goods and supplies contracts that the City awarded during the study period (see Chapter 7).
- BBC reviewed the measures that the City uses to encourage the participation of minority- and woman-owned businesses in its contracting as well as measures that other organizations in and around Boston use (see Chapter 8).
- BBC provided guidance related to additional program options and potential changes to current contracting practices for the City's consideration (see Chapter 9).

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<sup>2</sup> BBC identified the relevant geographic market area for the disparity study as Norfolk, Suffolk, Plymouth, Middlesex, and Essex counties in Massachusetts.

## B. Availability Analysis Results

BBC used a *custom census* approach to analyze the availability of minority- and woman-owned businesses for City prime contracts and subcontracts, which relied on information from surveys that the study team conducted with potentially available businesses located in the RGMA and information about the contracts and procurements that the City awarded during the study period. That approach allowed BBC to develop a representative, unbiased, and statistically-valid database of relevant businesses to estimate the availability of minority- and woman-owned businesses for City work. BBC presents availability analysis results for City work overall and for different subsets of contracts and procurements.

**1. All contracts and procurements.** Figure ES-1 presents dollar-weighted availability estimates by relevant business group for all City contracts and procurements. Overall, the availability of minority- and woman-owned businesses for City work is 16.9 percent, indicating that minority- and woman-owned businesses might be expected to receive 16.9 percent of the contract and procurement dollars that the City awards in construction, construction design, other professional services, support services, and goods and supplies.

**Figure ES-1.**  
Overall availability estimates by racial/ethnic and gender group

Note:

Numbers rounded to nearest tenth of 1 percent and thus may not sum exactly to totals.

For more detail and results by group, see Figure F-2 in Appendix F.

Source:

BBC Research & Consulting availability analysis.

Business group	Availability %
Non-Hispanic white woman-owned	11.2 %
Asian American-owned	0.7
Black American-owned	3.6
Hispanic American-owned	1.2
Native American-owned	0.1
Total minority-owned	5.7 %
<b>Total minority- and woman-owned</b>	<b>16.9 %</b>

**Figure ES-2.**  
Availability estimates by contract role

Note:

Numbers rounded to nearest tenth of 1 percent and thus may not sum exactly to totals.

For more detail, see Figures F-12 and F-13 in Appendix F.

Source:

BBC Research & Consulting availability analysis.

Business group	Contract role	
	Prime contracts	Subcontracts
Non-Hispanic white woman-owned	11.4 %	7.9 %
Asian American-owned	0.7	2.0
Black American-owned	3.5	5.6
Hispanic American-owned	1.1	3.3
Native American-owned	0.1	0.5
Total minority-owned	5.4 %	11.3 %
<b>Total minority- and woman-owned</b>	<b>16.8 %</b>	<b>19.2 %</b>

**2. Contract role.** Many minority- and woman-owned businesses are small businesses and thus often work as subcontractors. Because of that tendency, it is useful to examine availability estimates separately for City prime contracts and subcontracts. As shown in Figure ES-2, the availability of minority- and woman-owned businesses considered together is slightly higher for City subcontracts (19.2%) than for prime contracts (16.8%).

**3. Industry.** BBC examined availability analysis results separately for City construction, construction design, other professional services, support services, and goods and supplies contracts and procurements. As shown in Figure ES-3, the availability of minority- and woman-owned businesses considered together is highest for the City’s goods and supplies contracts (26.6%) and lowest for support services contracts (4.8%).

**Figure ES-3.**  
**Availability estimates by industry**

Business group	Industry				
	Construction	Construction design	Other professional services	Support services	Goods and supplies
Non-Hispanic white woman-owned	14.7 %	7.1 %	10.0 %	2.2 %	16.9 %
Asian American-owned	1.1	0.7	0.3	0.7	0.1
Black American-owned	2.6	1.8	9.7	1.3	8.5
Hispanic American-owned	1.2	3.2	0.1	0.6	0.6
Native American-owned	0.1	0.0	0.4	0.0	0.3
Total minority-owned	5.0 %	5.7 %	10.5 %	2.6 %	9.6 %
<b>Total minority- and woman-owned</b>	<b>19.7 %</b>	<b>12.8 %</b>	<b>20.5 %</b>	<b>4.8 %</b>	<b>26.6 %</b>

Note: Numbers rounded to nearest tenth of 1 percent and thus may not sum exactly to totals.

For more detail and results by group, see Figures F-5 – F-9 in Appendix F.

Source: BBC Research & Consulting availability analysis.

### C. Utilization Analysis Results

BBC measured the participation of minority- and woman-owned businesses in City contracts and procurements in terms of *utilization*—the percentage of dollars that those businesses were awarded on relevant prime contracts and subcontracts during the study period. BBC measured the participation of minority- and woman-owned businesses in City work regardless of whether they were certified as such by the City or the Commonwealth of Massachusetts.

**Figure ES-4.**  
**Utilization results for City contracts and procurements**

Note:

Numbers rounded to nearest tenth of 1 percent and thus may not sum exactly to totals.

For more detail, see Figure F-2 in Appendix F.

Source:

BBC Research & Consulting utilization analysis.

Business group	Utilization %
Non-Hispanic white woman-owned	8.5 %
Asian American-owned	1.1
Black American-owned	0.4
Hispanic American-owned	0.8
Native American-owned	0.1
Total minority-owned	2.5 %
<b>Total minority- and woman-owned</b>	<b>11.0 %</b>

**1. All contracts and procurements.** Figure ES-4 presents the percentage of total dollars that minority- and woman-owned businesses received on relevant construction, construction design, other professional services, support services, and goods and supplies prime contracts and subcontracts that the City awarded during the study period. As shown in Figure ES-4, minority-

and woman-owned businesses considered together received 11.0 percent of the relevant contract and procurement dollars that the City awarded during the study period.

**2. Contract role.** Figure ES-5 presents utilization analysis results separately for prime contracts and subcontracts that the City awarded during the study period. As shown in Figure ES-5, the participation of minority- and woman-owned businesses considered together was slightly higher in subcontracts (12.3%) than in prime contracts (10.9%). Among other factors, that result could be due to the fact that subcontracts tend to be smaller in size than prime contracts, and thus may be more accessible to minority- and woman-owned businesses.

**Figure ES-5.**  
**Utilization analysis results by contract role**

Note:

Numbers rounded to nearest tenth of 1 percent and thus may not sum exactly to totals.

For more detail, see Figures F-12 and F-13 in Appendix F.

More than 80 percent of subcontracting dollars examined were associated with construction-related subcontracts.

Source:

BBC Research & Consulting utilization analysis.

Business group	Contract role	
	Prime contracts	Subcontracts
Non-Hispanic white woman-owned	8.6 %	6.8 %
Asian American-owned	1.0	1.5
Black American-owned	0.4	1.6
Hispanic American-owned	0.8	2.4
Native American-owned	0.1	0.0
Total minority-owned	2.3 %	5.5 %
<b>Total minority- and woman-owned</b>	<b>10.9 %</b>	<b>12.3 %</b>

**3. Industry.** BBC also examined utilization analysis results separately for the City's construction, construction design, other professional services, support services, and goods and supplies contracts and procurements to determine whether the participation of minority- and woman-owned businesses in City work differs by industry. As shown in Figure ES-6, the participation of minority- and woman-owned businesses considered together was highest for the City's goods and supplies procurements (27.3%) and lowest for support services contracts (3.2%).

**Figure ES-6.**  
**Utilization analysis results by industry**

Business group	Industry				
	Construction	Construction design	Other professional services	Support services	Goods and supplies
Non-Hispanic white woman-owned	5.5 %	12.9 %	3.4 %	2.1 %	25.5 %
Asian American-owned	0.3	1.1	9.6	0.2	0.5
Black American-owned	0.4	0.5	0.1	0.5	0.6
Hispanic American-owned	0.3	3.8	0.5	0.5	0.7
Native American-owned	0.3	0.0	0.0	0.0	0.0
Total minority-owned	1.2 %	5.3 %	10.2 %	1.1 %	1.8 %
<b>Total minority- and woman-owned</b>	<b>6.7 %</b>	<b>18.2 %</b>	<b>13.6 %</b>	<b>3.2 %</b>	<b>27.3 %</b>

Note: Numbers rounded to nearest tenth of 1 percent and thus may not sum exactly to totals.

For more detail and results by group, see Figures F-5 – F-9 in Appendix F.

Source: BBC Research & Consulting utilization analysis.

## D. Disparity Analysis Results

Although information about the participation of minority- and woman-owned businesses in City contracts and procurements is useful on its own, it is even more useful when it is compared with the level of participation one might expect based on their availability for that work. As part of the disparity analysis, BBC compared the participation of minority- and woman-owned businesses in City prime contracts and subcontracts with the percentage of contract dollars that those businesses might be expected to receive based on their availability for that work. BBC calculated *disparity indices* for each relevant business group and for various contract sets by dividing percent utilization by percent availability and multiplying by 100. A disparity index of 100 indicates an exact match between participation and availability for a particular group for a particular contract set (referred to as *parity*). A disparity index of less than 100 indicates a disparity between participation and availability. A disparity index of less than 80 indicates a *substantial* disparity between participation and availability.

**1. All contracts and procurements.** Figure ES-7 presents disparity indices for all relevant prime contracts and subcontracts that the City awarded during the study period. The line down the center of the graph shows a disparity index level of 100, which indicates parity between participation and availability. A line is also drawn at a disparity index level of 80, which indicates a substantial disparity. As shown in Figure ES-7, minority- and woman-owned businesses considered together exhibited a disparity index of 65 for contracts and procurements that the City awarded during the study period, indicating substantial underutilization. All individual business groups showed substantial disparities for all City contracts and procurements considered together except for Asian American-owned businesses (disparity index of 141) and Native American-owned businesses (disparity index of 100).

**Figure ES-7.**  
**Disparity analysis**  
**results for all City**  
**contracts and**  
**procurements**

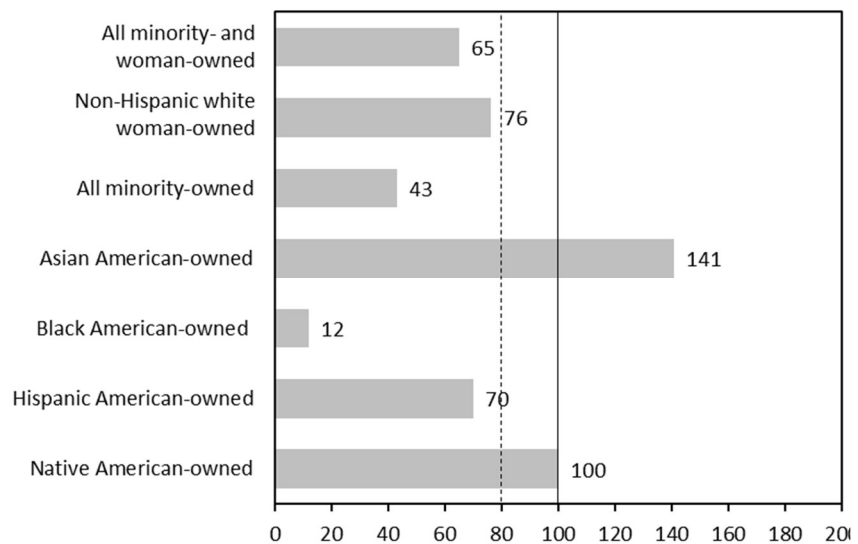
Note:

Numbers rounded to nearest tenth of 1 percent and thus may not sum exactly to totals.

For more detail, see Figure F-2 in Appendix F.

Source:

BBC Research & Consulting disparity analysis.



**2. Contract role.** BBC examined disparity analysis results separately for prime contracts and subcontracts. As shown in Figure ES-8, minority- and woman-owned businesses considered together showed substantial disparities for both City prime contracts (disparity index of 65) and subcontracts (disparity index of 64). All individual business groups showed substantial disparities for prime contracts except for Asian American-owned businesses (disparity index of

149) and Native American-owned businesses (disparity index of 122). All individual groups showed substantial disparities for subcontracts except for non-Hispanic white woman-owned businesses (disparity index of 86). A disparity index of 86 does indicate a disparity, although it is not substantial.

**Figure ES-8.**  
**Disparity analysis**  
**results by contract role**

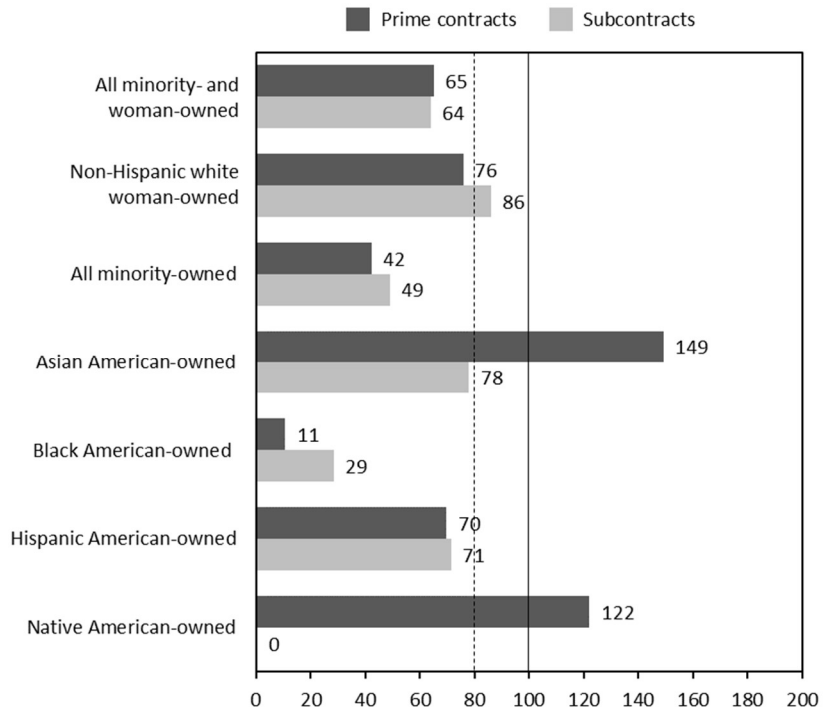
Note:

Numbers rounded to nearest tenth of 1 percent and thus may not sum exactly to totals.

For more detail and results by group, see Figure F-12 and F-13 in Appendix F.

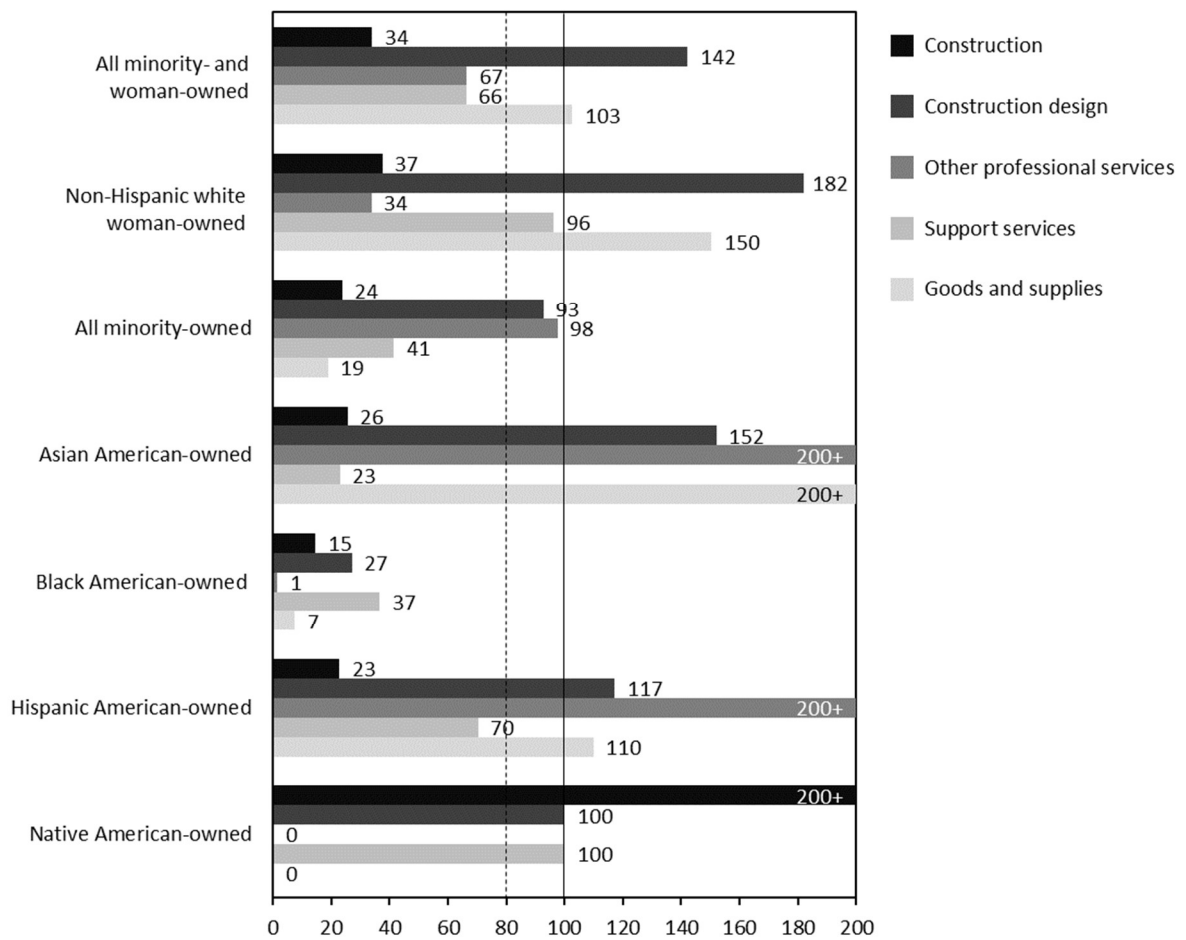
Source:

BBC Research & Consulting disparity analysis.



**3. Industry.** BBC also examined disparity analysis results separately for the City’s construction, construction design, other professional services, support services, and goods and supplies contracts and procurements to determine whether disparities between participation and availability differ by work type. As shown in Figure ES-9, minority- and woman-owned businesses considered together showed substantial disparities for construction (disparity index of 34); other professional services (disparity index of 67); and support services (disparity index of 66) contracts. Although outcomes for individual business groups varied by work type, all individual groups showed substantial disparities on construction contracts except for Native American-owned businesses (disparity index of 200+). Black American-owned businesses showed substantial disparities across all work types.

**Figure ES-9.**  
**Disparity analysis results by industry**



Note: Numbers rounded to nearest tenth of 1 percent and thus may not sum exactly to totals.

For more detail and results by group, see F-5 – F-9 in Appendix F.

Source: BBC Research & Consulting disparity analysis.



## E. Program Implementation

The City should review study results and other relevant information in connection with making decisions concerning its implementation of the SLBE Program. Key considerations in making any refinements are discussed below. Additional considerations and details about program implementation are presented in Chapter 9. When making considerations, the City should assess whether additional resources, changes in internal policy, or changes in local or state law may be required.

**1. Overall aspirational goal.** Results from the disparity study—particularly the availability analysis, analyses of marketplace conditions, and anecdotal evidence—can be helpful to the City in establishing an overall aspirational goal for the participation of minority- and woman-owned businesses in its contracting and procurement. The availability analysis indicated that minority- and woman-owned businesses might be expected to receive 16.9 percent of City contract and procurement dollars, which the City could consider as the *base figure* of its overall aspirational goal. In addition, the disparity study provides information about factors that the City should review in considering whether an adjustment to its base figure is warranted, particularly information about the volume of City work in which minority- and woman-owned businesses have participated in the past; barriers in the Boston area related to employment, self-employment, education, training, and unions; barriers in Boston related to financing, bonding, and insurance; and other relevant information.

**2. Contract-specific goals.** Disparity analysis results indicate that most relevant racial/ethnic and gender groups—Asian American-, Black American-, Hispanic American-, and non-Hispanic white woman-owned businesses—showed substantial disparities on key sets of contracts and procurements that the City awarded during the study period. Because the City uses myriad race- and gender-neutral measures to encourage the participation of minority- and woman-owned businesses in its contracting, and because those measures have not sufficiently addressed disparities for those businesses, it might consider using minority- and woman-owned business goals to award individual contracts. To do so, the City would set participation goals on individual contracts based on the availability of minority- and woman-owned businesses for the types of work involved with the project and other factors, and, as a condition of award, prime contractors would have to meet those goals by making subcontracting commitments with certified minority- and woman-owned businesses as part of their bids or by demonstrating sufficient good faith efforts to do so. The City could consider setting participation goals on all relevant contracts and procurements or only on particular types of contracts (e.g., on construction contracts, which account for nearly one-half of City spend). Because the use of such goals would be considered a race- and gender-conscious measure, the City will need to ensure that the use of those measures meets the *strict scrutiny standard* of constitutional review.

**3. Procurement policies.** State and local laws provide the City authority to establish more detailed procurement policies than those set forth by Massachusetts General Law Chapter 30B, and enhanced procurement policies could help the City more effectively engage with, and encourage the participation of, minority- and woman-owned businesses in its contracting. The City should consider developing its own citywide procurement manual to ensure that all departments use consistent procurement policies and actively engage the local business community. The procurement manual should incorporate policies set forth in Chapter 30B and,

as appropriate, additional requirements that might further encourage the participation of small businesses, including many minority- and woman-owned businesses. There are a number of procurement policies the City should consider reviewing.

- **Small purchases.** Small purchases are best suited for small businesses but are often difficult for those businesses to learn about. The City has the authority to establish more detailed small purchase procurement policies than those prescribed in Chapter 30B and should consider doing so to further encourage small business participation in City contracts and procurements.
- **Minimum solicitations of quotes.** Chapter 30B requires that local government agencies solicit a minimum of three quotes for procurements worth at least \$10,000 and up to \$50,000. The City could consider increasing the minimum number of quotes that City staff must solicit for purchases of that size.
- **Advertising and outreach.** Chapter 30B requires minimum levels of advertising for procurement opportunities, such as posting opportunities two weeks prior to bid opening dates. Beyond those requirements, the City largely allows individual departments to determine what levels of outreach are appropriate for the goods and services they require. The City could establish additional requirements for advertising and outreach for specific types of procurements.
- **Request for proposals (RFP) language.** The City should consider adding stronger language to RFP and contracting documents to more effectively articulate its commitment to promoting equity in its contracting.
- **Small business set asides.** Disparity analysis results indicated substantial disparities for woman-, Black American-, and Hispanic American-owned businesses on prime contracts that the City awarded during the study period. To the extent permitted by state and local law, the City might consider setting aside select small prime contracts for small business bidding to encourage the participation of minority- and woman-owned businesses as prime contractors.
- **Unbundling large contracts.** The City should consider making efforts to unbundle relatively large prime contracts, and even subcontracts, into several smaller contract pieces. Such efforts might increase contracting opportunities for all small businesses, including many minority- and woman-owned businesses.
- **Prompt payment.** The City should consider establishing prompt payment processes to ensure payment to the prime contractor within a specified maximum number of days after accepting an invoice. The City should also consider including prompt payment requirements for subcontracting in all of its contracts.

For additional details about specific procurement policies, see Chapter 9.

**4. SLBE Office.** Some of the considerations above might require an expansion of SLBE staff in order to effectively implement refinements to contracting policies and program measures. In particular, if the City begins using contract-specific goals to award individual contracts, SLBE might consider hiring additional staff members to help with goal-setting and monitoring prime contractor compliance with those goals in coordination with the Procurement Department.

Those additional staff members would also be able to help SLBE continue operating other aspects of the SLBE Program including SLBE certification, business development workshops, and outreach efforts.

**5. Capacity building.** Results from the disparity study indicated that there are many minority- and woman-owned businesses in the Boston area but that many of them have relatively low capacities for City work. The City should consider various technical assistance, business development, mentor-protégé, and joint venture programs to help businesses build the capacity required to compete for relatively large City contracts and procurements.

**6. Data collection.** The City should consider collecting comprehensive data on all subcontracts, regardless of subcontractors' characteristics or whether they are certified minority-owned business enterprises (MBEs) or woman-owned business enterprises (WBEs) for all relevant prime contracts. Collecting subcontract data on relevant contracts will help ensure that the City monitors the participation of minority- and woman-owned businesses in its work as accurately as possible, identifies additional businesses that could become certified, and identifies future subcontracting opportunities for minority- and woman-owned businesses.

**7. Subcontracting minimums.** Subcontracts often represent accessible opportunities for small businesses, including many minority- and woman-owned businesses, to become involved in an organization's contracting and procurement. However, subcontracting accounts for a relatively small percentage of the total contract and procurement dollars that the City awards. The City could consider implementing a program that requires prime contractors to subcontract a minimum amount of project work. If the City were to implement such a program, it should include good faith efforts provisions that would require prime contractors to document their efforts to identify and include potential subcontractors in their bids or proposals.

**8. Utilization of different businesses.** The disparity study indicated that a substantial portion of City contract and procurement dollars that was awarded to minority- and woman-owned businesses was largely concentrated with a relatively small number of businesses. The City could consider encouraging departments to solicit vendors with which they have never worked, and use bid and contract language to encourage prime contractors to do the same with subcontractors.

**9. Bidder certification.** State law requires that prime vendors bidding on construction contracts worth more than \$100,000 apply for bidder certification through the Commonwealth's Division of Capital Asset Management and Maintenance (DCAMM). Subcontractors receiving more than \$25,000 worth of work on construction contracts of that size are also required to apply for DCAMM certification. Anecdotal evidence indicates that the bidder certification process is a barrier for many small businesses. The City should consider ways to offset any burdensome aspects of bidder certification to better encourage the participation of small businesses, including many minority- and woman-owned businesses, in its construction contracts.

**10. Bonding assistance.** Chapter 30B requires bid deposits and bonding for many types of procurements, including for relatively small construction projects that are worth more than \$25,000. Projects of that size are relatively accessible to small businesses but bid deposit and bonding requirements can present a substantial barrier for small businesses. The City should

consider offering bid deposit and bonding assistance to small businesses pursuing City work. The City could partner with local organizations that already have established loan and bond programs to make bonding assistance more accessible to small businesses bidding on City contracts. Alternatively, the City could establish its own bid deposit and bonding assistance program under the SLBE Program.