

**Increasing Minority Participation  
in the Construction Industry  
in Florida**



**Luh-Maan Chang**

**Hamzah Abdul Rahman**

School of Building Construction  
University of Florida

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Phase I - Increasing Minority Participation  
in the Construction Industry in Florida

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by Luh-Maan Chang, Ph.D. and Hamzah Abdul Rahman  
School of Building Construction, University of Florida  
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## EXECUTIVE SUMMARY

The primary purpose of "Phase I - Increasing Minority Participation in the Construction Industry in Florida" is to provide a comprehensive understanding of minority construction firms' participation in terms of their number, size, and difficulties encountered in their operations. A base can then be established to generate strategies for increasing minority participation in the industry and for minimizing undesirable side effects of policies.

This Phase I study was in two main parts: (1) from economic census data a profile was obtained of minority construction firms in Florida; (2) through a mail questionnaire detailed information was obtained from a sample of 151 minority construction firms on the operational problems they face and the attitudes of the respondents toward the Minority Business Enterprise program. Information was also obtained from the Florida Construction Licensing Board about the performance of minorities in certification examinations.

The results of the mail questionnaire are grouped by problem areas and listed in descending order of severity.

- a. Financing: obtaining interim working capital, collecting payments from customers, high interest rates, and meeting loan requirements.
- b. Bonding: having adequate working capital, inability to post collateral, insufficient bank credit, and lack of familiarity with insurance industry procedures.
- c. Labor: recruitment of skilled craftspersons, turnover, and recruitment of supervisory personnel.
- d. Management Skills: estimating and bidding, reading blueprints, handling finances, scheduling, and bookkeeping.
- e. Competition: more than half of the minority contractors surveyed responded that cheap competition was also a major problem and a quarter of the respondents indicate that marketing is the next most severe problem in the general area of "Others".

Over three quarters of the minority contractors surveyed responded that they were familiar with the MBE Set Aside program, but only about half of them received consistent aid from the program.

From the economic census data the following comparisons were made which show the status of minority contractors relative to non-minority.

- a. The percentage of minority people in Florida's population (16%) is slightly lower than the percentage of minority individuals in the entire United States (16.8%). However, the minority contractors in Florida constitute only 5% of all contractors which is slightly higher than the percentage nationwide (4.4%).
- b. There are about 3,000 minority construction firms in Florida as of 1982. The aggregate receipts of all of these are about \$209,000,000, equivalent to 1.1% of aggregate receipts of all construction firms in the state. The average annual receipts per minority firm are about \$200,000 and the average number of employees is 4.
- c. About 57,880 non-minority construction firms are in Florida as of 1982. The aggregate annual gross receipts of this group are about \$18,300,000,000. Their average gross receipts per firm are \$640,000 and they average 10.4 employees per firm.
- d. Overall, minority contractors' participation in the period 1969-1982 has increased, as indicated by numbers, aggregate receipts and average receipts.
- e. Although 97.73% of the individuals passing the state construction certification examinations are males and 2.27% are females, from 1979 to 1984, an increasing number of women passed this examination.
- f. The data on who is passing the state construction certification examination from 1979 to 1984 show that the majority are non-Hispanic whites (94.53%). Among minorities the figures are: Blacks 0.82%, Hispanics 3.78%, and other minorities 0.78%. It should be noted that the percentage of Blacks passing the examination from 1981 to 1984 showed significant improvement.

In this Phase I Study causes of difficulties encountered by minority building contractors in their daily business operation are determined, quantified and ranked. With this information in hand, the planned Phase II Study can generate detailed plans for increasing minority participation in the construction industry in Florida.

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## CHAPTER 1

### INTRODUCTION

Construction is the largest industry in the United States and the largest single contributor to the total state revenue in Florida.<sup>1</sup> Though large, it remains highly fragmented and diverse. These circumstances, along with others such as the direct effects of interest rates and inflation, strongly influence stability of the industry. It is difficult enough for the average person to succeed as a small performer in the construction industry without the added encumbrance of being a member of a minority. Therefore, the federal government and numerous state and local governing bodies have enacted various statutes and/or ordinances to assist and to encourage minority participation in the construction industry.

These actions have increased minority participation and minority contractors have received an increased share of funds devoted to public works construction. However, many problems have resulted: administration costs are increased, there is price gouging by subcontractors, there is a shortage of capable minority firms in the right places and sham firms are formed to get contracts. There are costly lawsuits pending against government intervention and reverse discrimination, and other controversies arise.

Several studies about minority contractors have been conducted on the federal level by trade associations, foundations and by various states. So far, no studies have been conducted in the State of Florida on minority participation in the construction industry. Therefore, this study was undertaken to provide a comprehensive profile of the minority contractors participating in the construction industry in Florida. The aim was to

obtain general understanding of the problems which such contractors face in operating their businesses and in participating in the Set Aside program under the federal Minority Business Enterprise (MBE) legislation. From this base, alternatives can be identified for increasing minority contractors' participation in the construction industry in Florida with minimum side effects.

To reach this goal, the following objectives must first be achieved:

1. Determine the number, size and type of minority contractors which are participating in the construction industry in the state.
2. Determine the number, size and type of non-minority contractors which are participating in the construction industry in the state.
3. Determine the reasons why some minority contractors cannot qualify for minority Set Asides on the state level.

These objectives were attained by two procedures: (1) the compilation of statistics on minority population and minority contractors obtained from government sources; (2) building an in-depth profile of a sample of minority construction firms by means of a mailed-out questionnaire.

CHAPTER 2  
HISTORICAL BACKGROUND ON GOVERNMENTAL ASSISTANCE TO MINORITY  
BUSINESS ENTERPRISES

Minorities make up 17% of the U.S. population. However, they are barely four percent of American businesses. The statistics show that minority participation in the construction industry is fluctuating between 4% and 5% in the nation and is about 4% in Florida, counting firms with and without payroll employees. In the existing situation, minority contractors are acutely affected by the problem of starting, owning, operating and maintaining a construction firm.

2.1 Federal Minority Enterprise Legislation

In the light of the low participation of minorities in industry overall, and especially in the construction sector, the federal Government established Minority Business Enterprise Legislation in 1969.<sup>2</sup> Under this legislation a Minority Enterprise shall be defined as:

1. A small business that is both owned and controlled by minorities or by women. This means that minorities or women must own at least 51% of the business and that they must control the management and daily operations of the business.
2. Minorities include Blacks, Hispanics, American Indians, Alaskan natives, and Asian-Americans.

3. Also eligible as MBE's are members of other groups, or other individuals, found to be economically disadvantaged according to the Small Business Act, as amended. For this purpose minorities are limited to persons who are citizens or lawful permanent residents of the United States.
4. Women are not by definition a minority. Therefore, businesses owned and controlled by women are included under the general heading of Minority Business Enterprise, but are not considered, and may not be utilized to comply with requirements established for businesses owned and controlled by minorities, unless the business is owned and controlled by a minority woman or has been approved by the Small Business Administration under Section 8(a) of the Small Business Act, as amended.
5. Those firms purporting to be minority business enterprises (minority or female, or both) shall have on file a certification as a Minority Business Enterprise as defined. Certification will be issued as a Minority Business Enterprise (MBE) or Women Business Enterprise (WBE), or both.

#### 2.1.1 Amendments to MBE Legislation

The Minority Business Enterprise program was superseded in 1971 by an executive order requesting the Department of Commerce to develop plans and goals in cooperation with national and state agencies.<sup>3</sup> The Small Business Administration administers a major portion of the above program for minority businesses. Section 8(a) amended of the Small Business Act authorizes the Small Business Administration (SBA) to provide qualified

contractors with selected procurements of the federal agencies. The assistance rendered by SBA under its 8(a) program was also aimed at improving minorities' management and technical skills in business. Yet, in 1976 Minority Business Enterprises had still obtained less than 1% of the government's construction volume.<sup>3</sup>

Section 8(a) of the Small Business Act of 1953 was amended in 1968. This authorizes the U.S. Small Business Administration to enter into contracts with federal agencies having procurement powers, obligating the agency to furnish articles, equipment, supplies, or materials to the government or to perform construction work for the government.<sup>4</sup> The SBA then has to arrange with small businesses owned by socially and economically disadvantaged persons to perform the contract item. In fact, the SBA acts as a prime contractor who subcontracts the whole or part of such contracts with federal agencies to the minority businesses.

The procurement authority under Section 8(a) of the Small Business Act is considered as a tool used to develop business ownership and to improve the status of socially and economically disadvantaged individuals. Programs available through this act include technical and management assistance to eligible small businesses.

In Section 8(d) of the Small Business Act amended, Federal agencies are authorized to contract a project to non-minority contractors who are willing to offer subcontracting possibilities to socially and economically disadvantaged individuals. These contracts shall include subcontracting plans which contain percentage goals for the utilization of subcontractors, the names of contractor's employees who will administer the subcontracting program, a description of efforts to assure that the bidder



has offered equitable opportunity for socially and economically disadvantaged individuals to compete for subcontracts, and various other kinds of records and reports as required by the act.<sup>5</sup>

Section 8(d) amended of the Small Business Act defines a small business concern as "(i) which is at least 51 per centum owned by one or more socially or economically disadvantaged individuals; or, in the case of any publicly owned business, at least 51 per centum of the stock of which is owned by one or more socially and economically disadvantaged individuals; and (ii) whose management and daily business operations are controlled by one or more of such individuals."<sup>6</sup>

#### 2.1.2 Business Loans from SBA

The U.S. Small Business Administration, through its field offices, offers loans to small businesses including those owned and controlled by minorities. For a minority general contractor to be eligible for the SBA loan program, the firm's annual receipts should not exceed \$17 million for the three most recent fiscal years, and for special trade construction the annual receipts must not exceed \$7 million for the three most recent fiscal years.<sup>7</sup> The SBA may not make or guarantee a loan if a business can obtain funds on reasonable terms from a bank or other private sources.<sup>8</sup>

Loans made directly by SBA have a maximum of \$150,000. However, the guaranteed loan program allows the SBA to guarantee up to \$500,000. Before a loan is approved, the contractor has to arrange for acceptable collateral which may be in the form of a mortgage on land, a building, equipment, chattels, or guarantees. The regular business loans have a maximum maturity of 25 years.<sup>9</sup>

Through another program, the SBA offers surety bond guarantees designed to aid small and emerging contractors, including minority-owned construction firms. The SBA, however, does not directly issue bonds. Bonds must be issued by a surety company which is registered with the SBA, and SBA participates by a guarantee of up to 90% of losses incurred under bid, payment or performance bonds, up to \$1 million. For a contractor to obtain the bond, his annual gross receipts must not exceed \$3.5 million average over the past three years, and a bond is a requirement in the contract.<sup>9</sup>

#### 2.1.3 Women Business Enterprises

The SBA also serves to promote eligible Women Business Enterprises (WBE) participation in construction and related industries. SBA's goals toward WBE's participation are quite similar to those of MBE; the difference is in its classification. Technical and management aids are available throughout the United States in SBA district and field offices for these WBE's. Another federal arm which contributes to the growth of WBE is the Environmental Protection Agency (EPA). EPA requires contractors to make a "good faith" effort to use MBE's and WBE's in its procurement system.<sup>10</sup> As a demonstration of good faith the grant recipient is required to:

1. Include qualified small, minority and women-owned businesses on solicitation lists.
2. Assure that small, minority and women-owned businesses are actually solicited when they are potential sources of supplies, services or construction.
3. Divide the total project into smaller tasks when economically feasible to allow greater MBE and WBE participation.

4. Establish delivery schedules to encourage small and minority business participation.
5. Cooperate with SBA and the Commerce Department's minority enterprise office whenever situations permit.
6. Apply the first five steps to subcontractors.

#### 2.1.4 Set Asides under Public Works and Transportation

2.1.4.1 Local Public Works Program. The Local Public Works Capital Improvement and Investment Act of 1976 (Title I, Public Works Employment Act of 1976) established the Local Public Works program.<sup>11</sup> This was designed to (1) create private sector employment opportunities in areas of high unemployment through the construction or renovation of useful public facilities, and (2) promote economic recovery by stimulating national and local economies.<sup>11</sup> The Congress appropriated \$6 billion for the LPW program which was funded in two phases: \$2 billion for the first round and \$4 billion for the second round. The Public Works Employment Act of 1977 contained a provision requiring that at least 10% of the \$4 billion of federal funds authorized for the program be spent with minority firms.<sup>12</sup>

The 10% minority provision was introduced to improve economic parity. The Economic Development Administration (EDA) which administers the LPW program makes grants to state and local governments for the total cost of the LPW projects.<sup>11</sup> These grantees are then responsible under the Public Works Act of 1977 for assuring that 10% of the grant would be spent with minority contractors and suppliers. Usually, the grantees would require their prime contractors to include assurances that 10% of the contract amount is expended on minority subcontractors or suppliers. However, when appropriate, the grantees could themselves enter into contract with

minority prime contractors or suppliers to complete their projects. It is worth noting that Sections 8(a) and 8(d) of the Small Business Act mentioned earlier, plus some other provisions in the Act, were amended by the 95th Congress in 1978 in conjunction with the Public Works Act of 1977.<sup>13</sup>

2.1.4.2 Surface Transportation Assistance Program: In Section 105(f) of the Surface Transportation Act of 1982, the federal government has authorized the Secretary of Transportation to expend at least 10% of the amount appropriated under the act for federal highway and mass-transit work on small businesses owned and controlled by socially and economically disadvantaged individuals as defined by Section 8(a) of the Small Business Act.<sup>14</sup> To conform with this Act, the Department of Transportation (DOT) has required state grant recipients to set aside a 10% goal for MBE. Unless the recipient receives a waiver, failure to comply with the law could result in the recipient being suspended from receiving further federal funds unless deficiencies are corrected. Full compliance with the federal rule would result in at least doubling minority contractors participation in most states.

There has been much controversy over the issue of set aside provisions. However, the Supreme Court has ruled that Congress has the power to set aside a reasonable portion of funds for minority business to redress past discrimination.<sup>3</sup> It is, therefore, up to the minority contractors to make full use of the government efforts to prepare them to face the open competition. But it may take a while for minority contractors to be at a level where government aid is no longer needed.<sup>15</sup>

## 2.2. Minority Enterprise Programs in Florida

The State of Florida, besides implementing the federal provisions on Set Asides, has established similar programs.

### 2.2.1 Legal Provisions

There are several provisions and acts under the Florida Statutes which reflect the State's commitment to help put minority contractors on a par with non-minority contractors. The state also has its own definition of a minority business.

In Chapter 82-196 of the Laws of Florida a minority business is defined as "any legal entity, other than a joint venture, organized to engage in commercial transactions, which is at least 51% owned and controlled by minority persons. Minority person means a member of a socially or economically disadvantaged group which for the purpose of this section shall include Blacks of non-Hispanic origin, Hispanics, American Indians, Alaskan natives, Pacific Islanders, women, and the physically or mentally disabled." 16

### 2.2.2 Set Asides

One of the provisions for improving minority contractors' participation in the State's construction industry through the state agencies is included in Chapter 287 of the Florida Statutes. According to Section 287.093, any county, municipality, community college, or district school board is authorized to set aside up to 10% or more of the total amount of funds allocated for the procurement of personal property and services for the purpose of entering into contracts with minority business enterprises. Since the funds do include some construction projects, minority contractors may take up this opportunity to increase their involvement

in the construction industry. Under this provision, the contracts would be competitively bid among minority business enterprises. This provision is made to redress the effects of past discriminatory practices.

### 2.2.3 Training and Bond Guarantee Program

An amendment made in June of 1984 relating to the State's department of transportation provides training and bond guarantee programs for minority businesses. This legislation authorizes the head of the department to expend at least 10% of the State Transportation Trust Fund to aid minority companies in conjunction with Section 8(a) of the U.S. Small Business Act. The department is urged to fulfill the act by using methods such as set asides for competitive bidding among contractors certified as socially and economically disadvantaged.

Up to 6% of the fund may be used to educate minority contractors to improve their business as well as technical skills. The participation is for small contracting firms owned and controlled by socially and economically disadvantaged individuals certified by the Department of Transportation or the U.S. Small Business Administration, or firms who have annual gross receipts not exceeding 2 million dollars averaged over a 3-year period.

The head of the DOT is also given the authority to expend up to 4% of the trust fund for a bond guarantee program under which the State will guarantee up to 90% of a bond amount of \$250,000, or less, and 80% of a bond amount greater than \$250,000, provided by a surety registered under this program.<sup>17</sup> However, the contractor is required to place 5% of the contract amount with the department until final acceptance of the project in order for him to be considered for the bond guarantee program.

CHAPTER 3  
PROFILE OF MINORITY AND NON-MINORITY CONSTRUCTION FIRMS IN  
FLORIDA OBTAINED FROM CENSUS INFORMATION

3.1 Method of Handling Census Information

3.1.1 Arrangement of Tables

The data derived from various census reports on the construction industry in Florida are presented in two parallel sets of tables. Tables 1 to 4 compare minority construction firms with all contractors; Tables 5 to 8 compare minorities with non-minorities.

Following Tables 1 to 8 and the discussion involving them is a profile of the ethnic composition of people passing the Florida construction certification examination in four recent years. This is centered on Table 9.

For Tables 1-8, the 1969, 1972 and 1977 figures related to minority construction in Florida were obtained from the 1969, 1972 and 1977 Survey of Minority-Owned Businesses by the Bureau of the Census, respectively. The 1972 and 1977 figures in Tables 1 to 4 associated with all contractors were taken from the 1972 and 1977 Census of the Construction Industries, Bureau of the Census, respectively. 1982 related figures for all contractors were collected from 1982 Preliminary Census of the Construction Industry, Bureau of the Census. 1969 figures for all contractors and 1982 figures concerning minority contractors are estimates. Data concerning non-minority construction in Florida in Tables 5 to 8 were derived by subtracting the figures related to minority construction from correspond-

ing figures of all contractors in Tables 1 to 4. All percentages are computed by the authors.

### 3.1.2 Adjustments to Data

The following operations were performed on the census material in setting up Tables 1 to 8. Data for the number of all contractors and their gross dollar volume are adjusted according to available 1967 and 1972 data to arrive at the 1969 estimates.<sup>18, 19</sup> However, the number of minority construction firms and their dollar volume in 1969 are actual data obtained from a 1969 survey of minority-owned businesses.<sup>20</sup> An adjustment is made by dividing the difference between 1972 and 1967 figures by 5 (five-year period), multiplying the results by 2, and adding the 1967 figures to obtain the 1969 estimate. In order to be consistent, the same adjustment is applied to 1969 figures on the number of all contractors, their gross receipts, average receipts, and average number of regular employees. The 1969 figures for non-minority contractors participating in Florida's construction industry, as illustrated in Tables 5, 6, 7, and 8, are also the results of the above adjustments. Tabular information on minority contractors for 1972 and 1977 is based on surveys of minority-owned business enterprises.<sup>21, 22</sup> Information on all contractors is obtained from Census of the Construction Industries.<sup>18, 19</sup> Because 1982 official figures concerning minority contractors have not been released, estimated figures are used for comparison in that year. The estimate is based on 1972 and 1977 data of minority construction and 1982 figures of Florida overall construction business.<sup>23</sup> For this estimate a conventional approach is used, where percentages obtained in 1977 are applied to compute 1982 figures for minority construction. This is justified by the relatively consistent percentages in 1972 and 1977.



Table 5 Number of Minority and Non-Minority Construction Firms  
in Florida

	1969	1972	1977	1982*
Minority Contractors	1,305	2,136	2,537	3,048
Non-minority Contractors	34,159	41,060	48,175	57,880
Per Cent Minority	3.8	5.2	5.2	5.2

Table 6 Average Number of Employees in Minority and Non-Minority  
Construction with Paid Employees in Florida

	1969	1972	1977	1982
Minority	4	7	4	4.3
Non-Minority	10.5	11.8	10	10.4

Table 7 Aggregate Gross Receipts (in \$1,000) of Minority and Non-  
Minority Construction Firms in Florida

	1969	1972	1977	1982
Minority	40,742	94,609	115,240	209,223
Non-Minority	5,551,909	8,980,054	10,069,545	18,264,225
Per Cent Minority	0.73	1.05	1.15	1.15

Table 8 Average Yearly Receipts (in dollars) for Minority and  
Non-Minority Construction Firms in Florida

	1969	1972	1977	1982
Minority	88,000	125,021	131,874	200,094
Non-Minority	332,012	424,588	476,583	639,558
Per Cent Minority	26	29	28	31

\* 1982 figures are estimates

Table 1 Number of Minority and All Construction Firms in Florida

	1969	1972	1977	1982*
Minority Contractors	1,305	2,136	2,537	3,048
All Contractors	35,194	43,196	50,712	60,928
Per Cent Minority	3.7	4.9	5.0	5.0

Table 2 Average number of Employees in Minority and All Construction Firms with Paid Employees in Florida

	1969	1972	1977	1982
Minority Contractors	4	7	4	4.3
All Contractors	10.4	10.9	9	9.6

Table 3 Aggregate Yearly Gross Receipts (in \$1,000) of Minority and All Construction Firms in Florida

	1969	1972	1977	1982
Minority Contractors	40,742	94,609	115,240	209,023
All Contractors	5,881,716	9,074,663	10,184,785	18,473,247
Per Cent Minority	0.7	1.0	1.1	1.1

Table 4 Average Yearly Receipts (in dollars) for Minority and All Construction Firms with Paid Employees in Florida

	1969	1972	1977	1982
Minority Contractors	88,000	125,021	131,847	200,094
All Contractors	326,902	388,213	426,644	647,485
Per Cent Minority	27	32	32	31

\* 1982 figures are estimates

### 3.2 Profile of Minority and Non-Minority

#### Firms Derived from Census Data

##### 3.2.1 Numbers of Businesses and People Employed

According to the Statistical Abstract of the United States published by the Bureau of the Census, the minority population rose from 12.6% of the total U.S. population in 1970 to 16.8% in 1980.<sup>24</sup> Figures 1 and 2 show these percentages. The census uses this classification of minorities: Blacks, Spanish origin, American Indians, Asian-Americans and "others". Yet, in 1977 only 4.4% of all construction firms in the nation were minority-owned.<sup>25</sup> Figure 3 illustrates the percentage of minority and non-minority construction firms in the United States.

The population trend in Florida is similar to that of the nation as a whole. Minorities made up about 16% of the State's population in both 1970 and 1980.<sup>25</sup> Figures 4 and 5 depict the population percentages. While minority people constituted 16% of Florida's population, minority-owned and controlled construction firms made up only 5% of the State's total construction industry in 1982, as shown in Tables 1 and 5 and Figure 6.<sup>19, 26</sup> These tables also show that the number of minority construction firms more than doubled from 1969 to 1982.

Tables 2 and 6 show the numbers of employees in 1969, 1972, 1977 and 1982. The trend in employee numbers in minority firms followed that of non-minority firms and that of the total number of firms, but the numbers per minority firm are only about half as large.

##### 3.2.2 Dollar Volume of Receipts

Table 3 compares the aggregate annual gross receipts of minority construction businesses with those of all construction businesses in Florida.

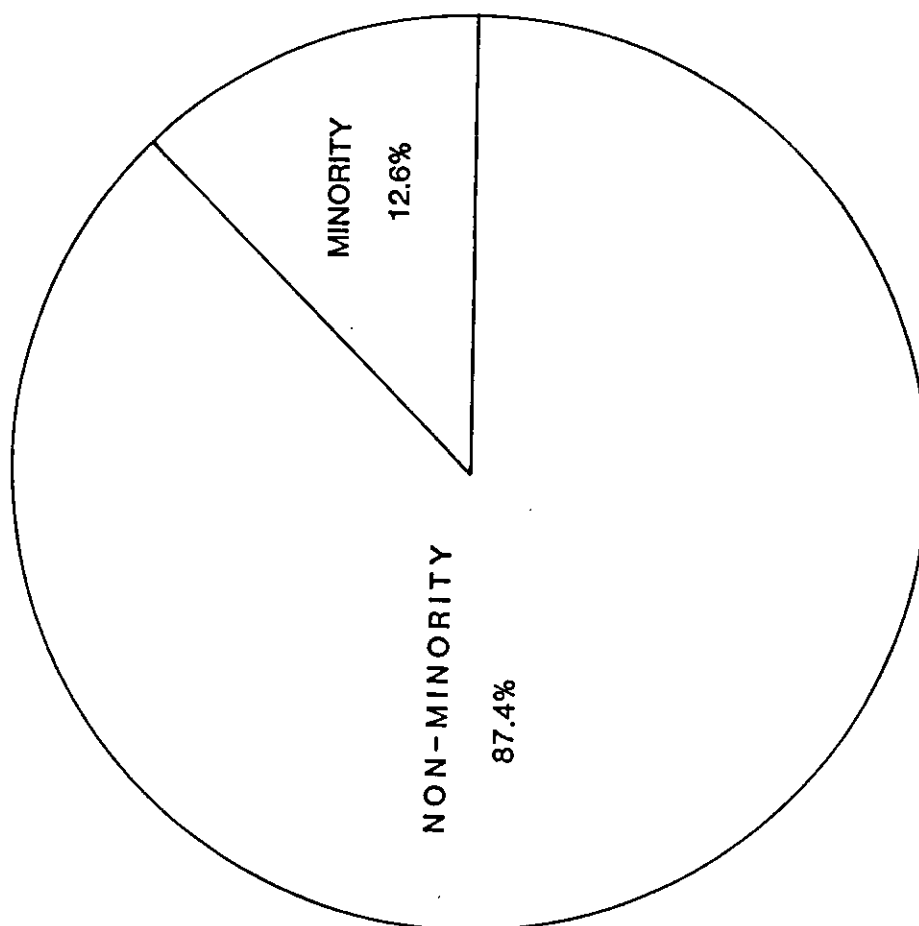


FIG. 1-ETHNIC COMPOSITION OF U.S. POPULATION  
IN 1970

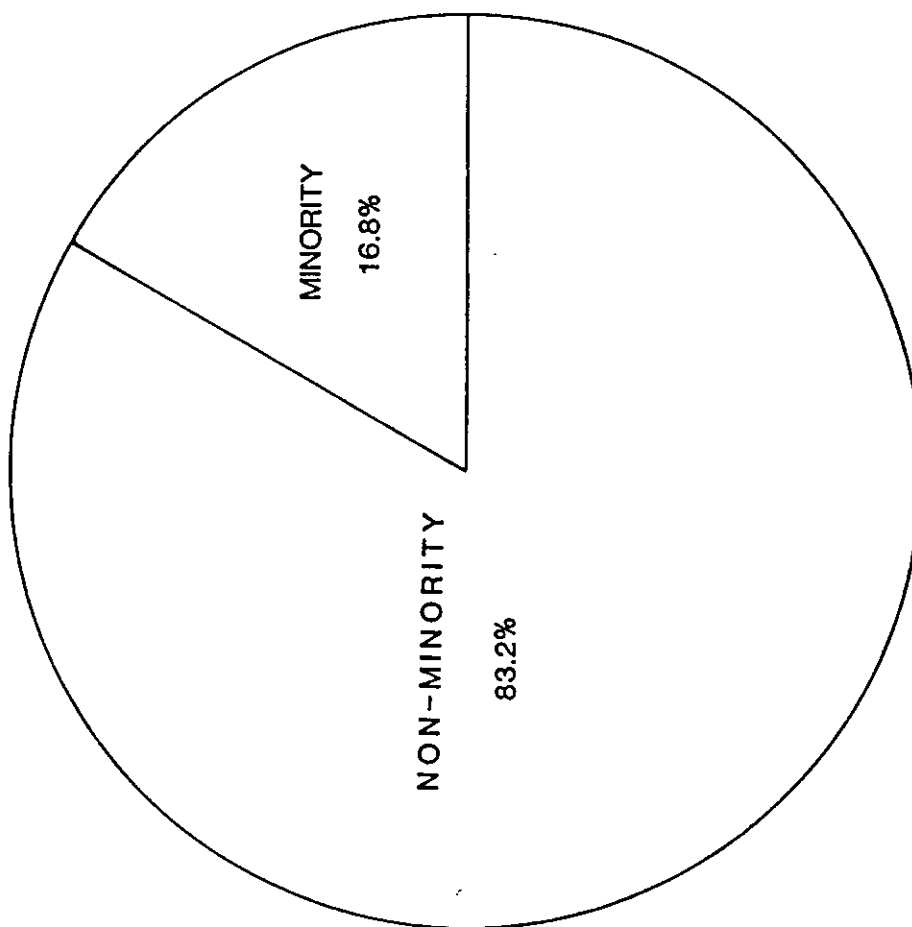


FIG. 2-ETHNIC COMPOSITION OF U.S. POPULATION  
IN 1980

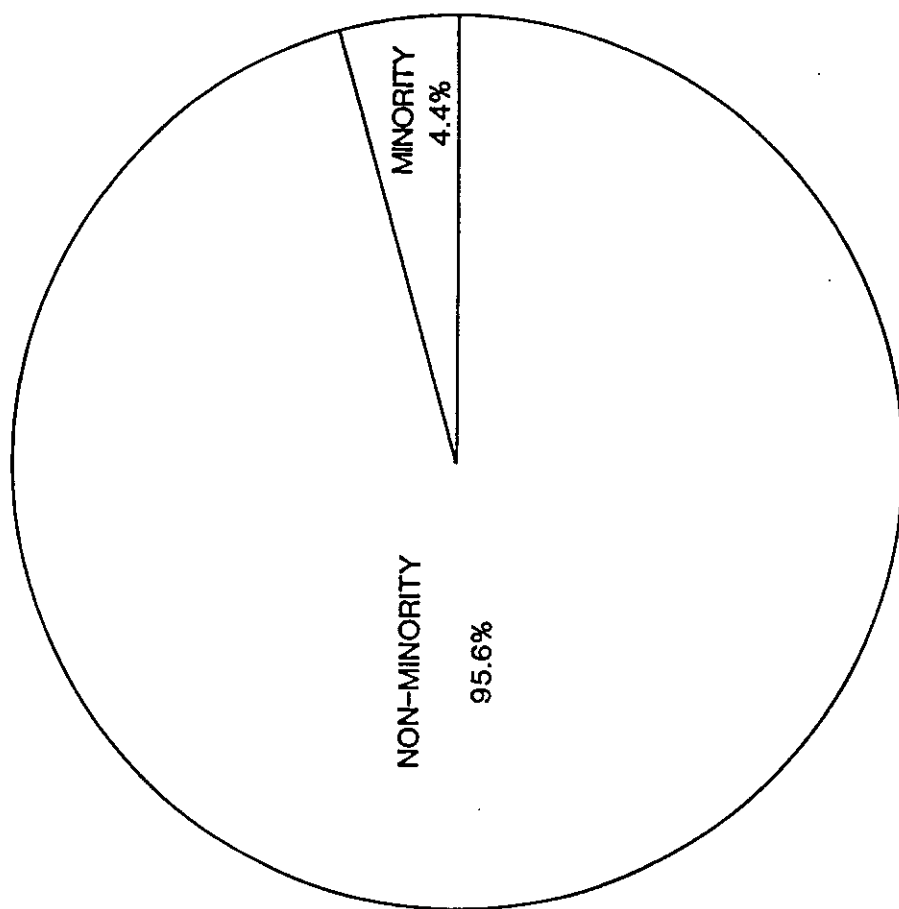


FIG. 3-ETHNIC COMPOSITION OF U.S. CONSTRUCTION  
FIRMS-1977

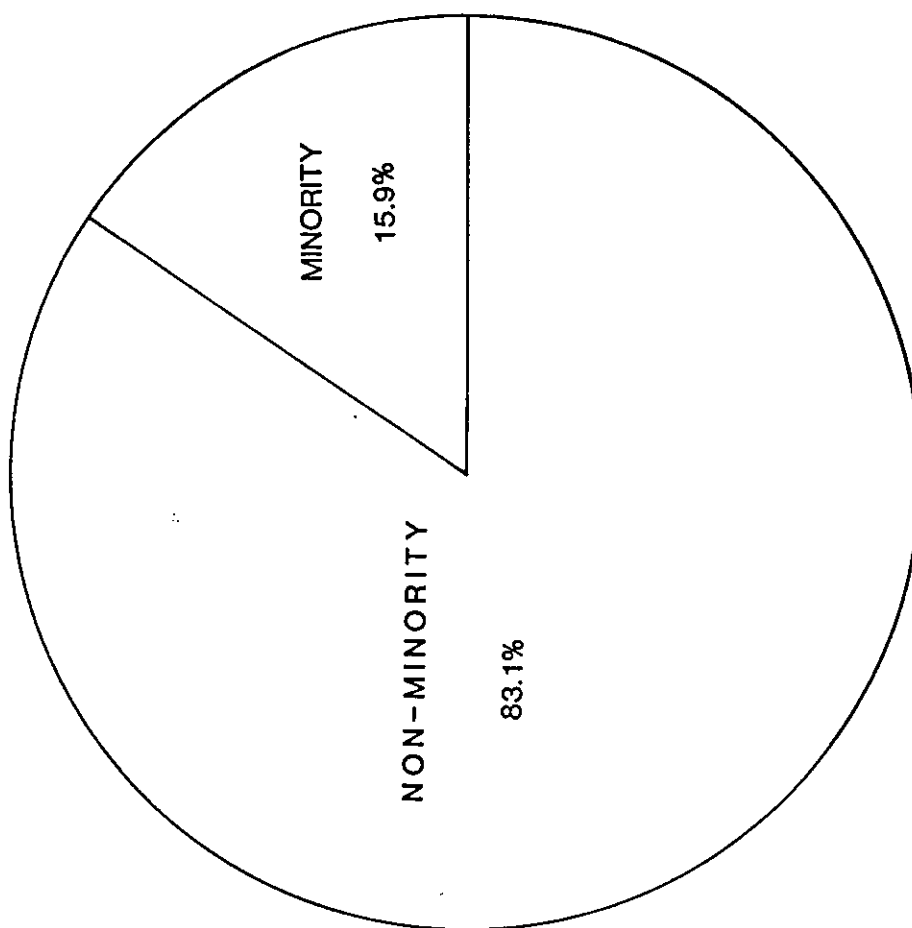


FIG. 4-ETHNIC COMPOSITION OF FLORIDA POPULATION  
IN 1970

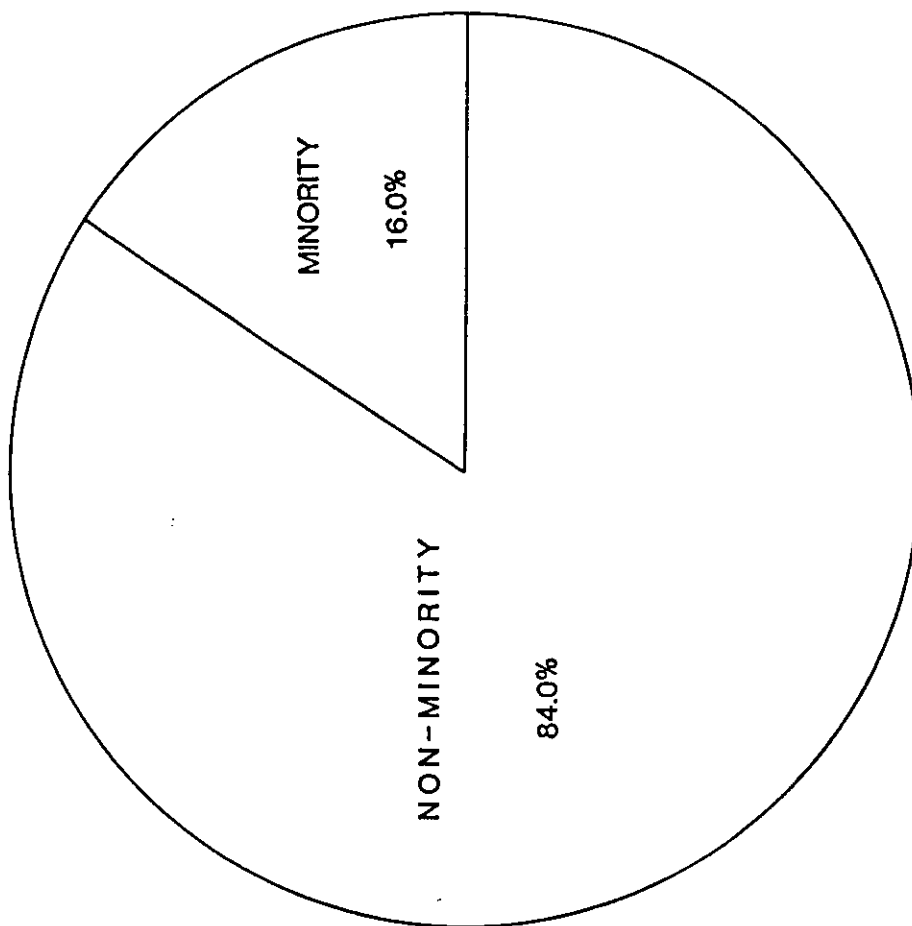


FIG. 5-ETHNIC COMPOSITION OF FLORIDA POPULATION  
IN 1980



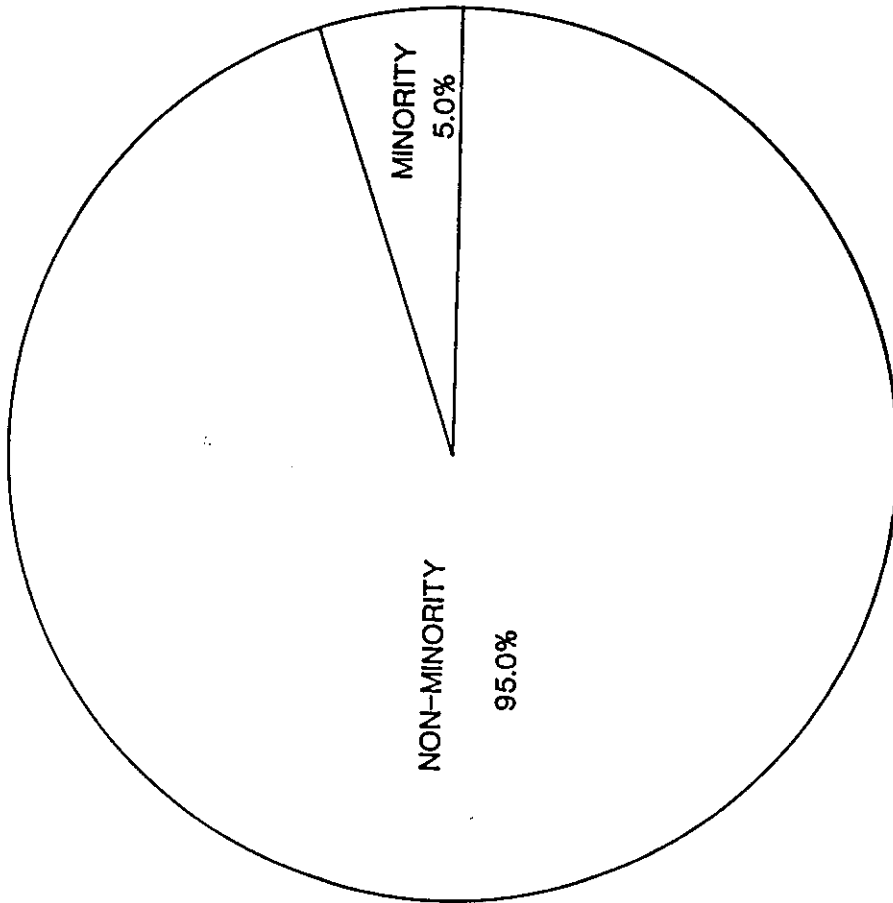


FIG. 6-ETHNIC COMPOSITION OF FLORIDA CONSTRUCTION  
FIRMS-1982

Table 7 shows the same comparison for minority versus non-minority businesses. There is a gradually increasing share of income for minorities, but it is very small, attaining slightly over 1% for the latest years. In other words, for every \$100,000 spent on construction in Florida, only about \$1,000 was taken in by minority contractors.

Stated another way, there has been a small but definite increase in aggregate receipts of minority firms relative to those of non-minority as shown by the percentages in Table 7.

Table 4 shows the average annual receipts per firm for minority firms and all construction firms, and Table 8 shows the figures for minority firms in comparison with non-minority firms. If, in Table 4, the figures for the latest three years are used, the average minority firm's gross income was about 32% of the average of all firms. The corresponding figures of Table 8 show that the average minority firm's gross receipts were about 30% of those of the average non-minority firm.

### 3.3 Performance of Minorities on the Construction Certification Examinations

Data were obtained from the Florida Construction Industry Licensing Board on the ethnic distribution of persons taking the Board examinations in 1981, 1982, 1983 and 1984. <sup>27</sup> There is an upward trend in numbers and percentages of Blacks and women passing these examinations, as shown in Table 9. The numbers and percentages of Hispanics who passed have remained relatively constant except in 1984, when there was an increasing number and a higher percentage of passes. The "other" minority persons who took the examinations have a relatively constant passing rate through the four years.

As shown in Table 9, from 1979 to 1984 there were 304 women out of 13,363 persons who passed the examination. This is equivalent to 2.27% shown in Figure 7. Figure 8 depicts an increasing percentage of females passing state construction certification examinations.

Table 9 also shows the distribution of ethnic groups, including non-minority persons, who passed the examination during the four years. The total number of minorities who passed was 731, compared to 12,632 of non-minority persons. Figure 9 also shows the ethnic distribution by percent. Among minority groups, the percentage of Blacks passing the examination has improved as shown in Figure 10.

Table 9 - Distribution by Sex and Ethnic Group of Persons Passing  
Florida Construction Certification Examination -  
Numbers and Percentage

Year	Month	Sex				Ethnic Group							
		Male		Female		Non-Minority		Black		Hispanic		Other	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1981	Feb	906	98.05	18	1.95	968	93.94	5	0.54	45	4.87	6	0.65
	Oct	1151	98.04	23	1.96	1108	94.38	8	0.68	48	4.09	10	0.85
1982	Feb	1051	97.50	27	2.50	1029	95.45	5	0.46	36	3.34	8	0.74
	Jun	1018	97.88	22	2.12	985	94.71	7	0.67	46	4.43	2	0.19
	Oct	882	97.78	20	2.22	861	95.46	9	1.00	28	3.10	4	0.44
1983	Feb	1019	97.70	24	2.30	988	94.73	11	1.05	41	3.93	3	0.29
	Jun	931	97.59	23	2.41	899	94.24	11	1.15	39	4.09	5	0.52
	Oct	963	97.97	20	2.03	916	93.28	8	0.82	29	2.95	30	3.05
1984	Feb	815	96.83	27	3.17	810	95.07	7	0.83	29	3.40	6	0.70
	Jun	1238	97.79	28	2.21	1187	93.76	9	0.71	65	5.14	5	0.39
	Oct	1305	97.03	40	2.97	1269	94.36	13	0.97	58	4.31	5	0.37
1979 - 1984 T O T A L		13059	97.73	304	2.27	12632	94.53	109	0.82	517	3.87	105	0.78

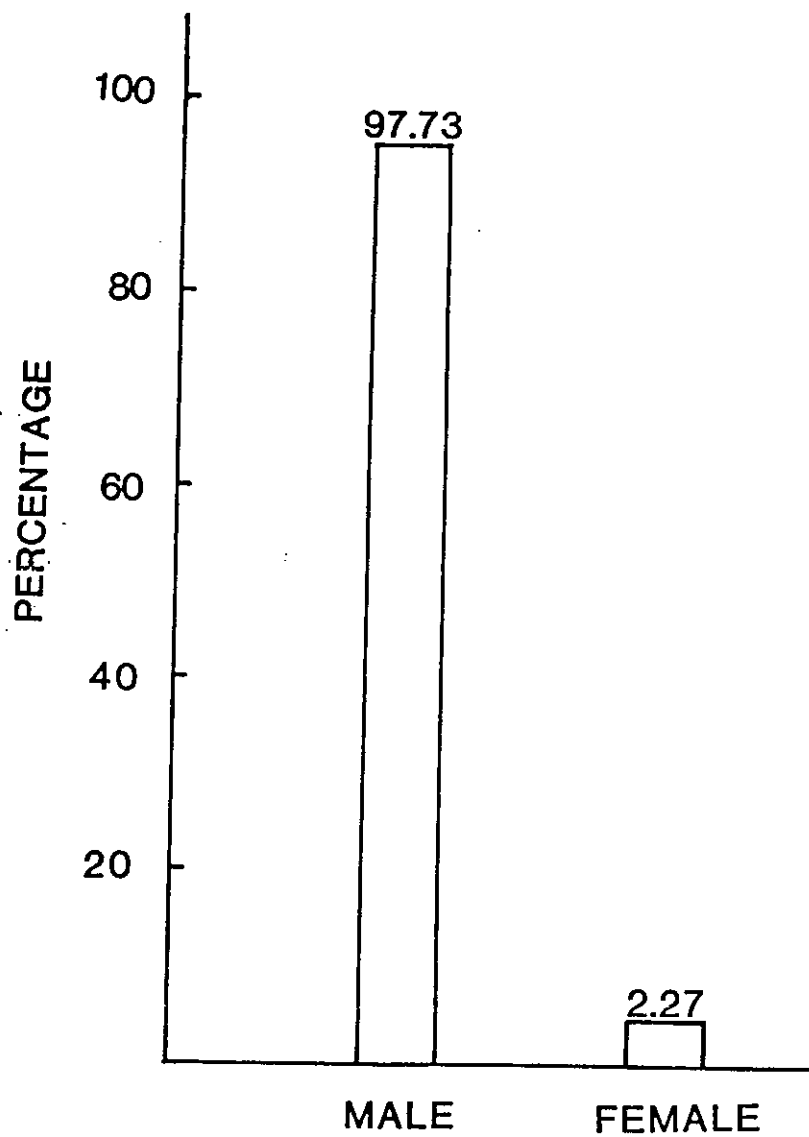


FIG. 7 - SEX DISTRIBUTION OF PERSON  
PASSING CONSTRUCTION CERTIFICATION  
EXAMINATIONS - DEC. 1979 TO OCT. 1984

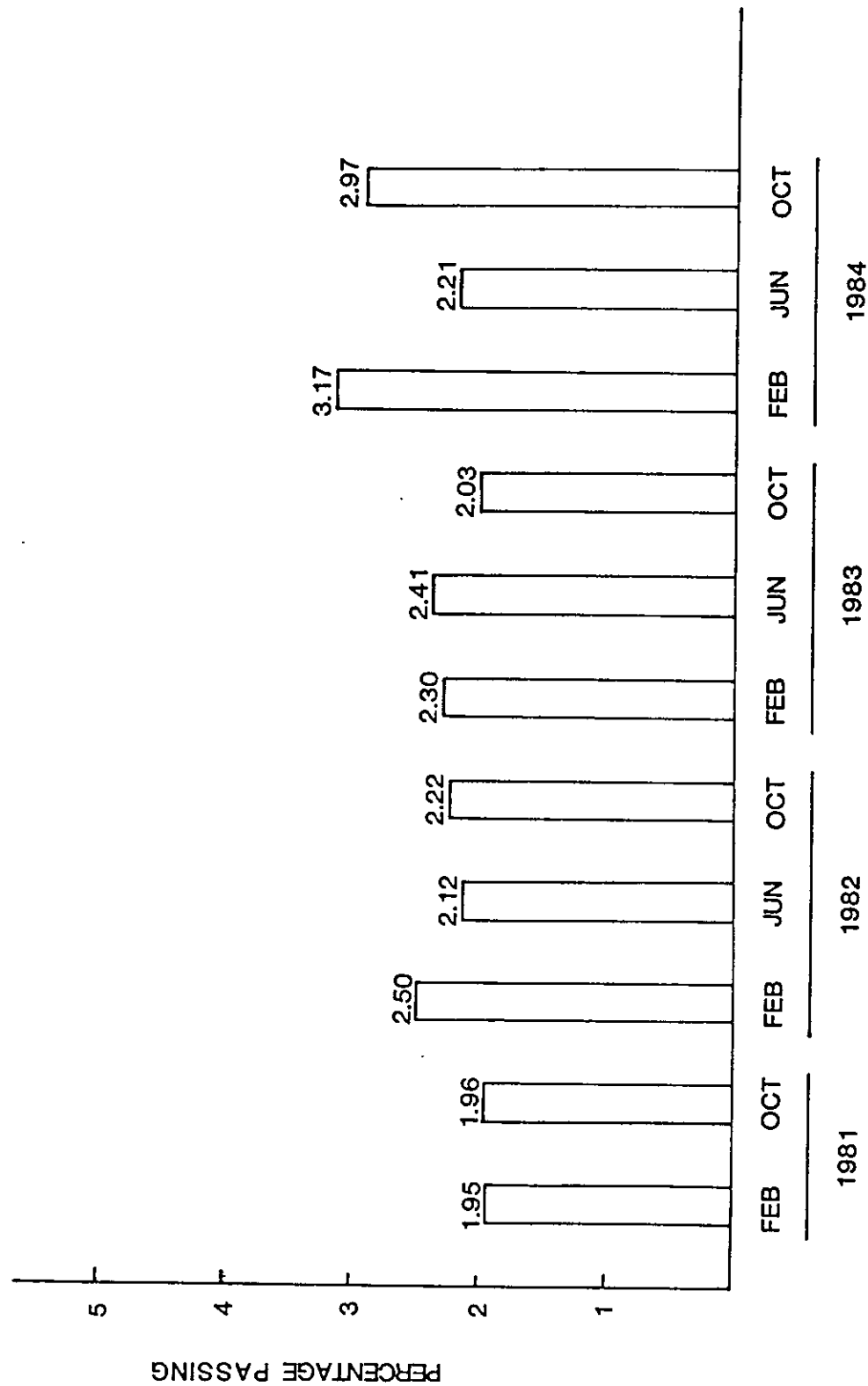


FIG. 8 - TREND OF FEMALES PASSING CONSTRUCTION CERTIFICATION EXAMINATIONS

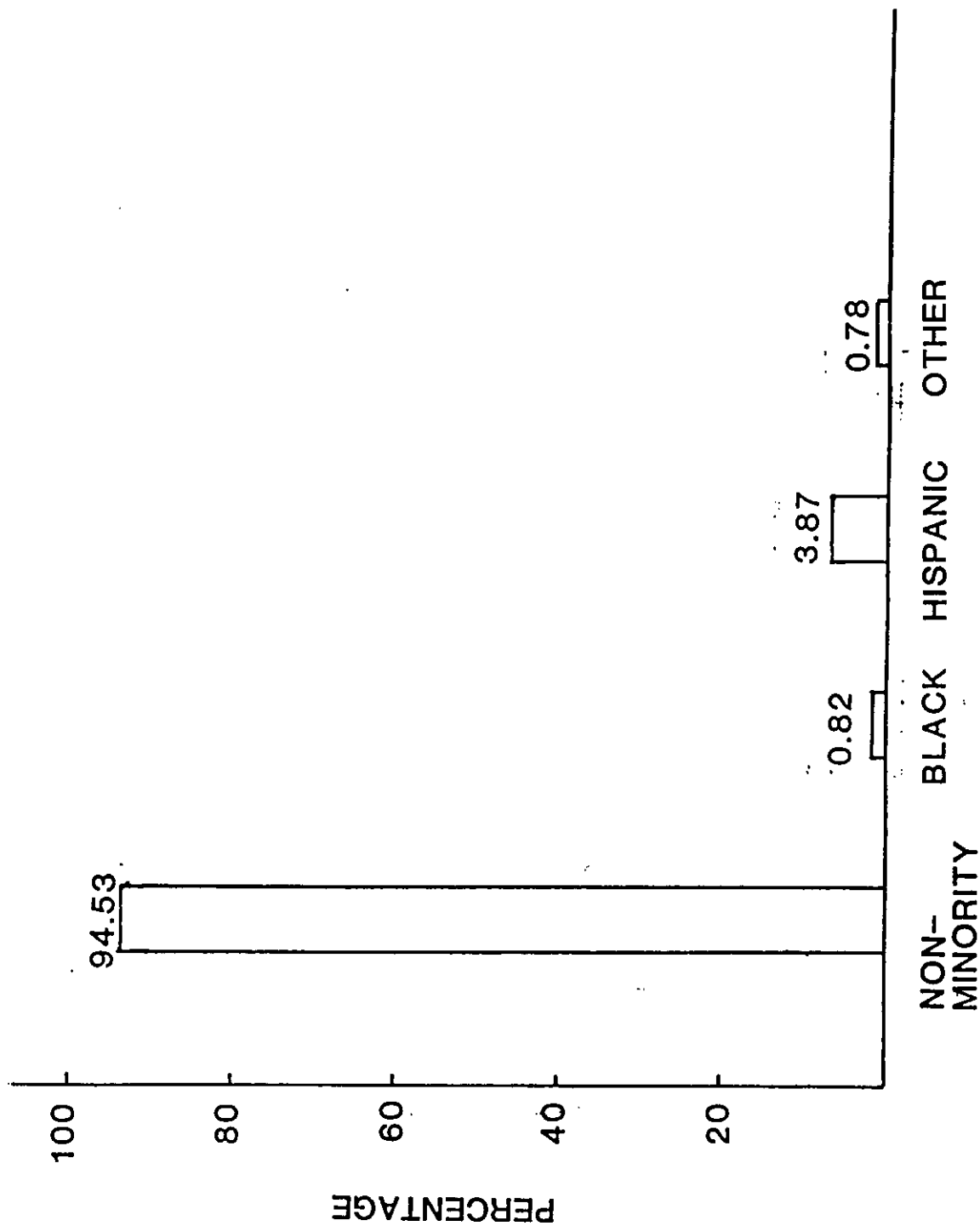


FIG. 9 - ETHNIC DISTRIBUTION OF PERSONS PASSING CONSTRUCTION  
CERTIFICATION EXAMINATIONS - DEC. 1979 TO OCT. 1984

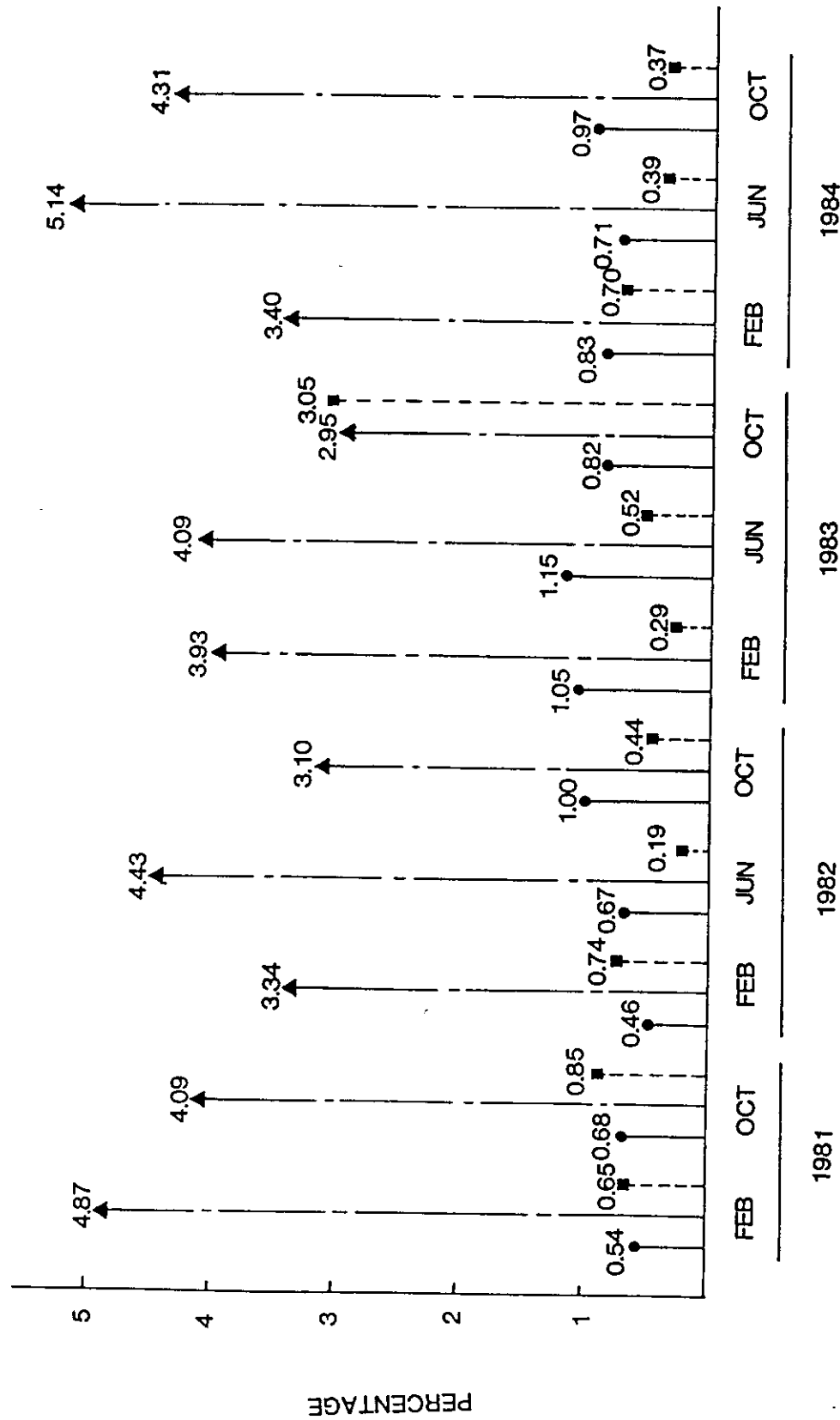


FIG 10 - TREND OF ETHNIC GROUPS PASSING THE CONSTRUCTION CERTIFICATION EXAMINATIONS



CHAPTER 4  
PROFILE OF MINORITY CONSTRUCTION FIRMS IN FLORIDA  
OBTAINED FROM RESPONSES TO QUESTIONNAIRE

4.1 Methodology

This project is divided into four steps. In Step One a list of minority and non-minority contractors in Florida was compiled. The sources for the list included the Governor's Office, the Department of Transportation, several Minority Business Development Centers, and some private construction companies.

Step Two was a pilot study to test the research tactics and the questionnaire developed.

Step Three was a full-scale survey which sought information on the size and type of minority contractors and identification of the main obstacles that hinder these firms from participating more widely in the construction industry in Florida.

Step Four concentrated on verifying and analyzing the data collected and generated the present report. Details are in the following sections.

4.1.1 Businesses Studied

The major source of information on building contractors was the State Construction Industry Licensing Board. They were able to supply a list of State-Certified Contractors which included about 5% minority contractors; however, the Licensing Board does not publish a list exclusively of minority firms to avoid charges of discrimination. The list supplied contains about 23,000 names and addresses of active certified contractors in Florida, of whom about 95% are non-minority, and could be used in future research pertaining to non-minority contractors.

Information on minority contractors was eventually obtained from several sources. These included a 1982 Minority Study by the Governor's Office, and other information came from the Department of Transportation, the Minority Business Development Centers in Tallahassee and Orlando, and Gilbane Construction Co. of Providence, Rhode Island and Orlando, Florida. A list of 436 minority contractors was gathered during July and August 1982.

#### 4.1.2 Questionnaire Formulation

The questionnaire (see Appendix) was designed to secure information in five main categories: First, a classification of minority contractors according to ethnic subgroups and the number of contractors in each group; Second, size of contractors in terms of dollar volume of work performed per year and the number of payroll employees; Third, quantification of the problems minority contractors face, ranking them according to severity; Fourth, reasons why some minority contractors cannot qualify for MBE set aside projects; Fifth, name and address of respondent so that the answers can be verified and checked for reliability. This portion also asks for information on how to contact other contractors who may be willing to cooperate in a future research effort.

A checklist style questionnaire was used to draw a high response rate because it takes less time to fill out. The majority of questions also had a blank space marked "other" which is useful for gathering extra information and more detailed responses.

#### 4.1.3 Testing of Questionnaire

The pilot study was conducted from Aug. 3 to 14, 1984 to test the research method. The response rate to the questionnaire was 20%. A follow-up was conducted by telephone and personal interviews to draw comments and suggestions. This was trouble shooting, so to speak, to detect possible pitfalls before going on to the full-scale survey.

#### 4.1.4 Circulation of Questionnaire--Rate of Response

Feeling confident that the questionnaire was clear and comprehensive, the investigators launched the full-scale survey Nov. 6, 1984 with a mail-out to 436 firms on the minority contractor list which had been generated in July and August. Of the 436 mailed, 167 questionnaires were returned, a rate of 38%, and 151 of these yielded usable information. These 436 firms were sent a follow-up letter on Nov. 21, 1984.

## 4.2 Survey Results and Analysis I.

### Minority Construction Firms: Number, Type, Size, Form, of Ownership, Regional Distribution

The major numerical findings from this survey are shown in Table 10. The questionnaire was designed to obtain a profile of minority contractors in Florida. Questions asked sought to identify the firms as general contractors or specialty subcontractors. Other questions sought to distinguish owner-operated firms from partnerships and corporations with further identification by dollar volume and location within the state.

#### 4.2.1 Types of Contractors

The figures reveal that 32% of the respondents are general contractors, and the other 68% are engaged in special trade contracting. See Figure 11.

As to the type of construction their firms primarily performed, 54.17 percent and 50.0 percent of the general contractors responded to non-residential and residential building categories, respectively. 37.50 percent do repairs and alteration work and 20.83 percent are involved in highway construction. Another 12.50 percent and 14.58 percent indicated heavy-industrial construction and municipal utilities, respectively. The analysis shows that some general contractors perform more than one type of the types of construction mentioned above. See Figure 12.

#### 4.2.2 Types of Ownership

Of the firms surveyed, 26.21% were of single ownership, 3.45% partnerships, and 70.34% were in the form of corporations. See Figure 13.

Not shown in the table are responses to some other questions. Of the owner/managers, 99.34% reported themselves to be in good health, and 0.66%

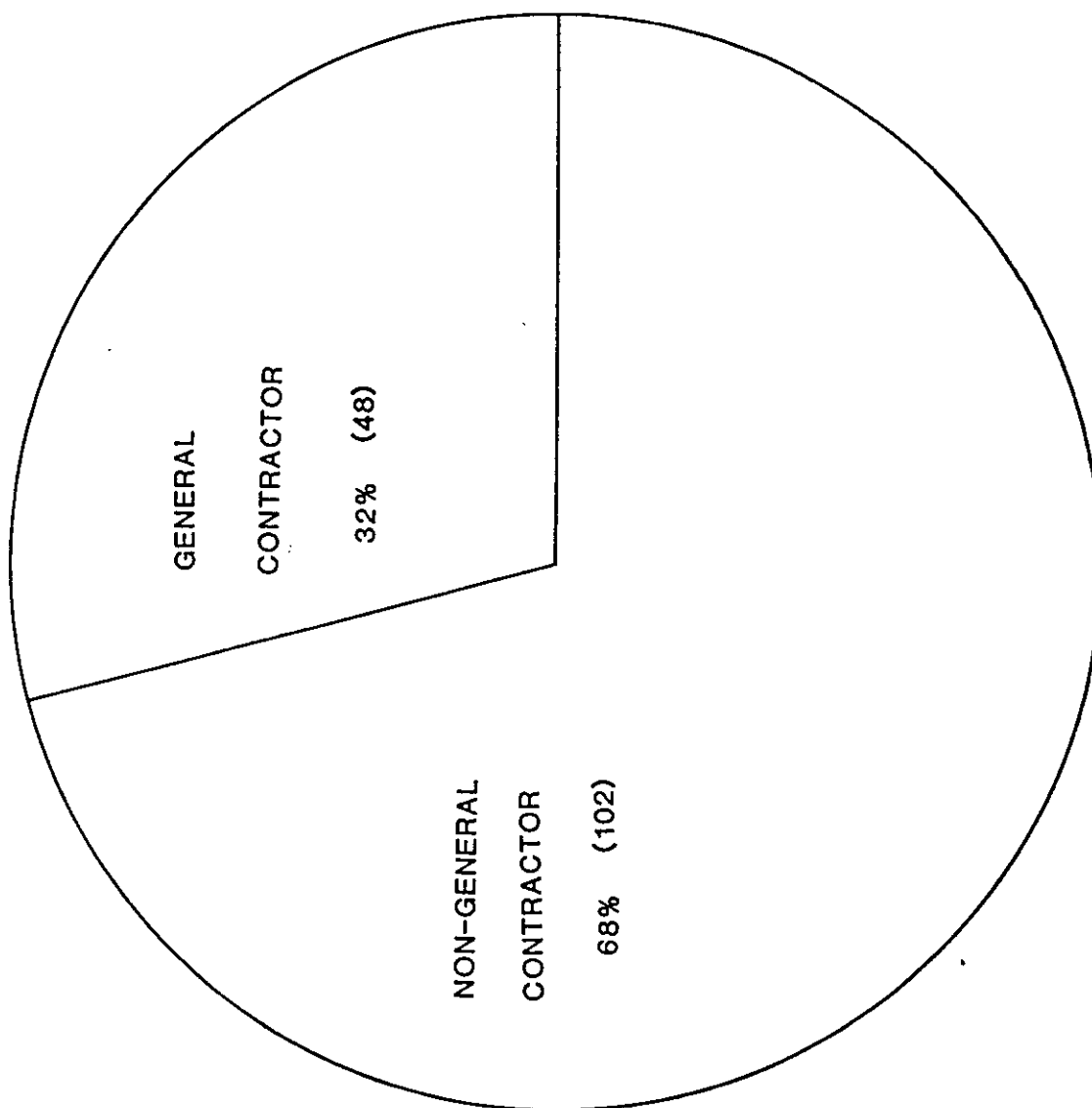


FIG. 11 - TYPE OF FIRM

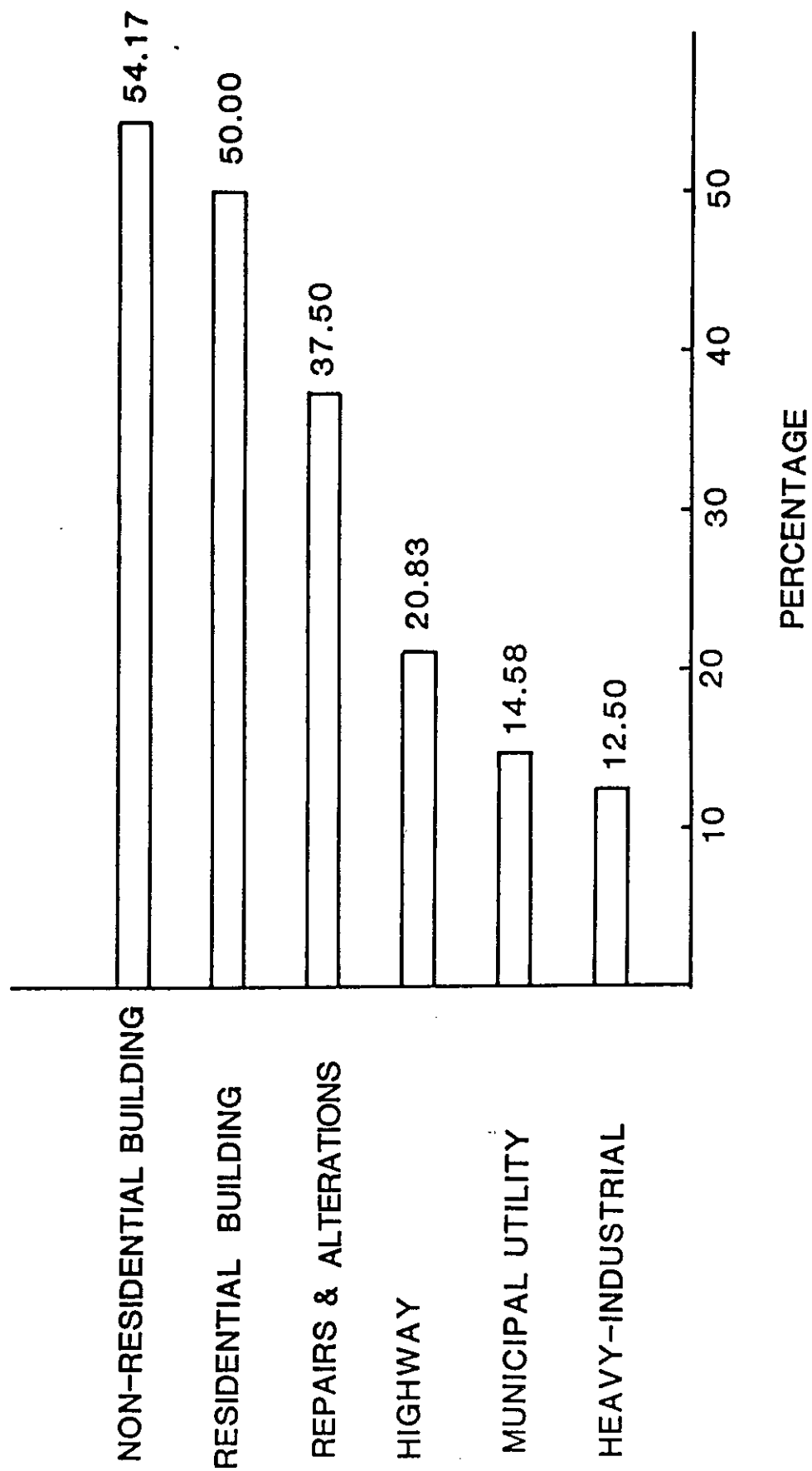


FIG. 12 - TYPE OF CONSTRUCTION PERFORMED BY MINORITY GENERAL CONTRACTORS

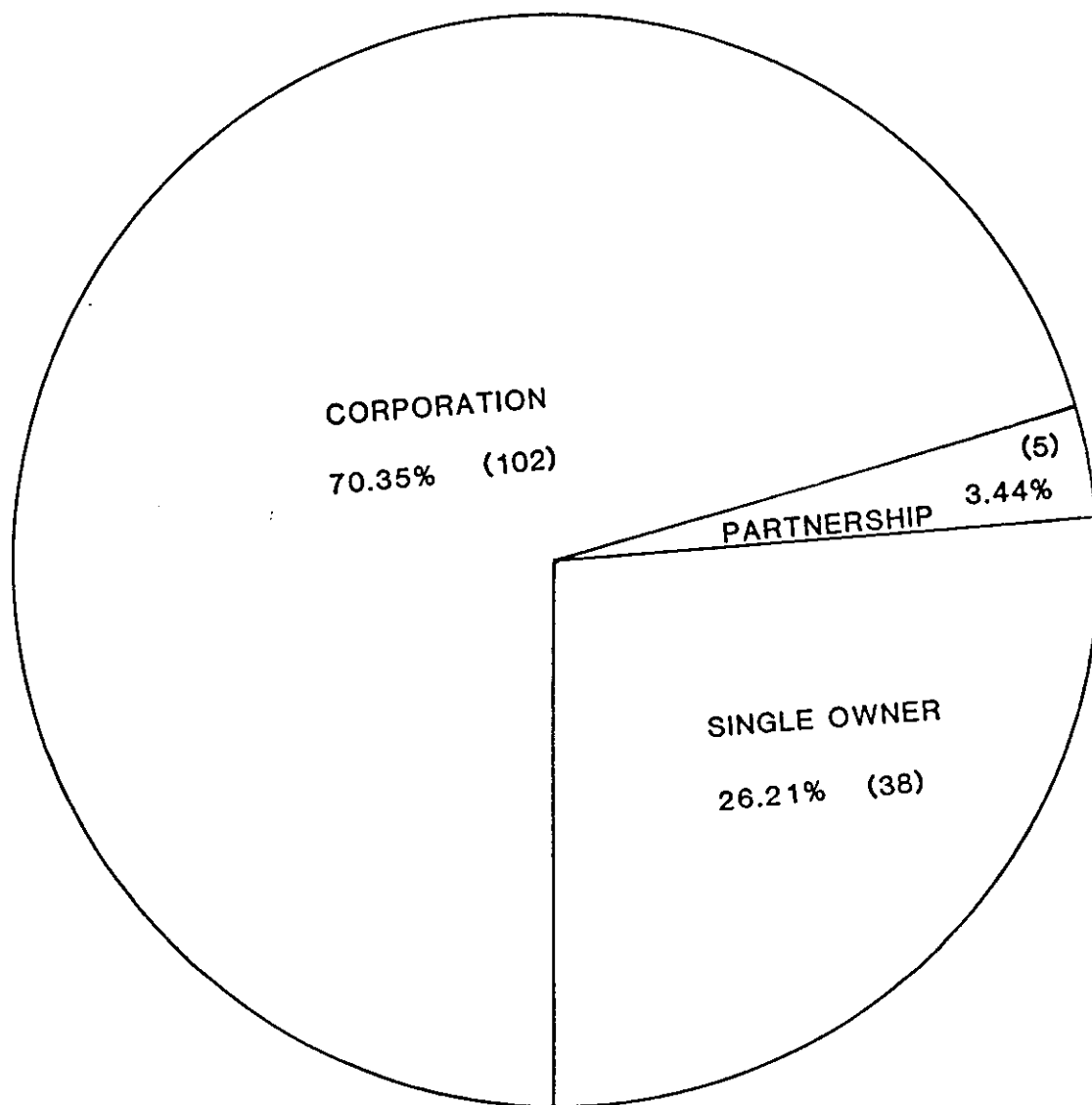


FIG. 13 - TYPE OF OWNERSHIP OF MINORITY  
CONSTRUCTION FIRMS

said they had physical disabilities. About 89% were males and 11% were females. By age, 4.61% were between 20 to 29, 32.58% 30 to 39, 35.34% 40 to 49, 22.56% 50 to 59 and 6.01% 60 or above. Their ethnic distribution is shown in Figure 14. This graph does not include women, so that figures are different from Table 10.



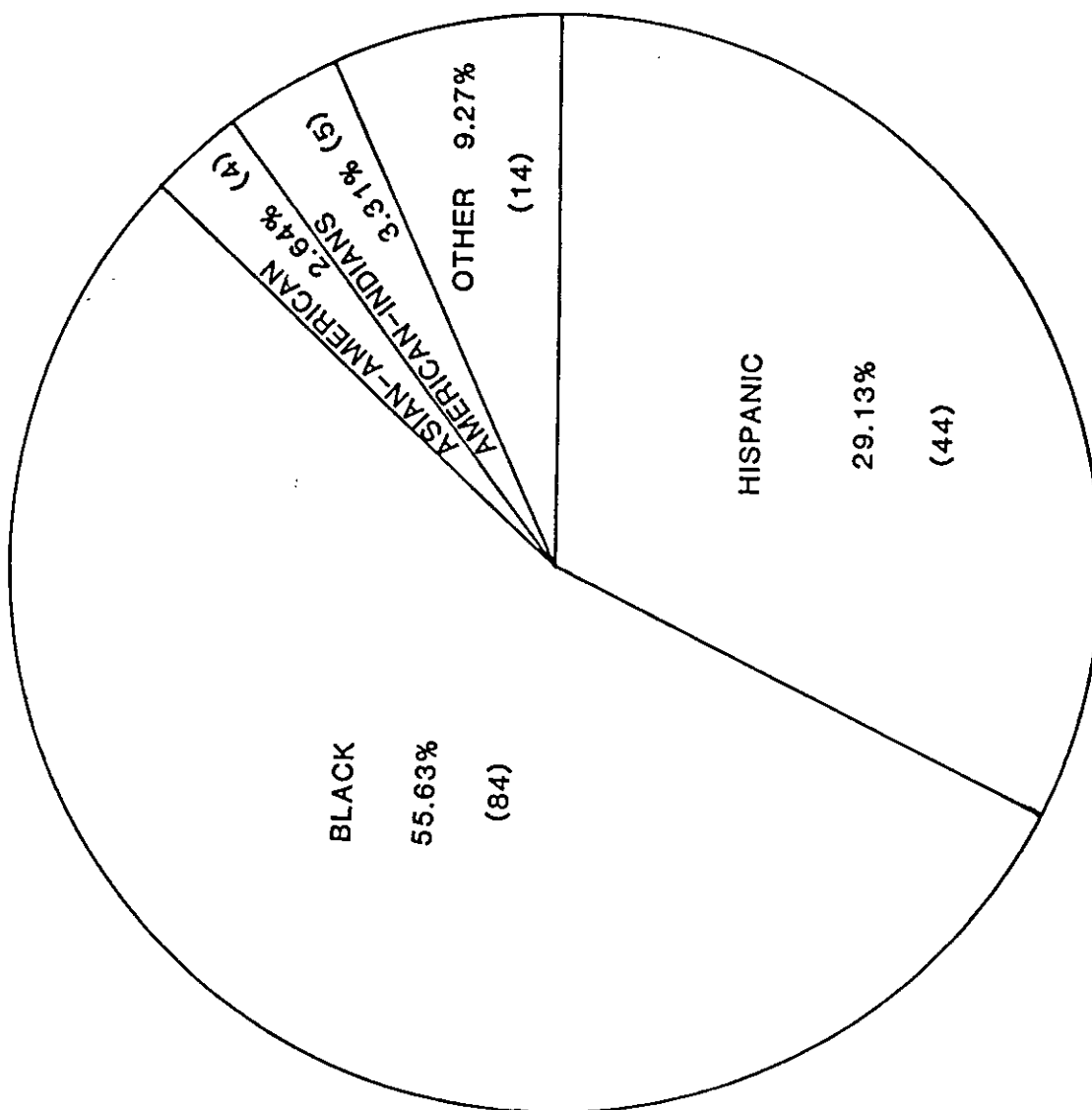


FIG. 14 - ETHNIC GROUP OF OWNER (OR MANAGER)

Table 10 Number of Firms, Number of Employees and Dollar Volumes of Surveyed Minority Construction Businesses in Relation to Type of Firm, Type of Ownership, Minority Participation, and Regional Distribution

		Firms		Employee Numbers		Dollar Value	
		Number	%	Mean	Median	Mean	Median
		151	100	13.73	8	1,023,477	450,000
TYPE OF FIRM	General Contractor	48	32.00	13.40	8	1,402,674	600,000
	Non-general Contractor	102	68.00	13.98	9	843,453	350,000
TYPE OF OWNER-SHIP	Single Owner	43	26.21	8.24	4	710,935	200,000
	Partnership	5	3.45	10.20	8	1,400,000	1,000,000
	Corporation	102	70.34	16.04	12	1,139,478	575,000
MINORITY GROUP OF OWNER/MANAGER	Black	81	55.10	11.84	7	586,328	300,000
	Hispanic	44	29.93	15.28	12	1,569,048	725,000
	Female	9	6.12	7.25	8	475,556	350,000
	Other	13	8.85	34.22	20	2,694,750	1,125,000
REGION OF FLORIDA	Northwest	23	15.23	8.13	4	350,737	150,000
	Northeast	13	8.61	6.69	5	550,727	350,000
	Central	26	17.22	18.32	8	1,295,238	500,000
	Southwest	22	14.57	14.71	10	1,151,579	800,000
	Southeast	62	41.06	15.08	12	1,186,140	600,000
	Out of State	5	3.31	14.20	12	1,213,333	450,000

#### 4.2.3 Size of Firms - Numbers of Employees

Table 10 shows that the general contractors have a mean of 13.40 employees and a median of 8 employees. The non-general contractors have a mean of 13.98 employees and median of 9. The higher numbers of regular employees among the specialist firms probably stems from the fact that the special trade contractors always try to keep skilled workers on hand because of the difficulty of finding others once they are released, whereas the general contractors normally subcontract most of their work to the special trade contractors, thus allowing them to have fewer employees on the payroll.

Corporations have a mean of 16.04 employees and a median of 12. Partnership firms have a mean of 10.20 and a median of 8, and single-ownership firms have a mean of 8.24 and a median of 4 employees.

Table 10 further shows that Black-owned construction firms in Florida have a median of 7 regular employees, Hispanic-owned firms a median of 12 employees and female-owned firms a median of 8. Construction firms owned by other minorities have a median of 10 employees. The respective means of these ethnic groups are 11.84, 15.28, 7.25, and 34.22.

#### 4.2.4 Regional Distribution

Shown in Table 10 and Figure 15 is the distribution of firms and of regular employees into Florida regions. The North West firms have a median of 4 employees, the North East a median of 5 employees, the Central area has a median of 8 employees, and the South West firms have a median of 10 employees. The firms with the highest median of number of employees lie in the South East with a median of 12. Out-of-state firms have the same median number. The above distribution may indicate one or more of the following:

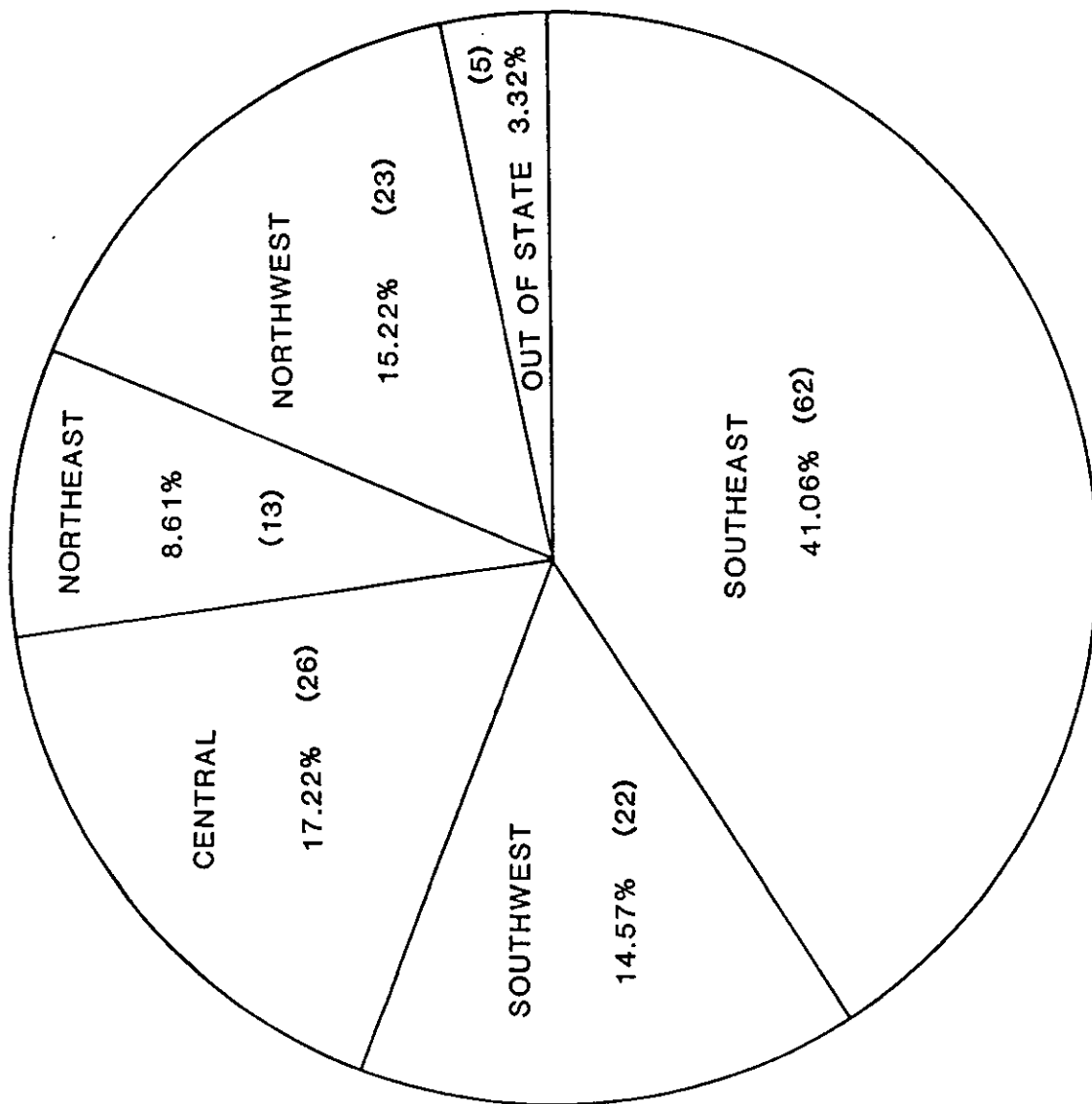


FIG. 15 - THE REGIONS WHERE THE RESPONDENTS RESIDE

1. There are more minority corporations in Central and South Florida than there are in the North.
2. Due to favorable conditions minority contractors are larger in the South than the Northern regions.
3. The number of minority contractors as a whole in Central and South Florida exceeds the number of their counterparts in North Florida.

Overall, this survey has determined that the minority contractors in Florida have an average of 8 employees on payrolls.

#### 4.2.5 Dollar Volume of Businesses

Table 10 shows the gross volume of the respondent firms as related to the type of firm, form of ownership, location and minority group of owners.

The general contractors have a median of \$600,000 annual gross volume and the non-general contractors have a median of \$350,000. The mean for the general contractors is \$1,402,674 and for the non-general contractors \$843,453.

Table 10 discloses that single ownerships have an average gross volume of \$710,935, with a median of \$200,000. Firms operated as partnerships reported a mean of \$1,400,000 and a median of \$1,000,000, while corporations have a mean of \$1,139,478 and a median of \$575,000.

Categorizing the annual gross dollar volume according to minority groups shows that Black-owned firms have a median of \$300,000 and an average of \$586,328; Hispanic-owned firms have a median of \$725,000 and a mean of \$1,569,048. Firms owned and controlled by females have a median of \$350,000 and a mean of \$475,556; those headed by members of other ethnic groups have a median of \$1,125,000 and a mean of \$2,694,750.

When classified by location, the North West area has a mean of \$350,737 and a median of \$150,000; the North East has a mean of \$550,727 and a median of \$350,000; the Central area has a mean of \$1,295,238 and a median of \$500,000; the South West area has a mean of \$1,151,579 and a median of \$800,000; and the South East area has a mean of \$1,186,140 and a median of \$600,000. The mean and median for out-of-state contractors are \$1,213,333 and \$450,000, respectively. This further shows that the Central minority contractors are the highest in terms of mean employee numbers (\$1,295,238).

Minority contractors in the North have fewer paid employees as well as lesser gross annual dollar volume.

The analysis indicates that the median annual gross dollar volume for minority construction firms in Florida is \$450,000 and the mean gross volume of these contractors is \$1,023,477.

#### 4.2.6 Special Trades Among Minority Contractors

The non-general contractors were asked to indicate what special trades their firms have been engaged in. Table 11 sets forth the numbers of special trade contractors ranging from the highest, which is electrical, to the lowest, flooring (wood). It is worth noting that some of the non-general contractors are involved in more than one of the trades listed. Also, none of the respondents is working in the areas of acoustical, dry wall, elevator and escalator, non-wood floor covering, glass and glazing, terrazzo, ceramic tile, marble and mosaic, and water well drilling.

Table 11 Numbers of Special Trade Contractors Among Minorities

SPECIAL TRADE	NUMBER
Electrical	21
Concrete	20
Landscaping	17
Excavation and Grading	15
Plumbing	10
Masonry and/or Stone	10
Air Conditioning	8
Paving	8
Painting, Paper-Hanging	7
Sheet Metal	6
Residential Remodeling	6
Heating (except Electrical)	5
Ornamental Metal Work	5
Highway Construction	5
Utilities	5
Roofing	4
Foundation	4
Wrecking and Demolition	4
Heating Contractor, Electric Insulation	3
Refrigeration	3
Structural Steel Erection	3
Fencing	3
Lathing and/or Plastering	2
Siding and/or Applicator	2
Subdivision Development	2
Trucking and Clean up	2
Flooring (wood)	1



### 4.3 Survey Results and Analysis II

#### Operating Problems of Minority Contractors

#### 4.3.1 Problems of Minorities in General

4.3.1.1 Finance--Overview. Similar to surety companies that provide bonding are the requirements set by financial institutions which provide both interim and permanent financing required to operate a construction firm or to complete a project. The institution will consider the contractor's track record as well as his financial stability, management abilities, profitability of present contracts and collateral available. The beginning minority contractor cannot meet many of these requirements, nor can many of his clients who also are minority people.

4.3.1.2 Working Capital Simply stated, this is cash on hand. Obtaining interim working capital is important to a contractor for several reasons. To appreciate these reasons one must understand the inter-relationship between having interim working capital, i.e. cash flow to run the business, and maintaining a sound credit rating to obtain financing. Having a poor credit rating makes obtaining financing very difficult. <sup>28</sup>

Interim working capital is used in a variety of ways by a contractor. Examples include paying for material, meeting payroll, renting equipment, paying for overhead and paying unexpected cost overruns or contingent expenses. If a contractor develops a history of late payments due to lack of working capital, his credit rating will suffer.

As shown in Figures 16 and 17, working capital is a leading problem for minority contractors with respect to financing in general and securing bonding.

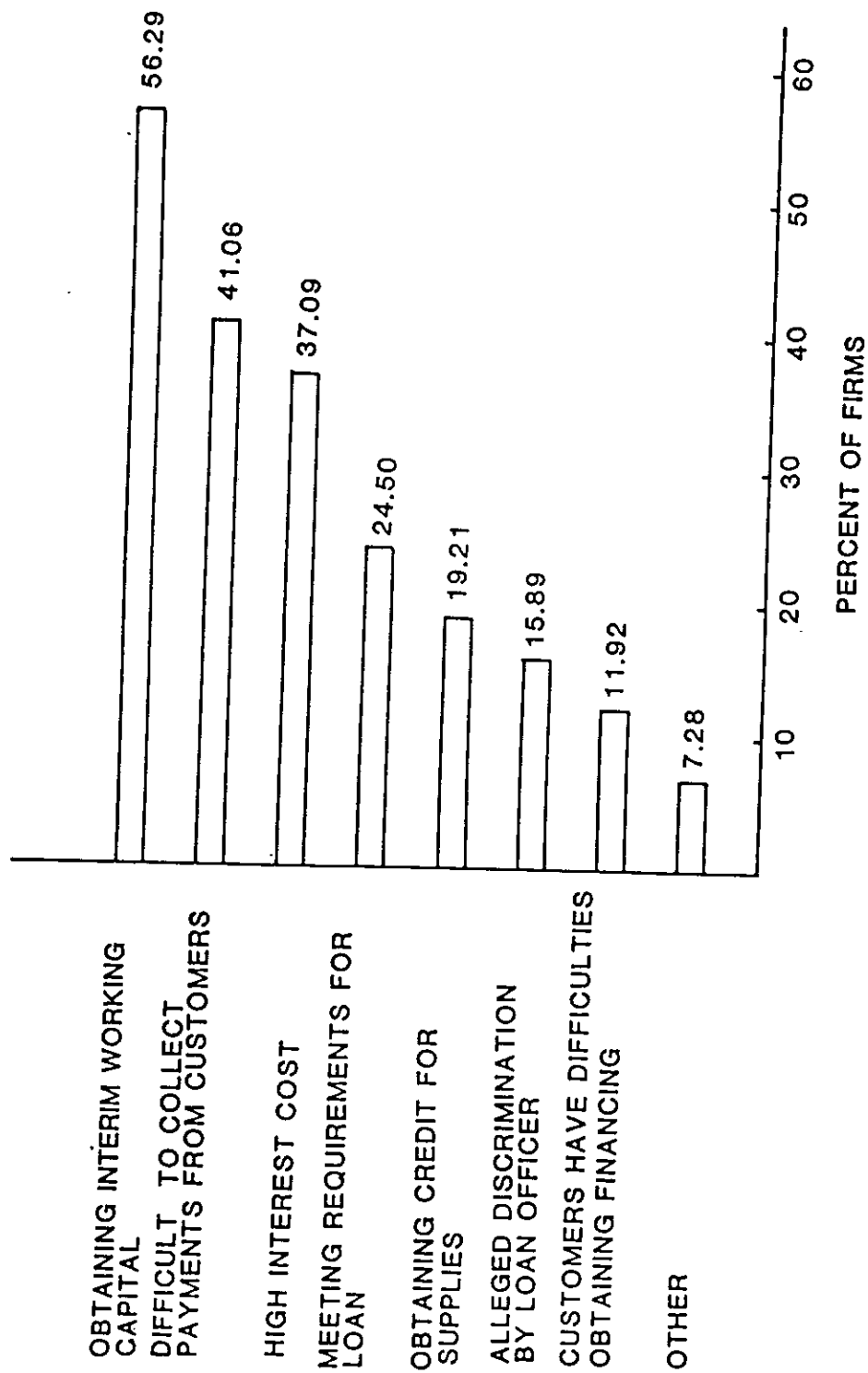


FIG. 16 - FINANCING DIFFICULTIES ENCOUNTERED IN OPERATIONS

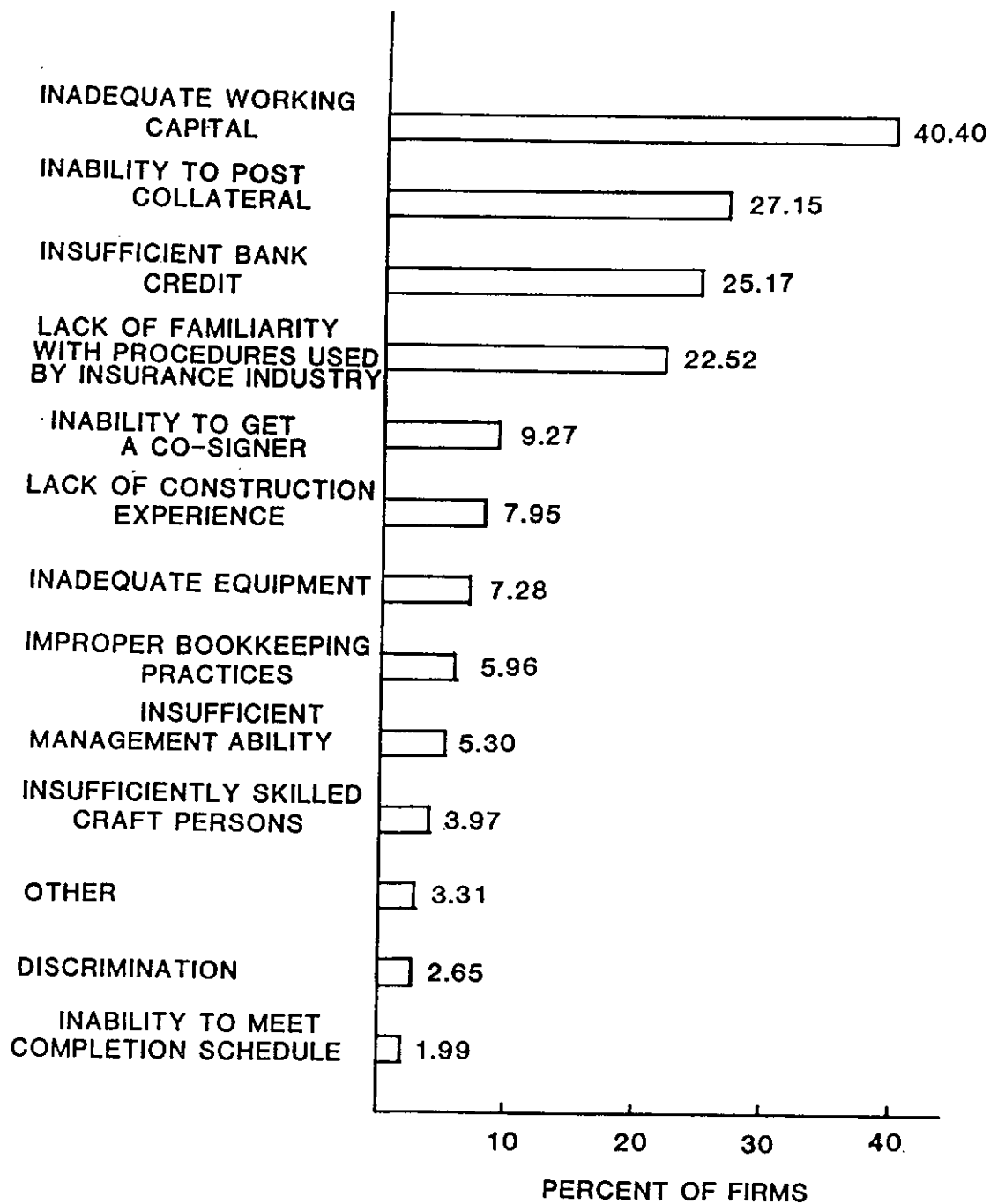


FIG. 17 - BONDING DIFFICULTIES ENCOUNTERED IN OPERATIONS

4.3.1.3 General Financing. Figure 16 also shows that the second most serious problem in this area is difficulty in collecting payments from customers. The other problems, in descending order of severity, are high interest costs, meeting requirements for loans, obtaining credit for supplies, alleged discrimination by loan officers, and difficulties experienced by customers in obtaining financing.

4.3.1.4 Bonding. According to Figure 17, the top four problems faced by the contractor seeking bonding also happen to be the four very important hurdles a contractor must pass to become bonded. The first, as mentioned above, is not having adequate working capital. This is a serious problem because to qualify for a bond the contractor must normally have a 10% reserve of quick assets on hand, i.e., 10% of the total amount of unfinished work plus 10% of the new contract under consideration.<sup>8</sup> This requirement may protect a contractor from attempting a project too large for his resources to handle. Second is the inability to post collateral. This is a requirement for some types of bonds. Third is insufficient bank credit. A contractor who is new to a surety undergoes a thorough investigation.<sup>8</sup> The surety will want to know if the contractor has a satisfactory record of paying bills as discussed above, in connection with Figure 16. The fourth major problem, lack of familiarity with the insurance industry's procedures, would make the process of applying for bonding very difficult, especially in dealing with the paperwork involved.

#### 4.3.2 Other Operational Problems

4.3.2.1 Labor--Recruiting, Training, Maintaining. Minority contractors also encounter difficulties with their labor supply. As Figure 18 demonstrates, there is a serious problem in recruiting skilled craft persons.

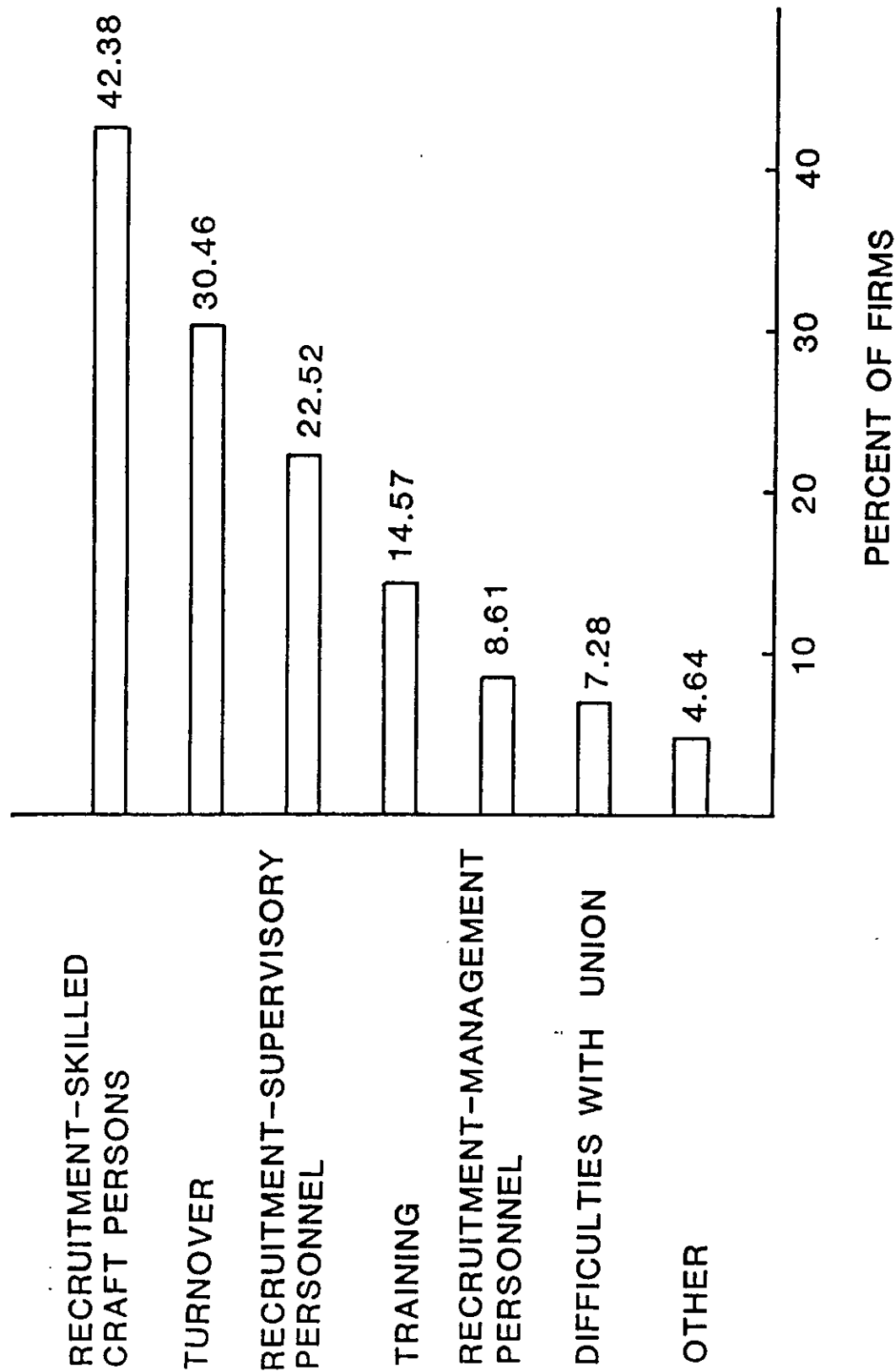


FIG. 18 - LABOR DIFFICULTIES ENCOUNTERED IN OPERATIONS

the lack of such people makes it difficult at best for a minority contractor to be competitive while participating in the construction industry. The problem of recruiting skilled craft persons stems from a nationwide shortage of them. A similar problem is the recruitment of supervisory personnel. The shortage of good help is probably felt more acutely in Florida due to the large volume of construction work being performed in that state.

The second largest problem under the topic of labor difficulties, according to almost a third of the respondents, is turnover. Hiring and firing is an expensive and time consuming process for any employer. The time spent to recruit and train new employees costs money. The cost in conjunction with the shortage of skilled craft persons in Florida makes turnover a definite problem.

4.3.2.2: Lack of Managerial Skills. According to managerial consultants, capital to operate a business is not nearly as important as possessing good managerial skills; lack of this is one of the leading causes for business failures. Without the benefit of an education in management, something many minorities lack due to their training as tradesman, they cannot survive in the highly competitive construction industry. The skills required include estimating, bidding, scheduling, cost control, and office management that can only be acquired through education or experience at the managerial level.

Figure 19 shows some of the problems in the area of management skills ranked according to priority by the minority contractors surveyed. Nearly a third of respondents said estimating and bidding presented the greatest difficulty encountered in operating their business. Since estimating and bidding are the bread and butter of profits, problems with these functions would present serious difficulties in operating a construction company.

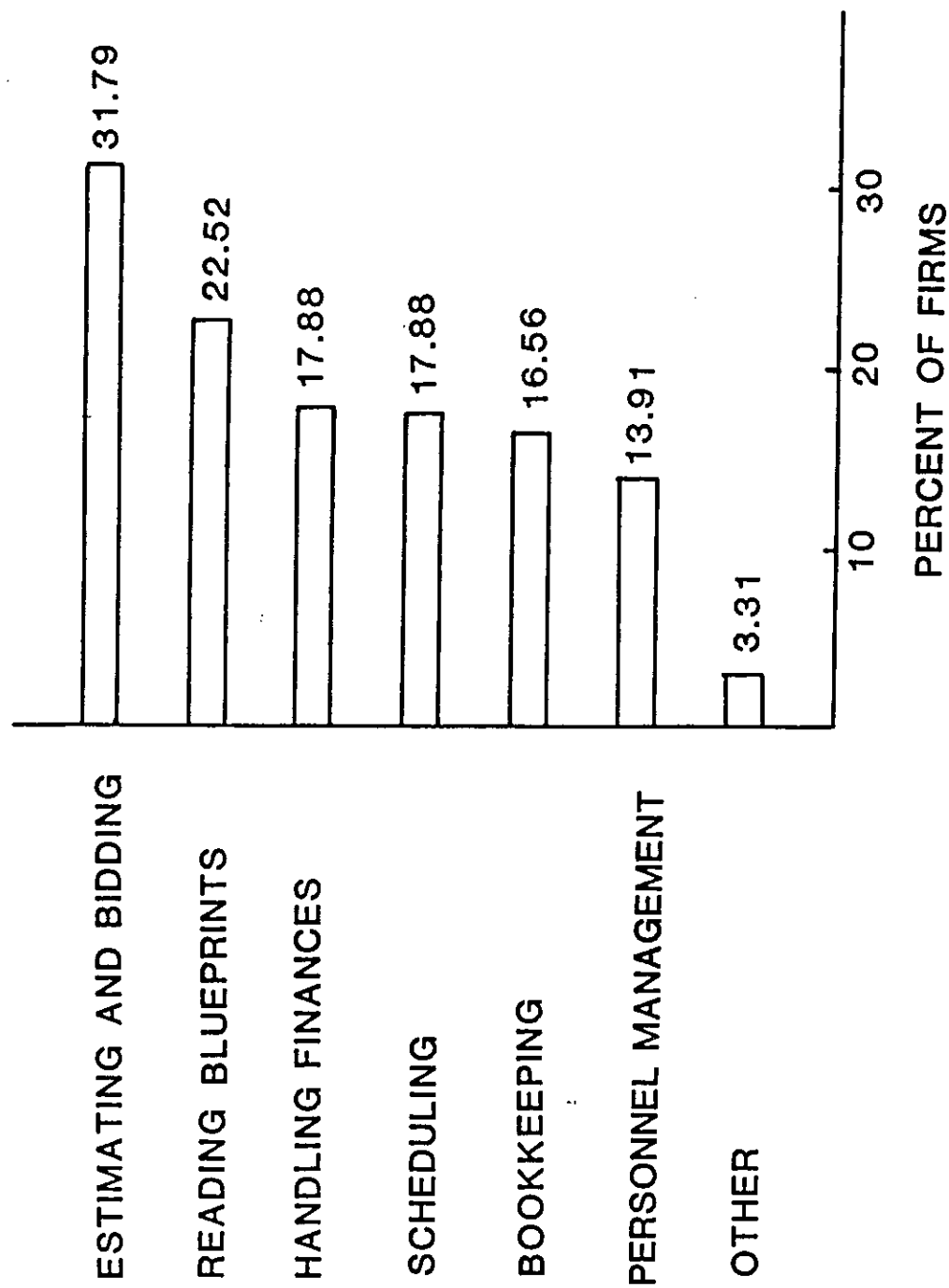


FIG. 19 - MANAGEMENT SKILL DIFFICULTIES ENCOUNTERED IN OPERATIONS

The second most serious problem in the management skills area is reading blueprints. Since this is an essential skill for most construction estimates, it would seem that the two top problems in the management skills area are closely related.

Two difficulties are tied for third place, according to Figure 19. They are handling finances and scheduling. Incompetence in handling finances could lead to a variety of problems, one of the worst of which would be to ruin the contractor's credit rating. This would lead directly to bonding and financing difficulties. The other third-place problem, scheduling construction projects, is important because the bonding and financing companies scrutinize a contractor's business history to determine if he consistently finishes his work on schedule.<sup>28</sup>

4.3.2.3 Cheap Competition. Half of the minority contractors said that cheap competition presents a difficulty in operating their businesses. Figure 20 depicts this finding as well as the disclosure that almost a third of the contractors surveyed encountered difficulty in marketing their services or products.

Figure 21 is an overall view of the comparative severity of operating problems for minority contractors.

4.3.2.4 Improvements in Financing Ranked as The Greatest Need. Minority contractors ranked general financing and bonding as their most serious problems (see Figure 21). Over half of those surveyed felt that improved financing would be the force exerting the greatest positive benefit to the operation of their businesses. Almost a third of the minority contractors regarded improved bonding as having the most potential to positively affect their businesses.



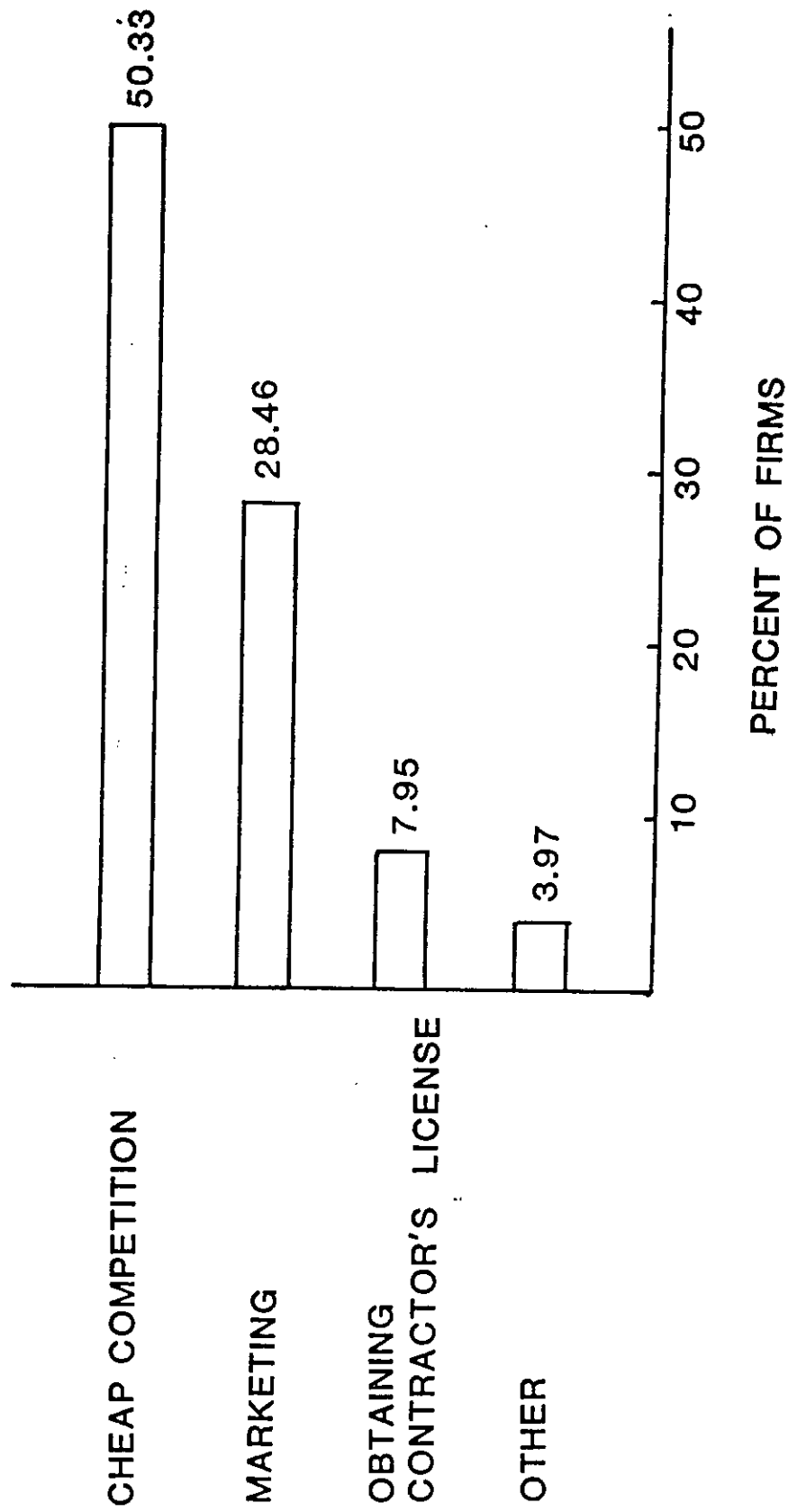


FIG. 20 - OTHER DIFFICULTIES ENCOUNTERED IN OPERATIONS

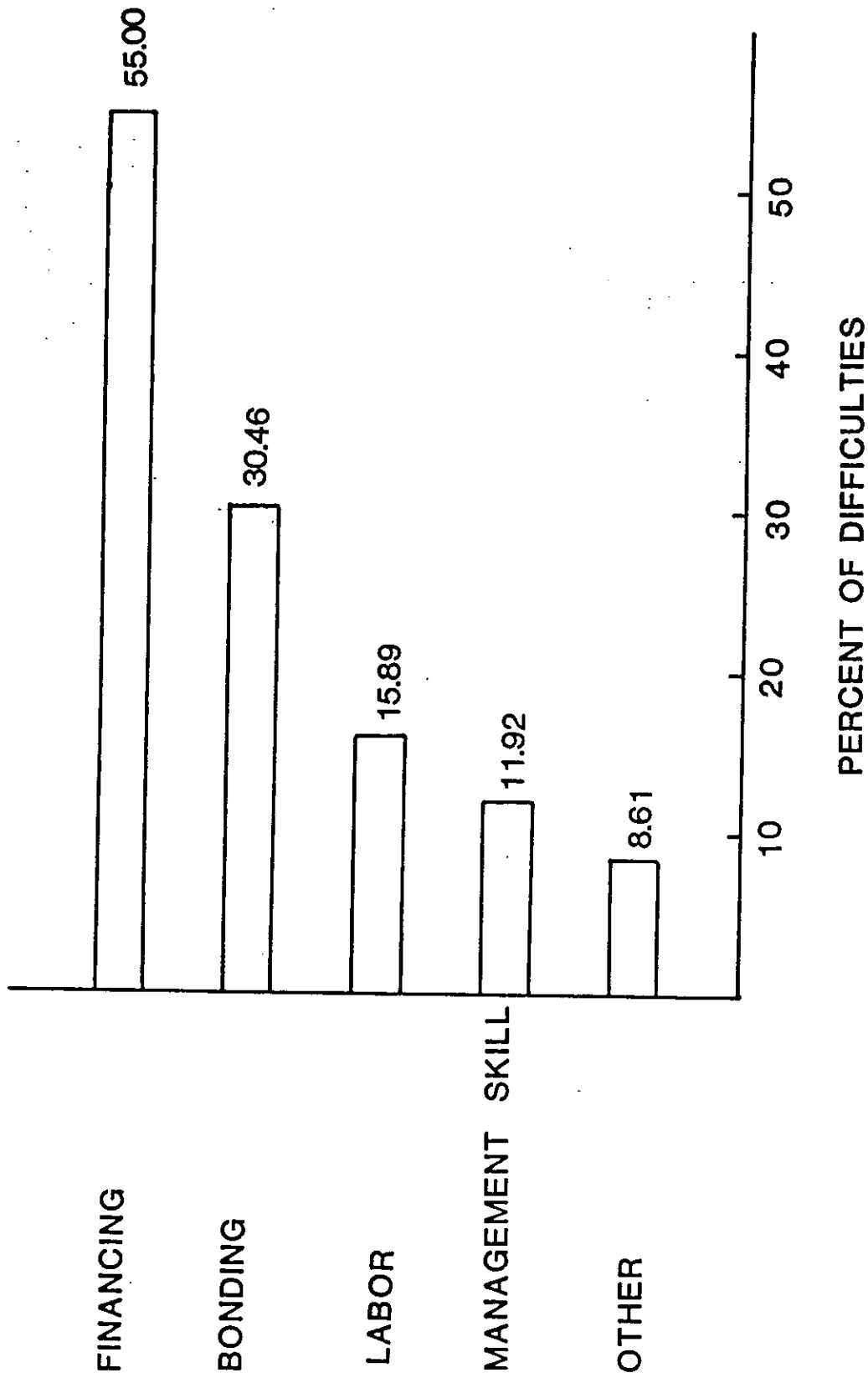


FIG. 21 - COMPARATIVE SEVERITY OF DIFFICULTIES  
IN MINORITY OPERATION

Following, in diminishing order of impact, were labor, management skills and problems classified as "others."

#### 4.3.3 MBE and Set Asides--Familiarity and Reactions

See Figures 22, 23 and 24. Over three quarters of the minority contractors who responded to the questionnaire said they were familiar with the Set Aside program, but almost half indicated that the MBE regulations did not assist them in getting construction work.

4.3.4 Comments Relative to Set Asides. The following are additional comments about the MBE Set Aside programs. Nearly half of those who responded said that they could not meet the high bonding requirements of some MBE work. Many of the respondents were not even aware of the Set Aside program. Some said they had received work because of the program and that it was a step in the right direction, whereas many others were critical of the program.

One recurring complaint was the time required to properly process a bid. One contractor said, "The time required for the MBE bid process could be almost a full-time job." Several said invitations to bid on distant jobs are not received early enough for bid processing. Another time problem similar to bid processing is payment processing. One contractor said that sometimes his money was tied up for up to 90 days due to the draw request process.

Another common complaint focuses on the latitude with which contractors manipulate bids. It is alleged that contractors bid shop and price fix when dealing with minority businesses. These practices, along with contractors not making legitimate offers to bid, seem to deter some minority firms from participating in the Set Aside program.

Another major complaint was that the minority firms often were regarded as only token contractors, hired solely to meet quotas. This problem, in conjunction with the fact that many general contractors request bids from minority enterprises only to comply with legal requirements, deters some legitimate minority firms from becoming more involved with the Set Aside program.

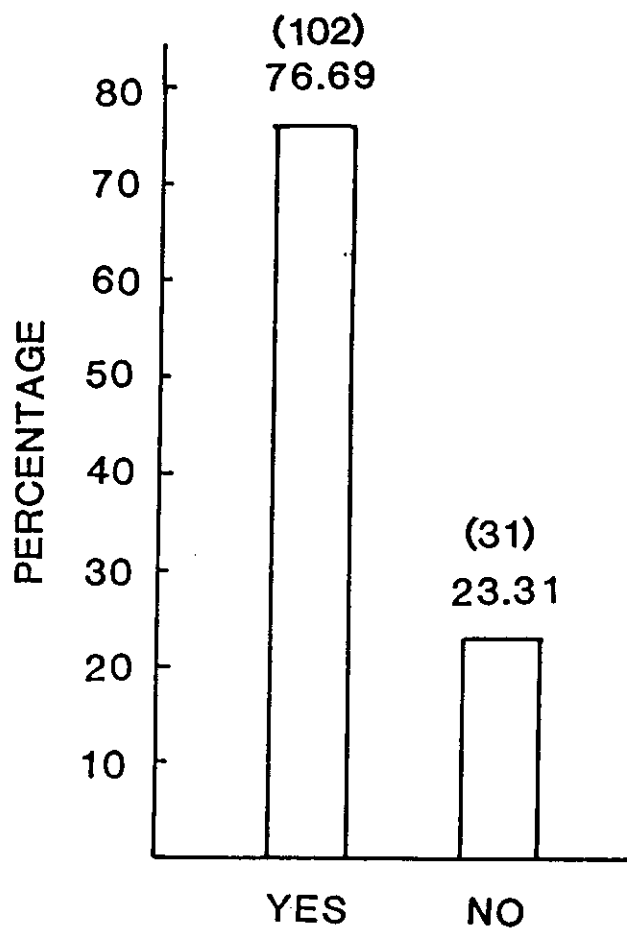


FIG. 22 - IS YOUR FIRM FAMILIAR WITH  
THE MINORITY BUSINESS  
ENTERPRISE SET ASIDE PROGRAM ?

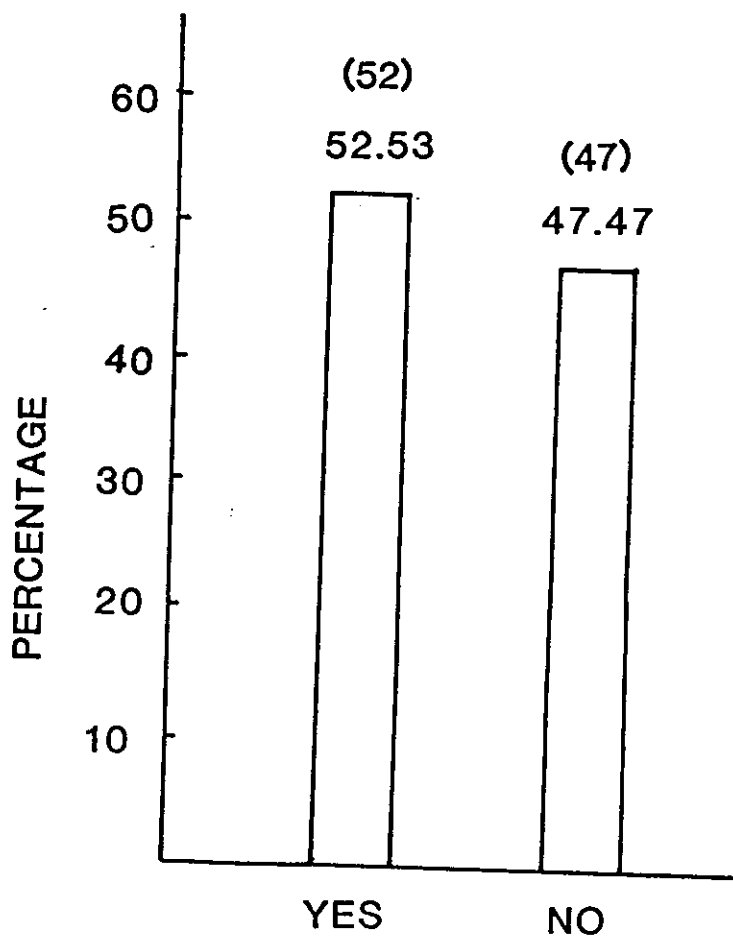


FIG. 23 - HAVE MBE REGULATIONS ASSISTED YOU  
IN OBTAINING CONSTRUCTION WORK ?  
ANSWERED BY THE FIRMS FAMILIAR WITH MBE

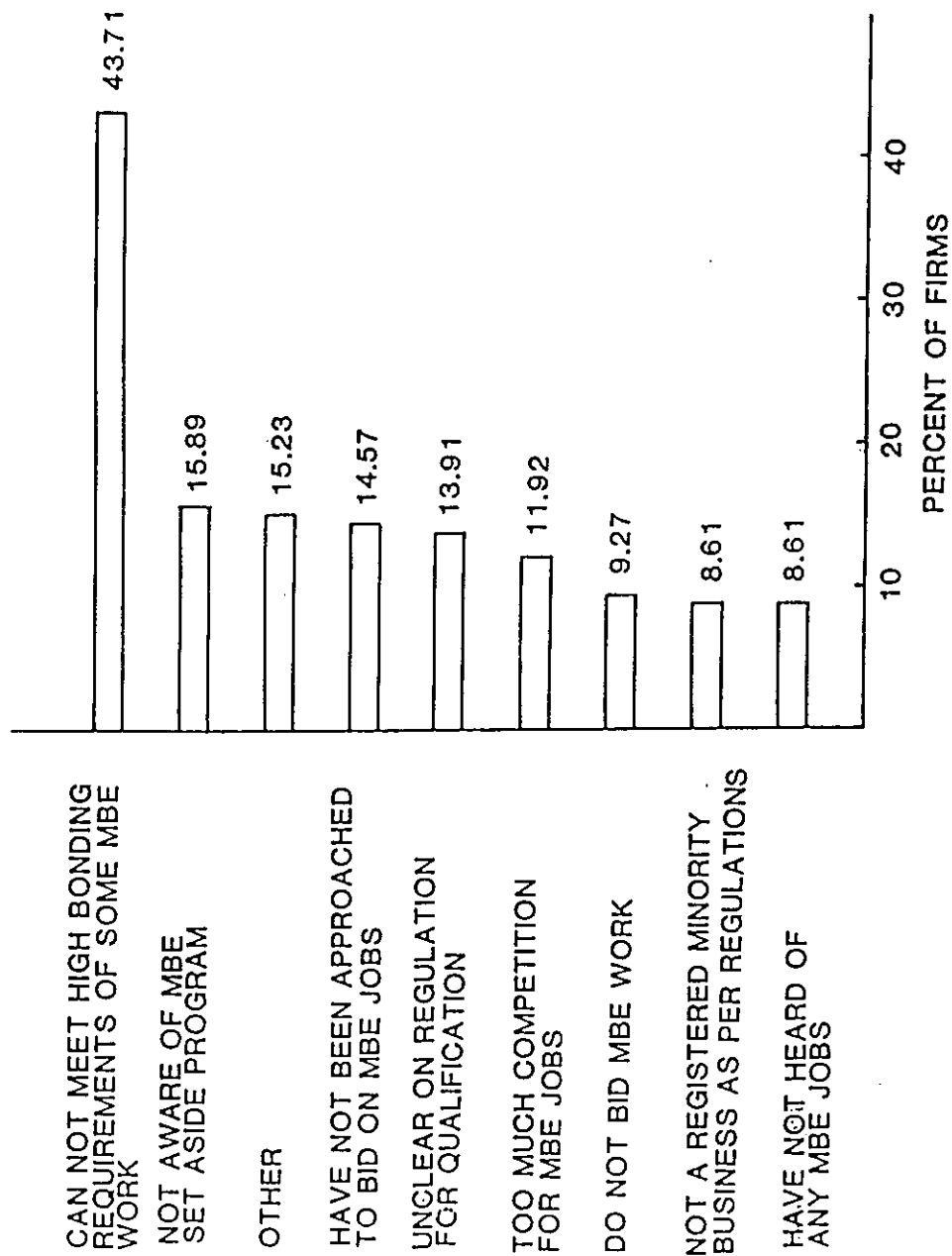


FIG. 24 - INCIDENCE OF PROBLEMS RELATED TO MBE SET ASIDE PROGRAM

#### 4.3.5 Operating Problems of Individual Minority Groups

Ranking Order of Difficulties. The minority respondents can be arranged according to ethnic group and sex as shown in Figure 25. This information can be used in connection with other data to determine whether some problems are confined mainly to specific minorities or to females. Tables 12 to 18 illustrate the severity of various difficulties as ranked by Blacks, Hispanics, females and other groups (Asian, American Indian). Table 12 is for general financing difficulties; Table 13 is for bonding difficulties; Table 14 is for labor difficulties; Table 15 for management skills difficulties; Table 16 for "other" difficulties, Table 17 for general difficulties; Table 18 for problems related to MBE Set Aside programs.

Variation of Severity Among Ethnic Groups. Fifty-four percent of female respondents indicate that high interest rates cause the financial difficulties in their daily operations. Compared with other groups in Figure 26, the female contractors have more difficulties with high interest than the Black, Hispanic and Others (Asians, American Indian). Figure 27 portrays that Blacks and Hispanics have much more difficulty posting collateral to qualify for bonding than do female and other minority contractors.

The study shows that turnover was the second-highest labor problem faced by minority contractors. It also shows, in Figure 28, that female and Black contractors have much more severe difficulties with this problem than do Hispanics or other minority contractors.



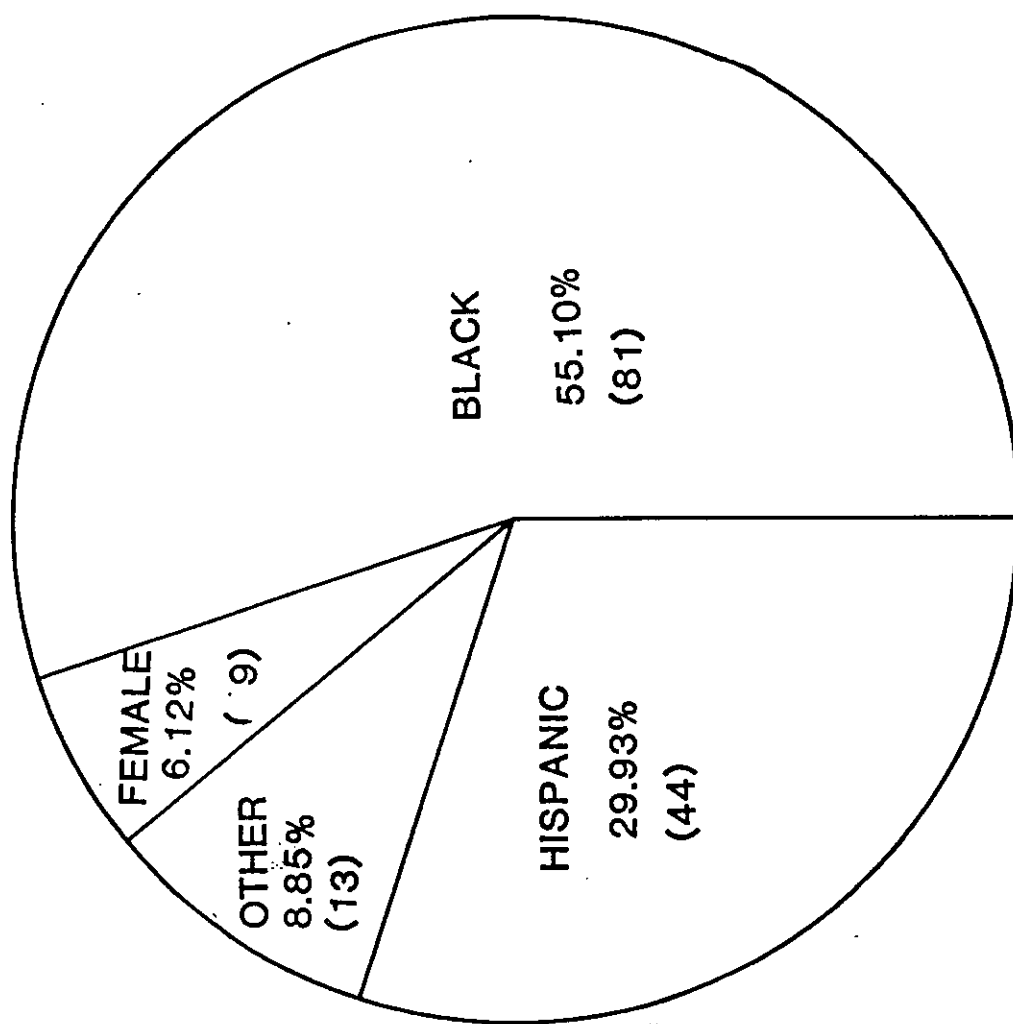


FIG. 25 - COMPOSITION OF RESPONDENTS IN TERMS  
OF ETHNIC GROUPS AND FEMALES TOTAL 147

Table 12 General Financing Difficulties--Order of Severity  
for Various Ethnic Groups

	Black	Hispanic	Female	Other
Obtaining interim working capital	1	1	3	1
Difficult to collect payment from customers	2	2	2	2
High interest rates	3	3	1	2
Meeting requirements for loan	4	4	5	6
Obtaining credit for supplies	5	5	5	6
Alleged discrimination by loan office	6	6	8	6
Customers have difficulties obtaining financing	7	8	5	4
Other	8	7	4	5

Table 13 Bonding Difficulties--Ranking Order of Severity for  
Various Ethnic Groups

	Black	Hispanic	Female	Other
Inadequate working capital	1	1	1	1
Inability to post collateral	2	4	4	4
Insufficient bank credit	3	2	8	4
Lack of familiarity with procedures used by insurance industry	4	2	2	1
Insufficient management ability	5	12	8	8
Inadequate equipment	5	6	4	8
Inability to get a co-signer	7	5	8	8
Lack of construction experience	8	6	3	8
Insufficiently skilled crafts person	9	12	8	4
Improper bookkeeping practices	10	6	4	1
Discrimination	10	10	8	8
Inability to meet completion schedule	12	10	8	8
Other	13	6	4	4

Table 14 Labor Difficulties--Ranking Order of Severity for Various Ethnic Groups

	Black	Hispanic	Female	Other
Recruitment-skilled craft persons	1	1	2	1
Turnover	2	3	1	4
Recruitment-supervisory personnel	3	2	3	2
Training	4	4	7	2
Recruitment-management personnel	5	5	5	6
Difficulties with union	6	6	5	4
Age work force	8	8	7	6
Other	7	6	3	6

Table 15 Management Skill Difficulties--Ranking Order for Various Ethnic Groups

	Black	Hispanic	Female	Other
Estimating and bidding	1	1	1	2
Bookkeeping	2	6	5	2
Reading blueprints	3	1	2	5
Handling finances	4	3	3	1
Personnel management	4	5	5	5
Scheduling	4	4	3	2
Other	7	7	5	5

Table 16 Other Difficulties--Ranking Order for Various Ethnic Groups

	Black	Hispanic	Female	Other
Cheap competition	1	1	2	1
Marketing	2	2	1	2
Obtaining contractors license	3	3	4	2
Other	4	3	3	2

Table 17 Summary of Difficulties--Ranking Order for Various Ethnic Groups

	Black	Hispanic	Female	Other
Financing	1	1	1	1
Bonding	2	5	2	1
Management skills	3	1	5	4
Labor	4	3	4	4
Other	5	4	3	3

Table 18 Problems with MBE Set Aside Programs--Ranking Order for Various Ethnic Groups

	Black	Hispanic	Female	Other
Cannot meet high bonding requirements of some MBE work	1	1	1	1
Have not been approached to bid on MBE jobs	2	3	4	9
Unclear on regulations for qualification	2	4	6	5
Not aware of MBE set aside program	4	2	4	1
Don't bid MBE work	4	7	9	5
Too much competition for MBE jobs	7	7	2	1
Not a registered minority business as per regulations	8	7	6	5
Have not heard of any MBE jobs	8	6	8	5
Other	5	4	3	3

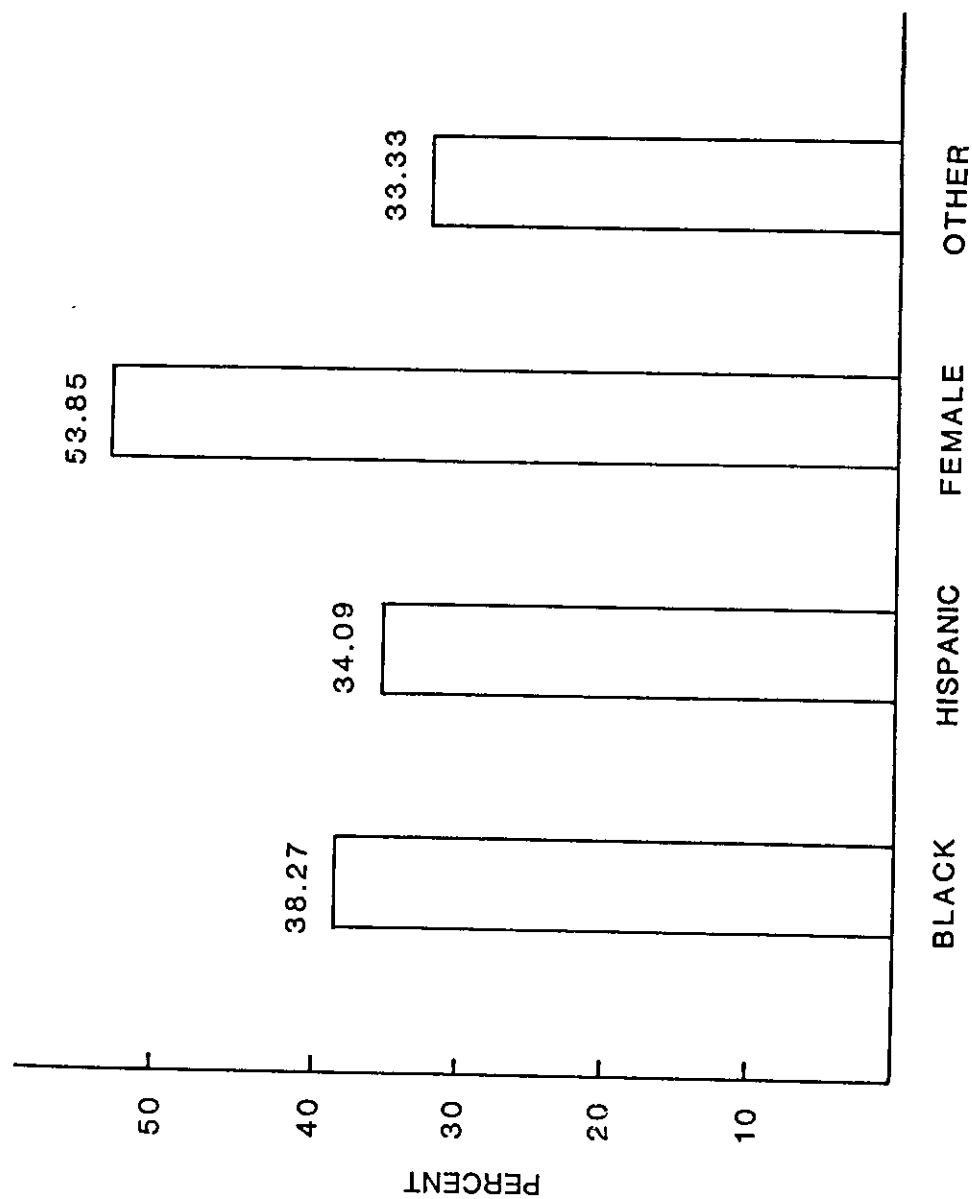


FIG. 26 - INCIDENCE OF THE PROBLEM OF HIGH INTEREST AMONG  
MINORITY GROUPS

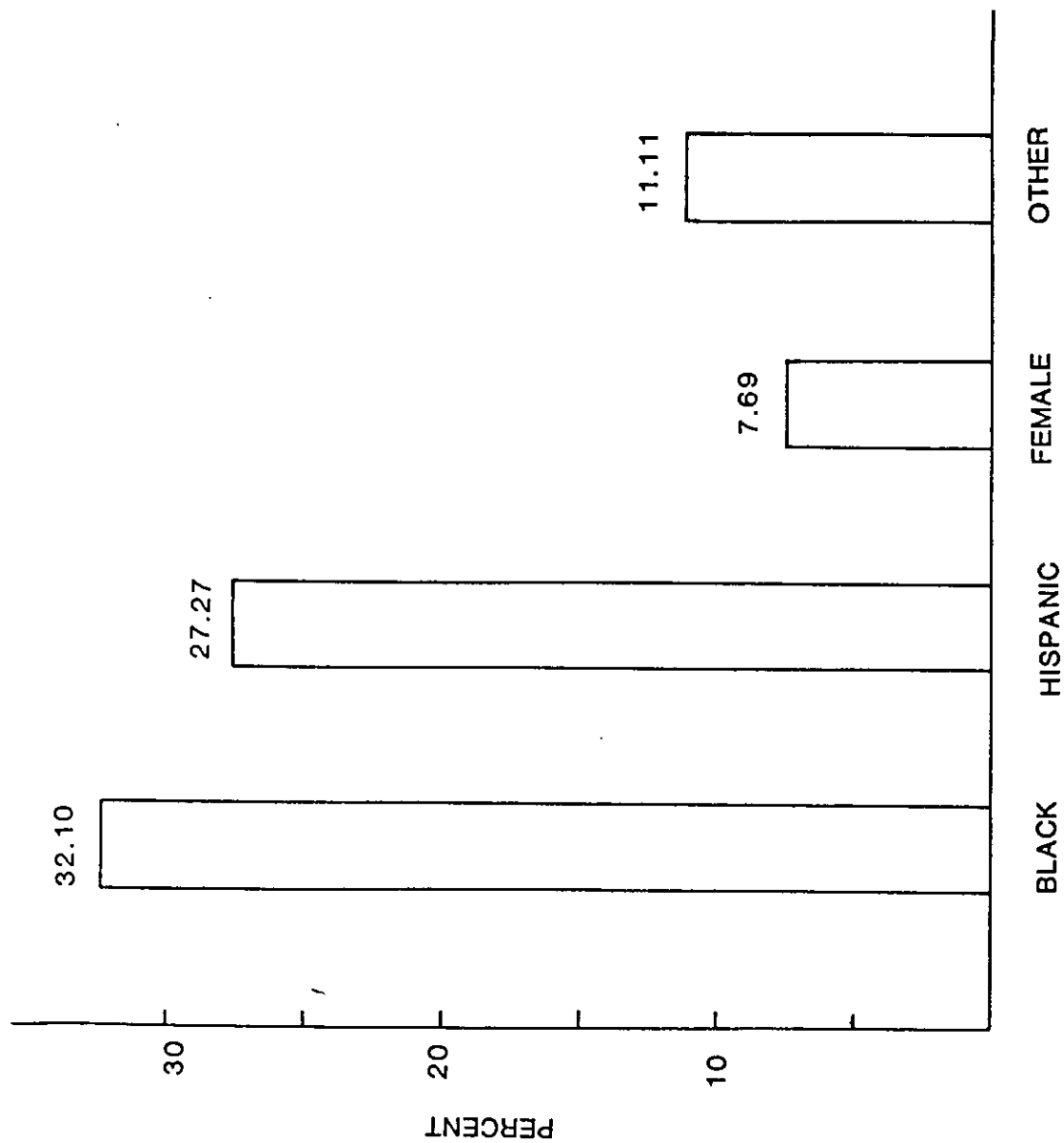


FIG. 27 - INCIDENCE OF THE PROBLEM OF INABILITY TO POST COLLATERAL  
AMONG MINORITY GROUPS

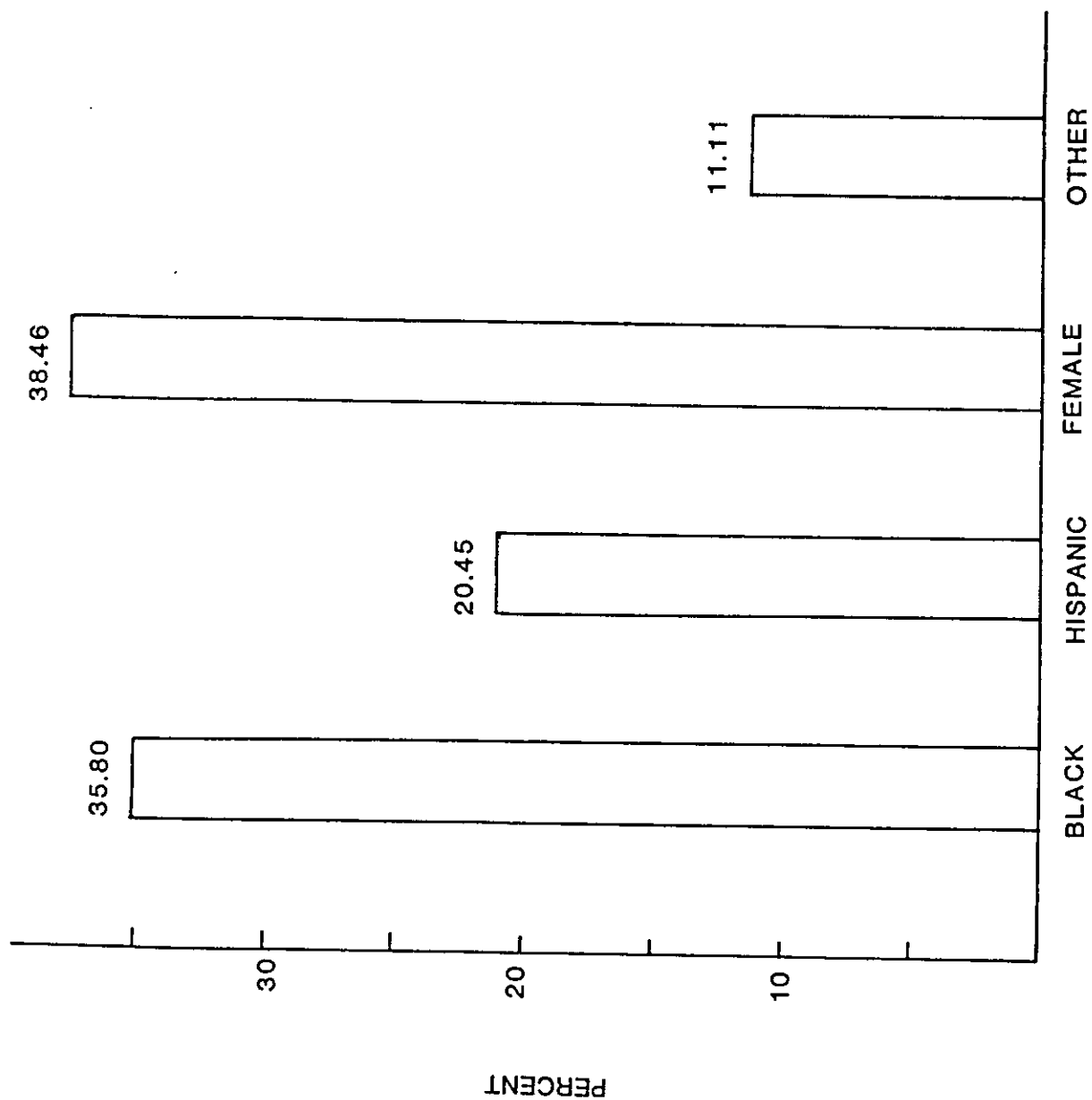


FIG. 28 - INCIDENCE OF THE PROBLEM OF EMPLOYEE TURNOVER AMONG MINORITY GROUPS

The worst problem minority contractors face in the area of management skills is cost estimating and bidding. The study shows that female and Black contractors have far more difficulty in this area than Hispanic or other minority contractors, as shown in Figure 29.

A high-ranking problem among minority contractors is marketing. Figure 30 shows that female contractors have serious difficulty marketing their services and/or products in the construction industry.

Many minority contractors feel that cheap competition is one of their most serious problems. The study shows that Hispanic and female contractors have more difficulty accomplishing this than do Black or other minority contractors. Refer to Figure 31.

Figure 32 portrays the percentages of various groups disclosed by the survey which are familiar with MBE programs. Figure 33 depicts the percentages of minorities familiar with MBE who professed to be helped or not helped by the program. There is a notable disparity between the portion of Hispanic and female minority contractors who receive assistance from MBE Set Aside programs and the corresponding portion of Black minority contractors. Whereas the majority of Black contractors familiar with the Set Aside program receive assistance, only about half of the Hispanic contractors and less than half of the female contractors receive it. Because only three "other" minority contractors responded to the question regarding the assistance from Set Aside program, the results related to them could be ignored.

The minority contractors who responded said that their greatest problem in participating in the MBE Set Aside program was that they could not meet the high bonding requirements. Of these contractors, females and Hispanics had more problems than Black or other minority operators. Refer to Figure 34.



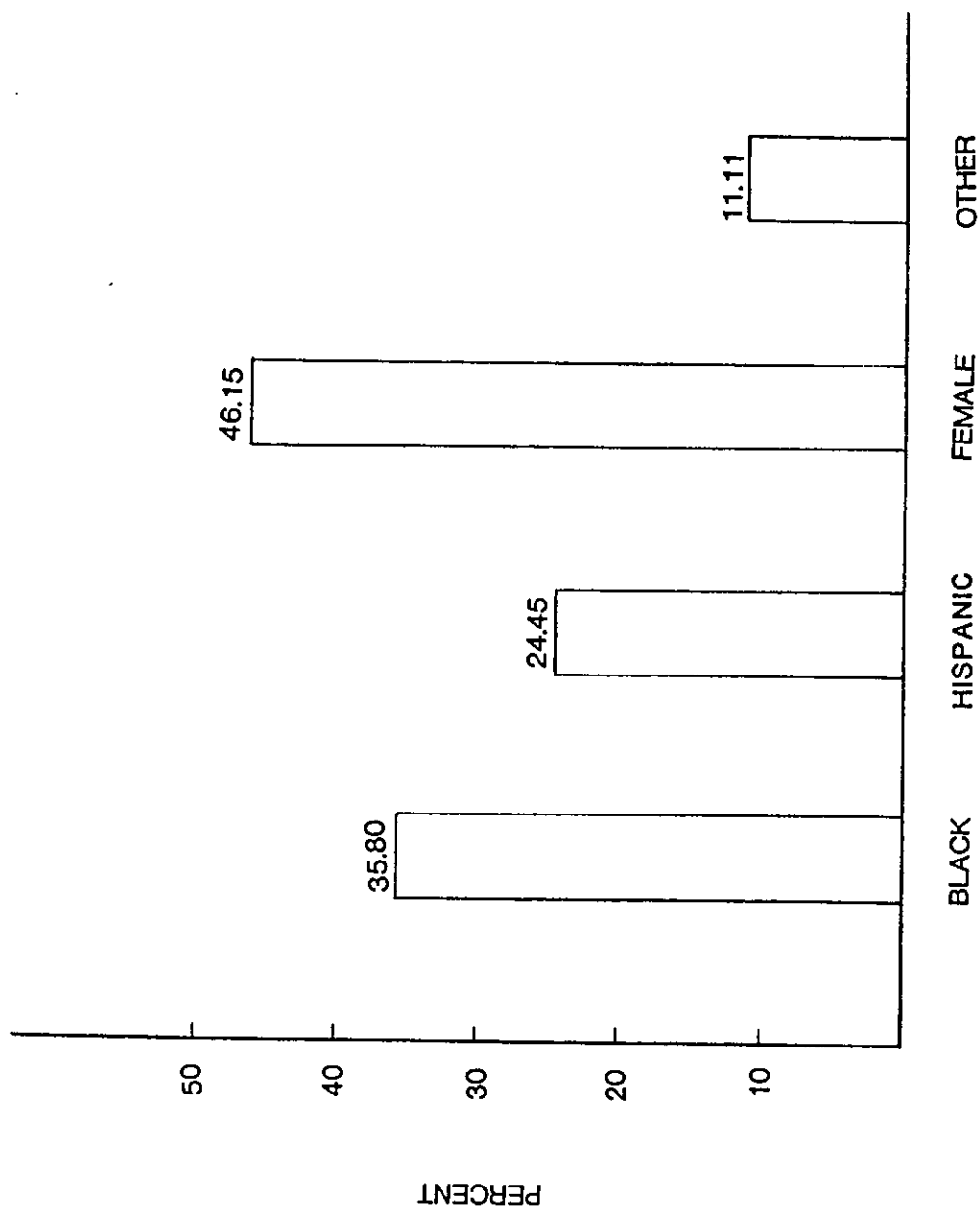


FIG. 29 - INCIDENCE OF THE PROBLEM OF ESTIMATING AND BIDDING AMONG MINORITY GROUPS

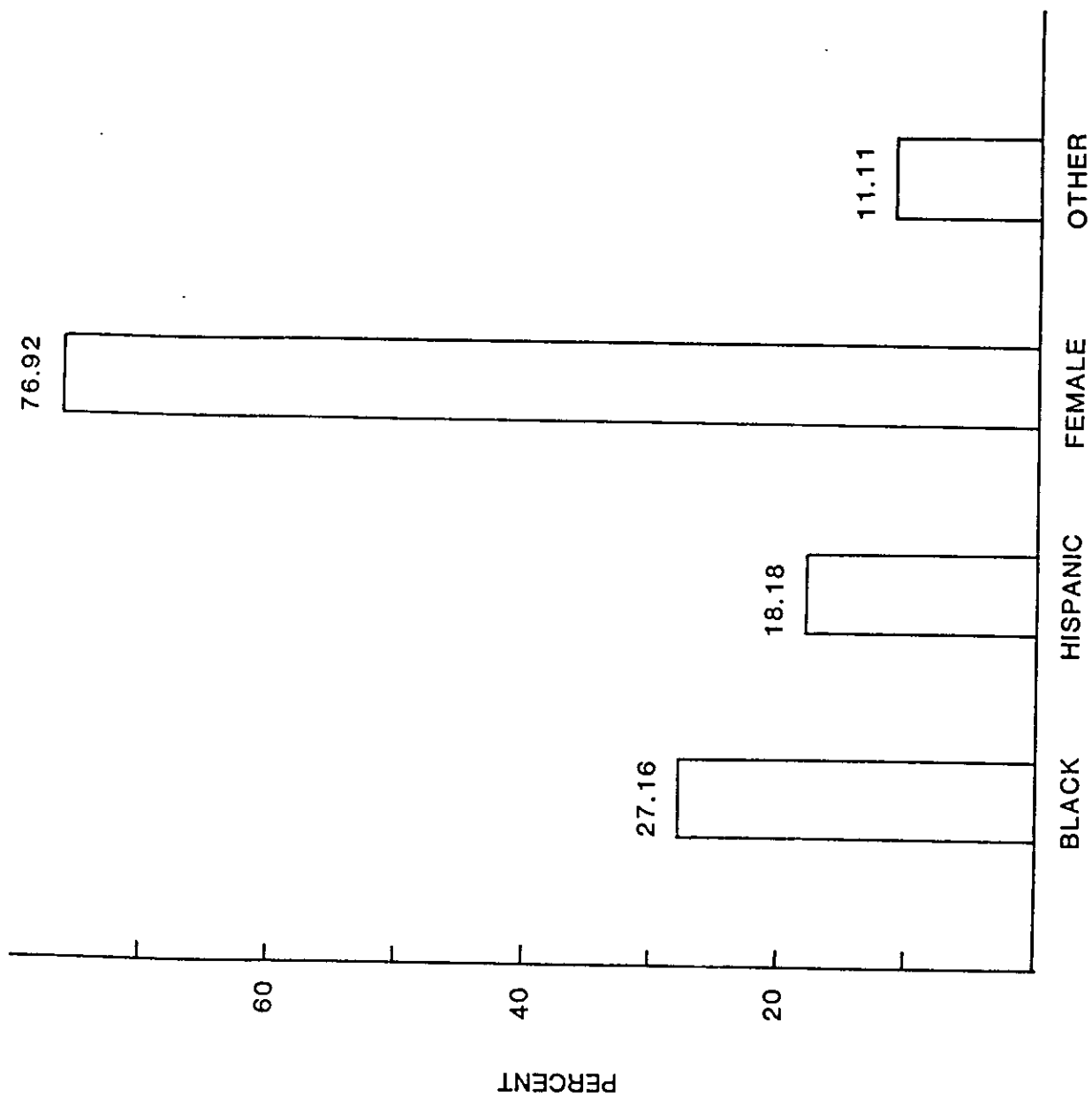


FIG. 30 - INCIDENCE OF THE PROBLEM OF MARKETING AMONG MINORITY GROUPS

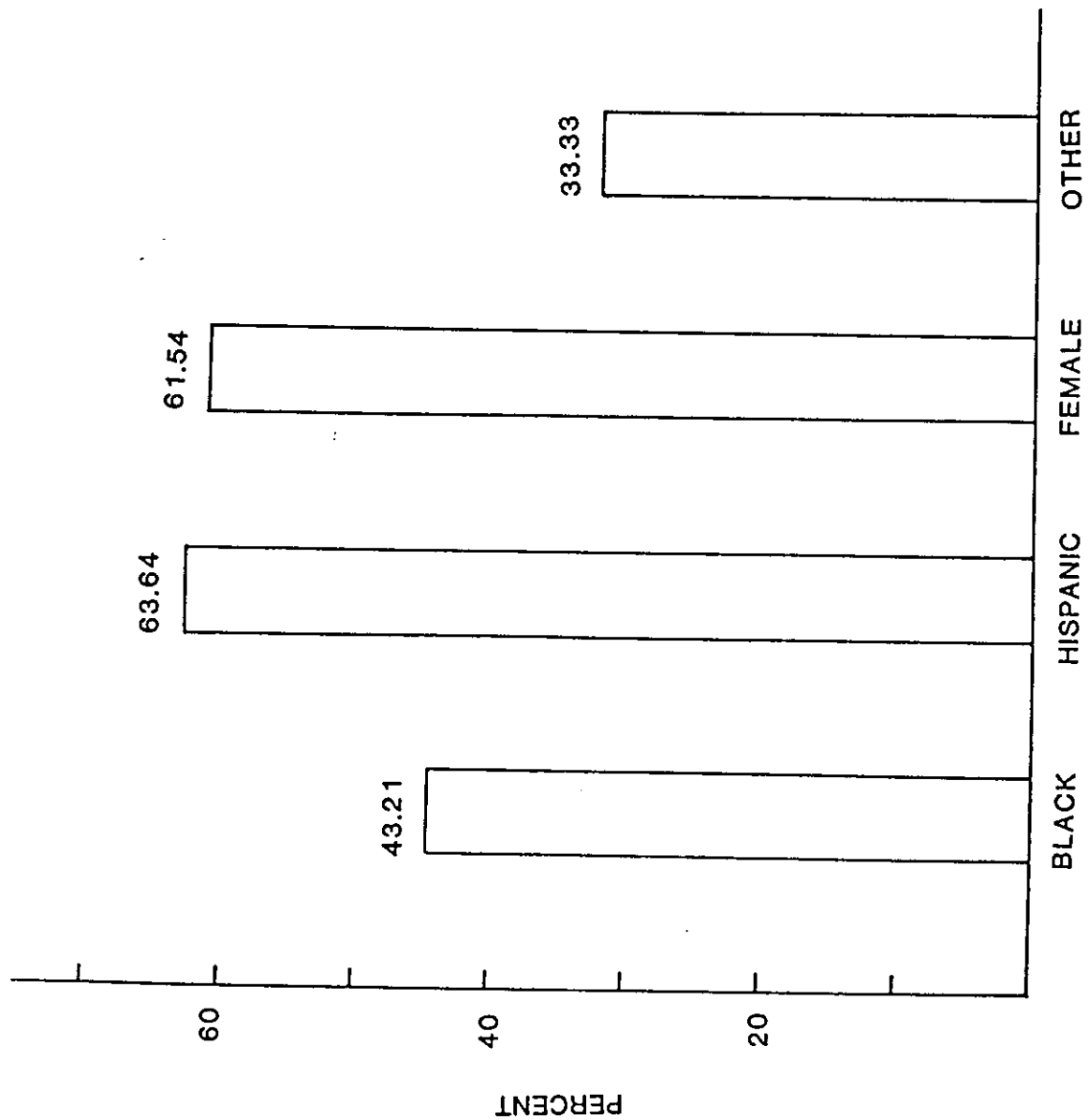


FIG. 31 - INCIDENCE OF THE PROBLEM OF CHEAP COMPETITION AMONG MINORITY GROUPS

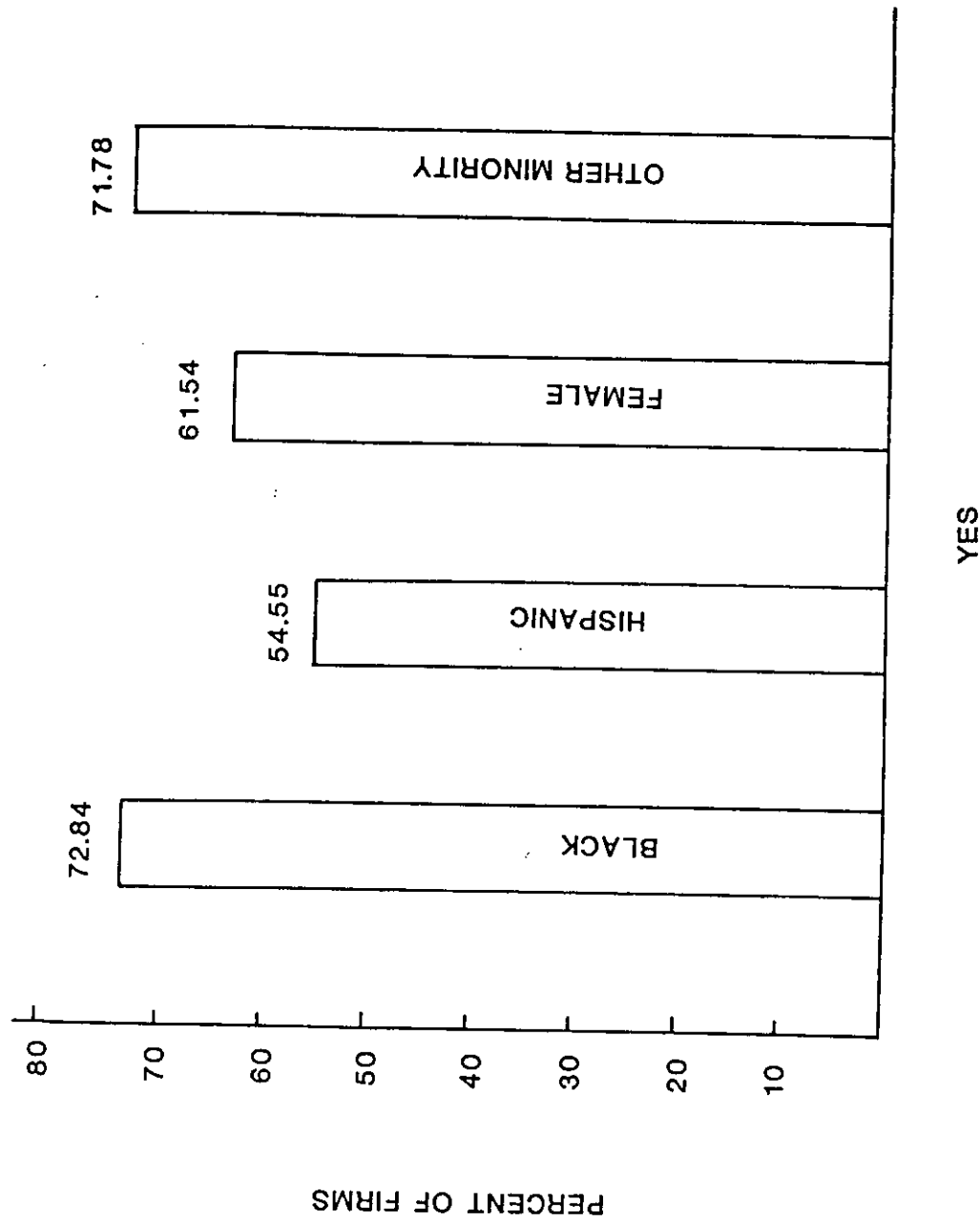


FIG. 32 - EXTENT OF FAMILIARITY WITH MBE SET ASIDE PROGRAMS

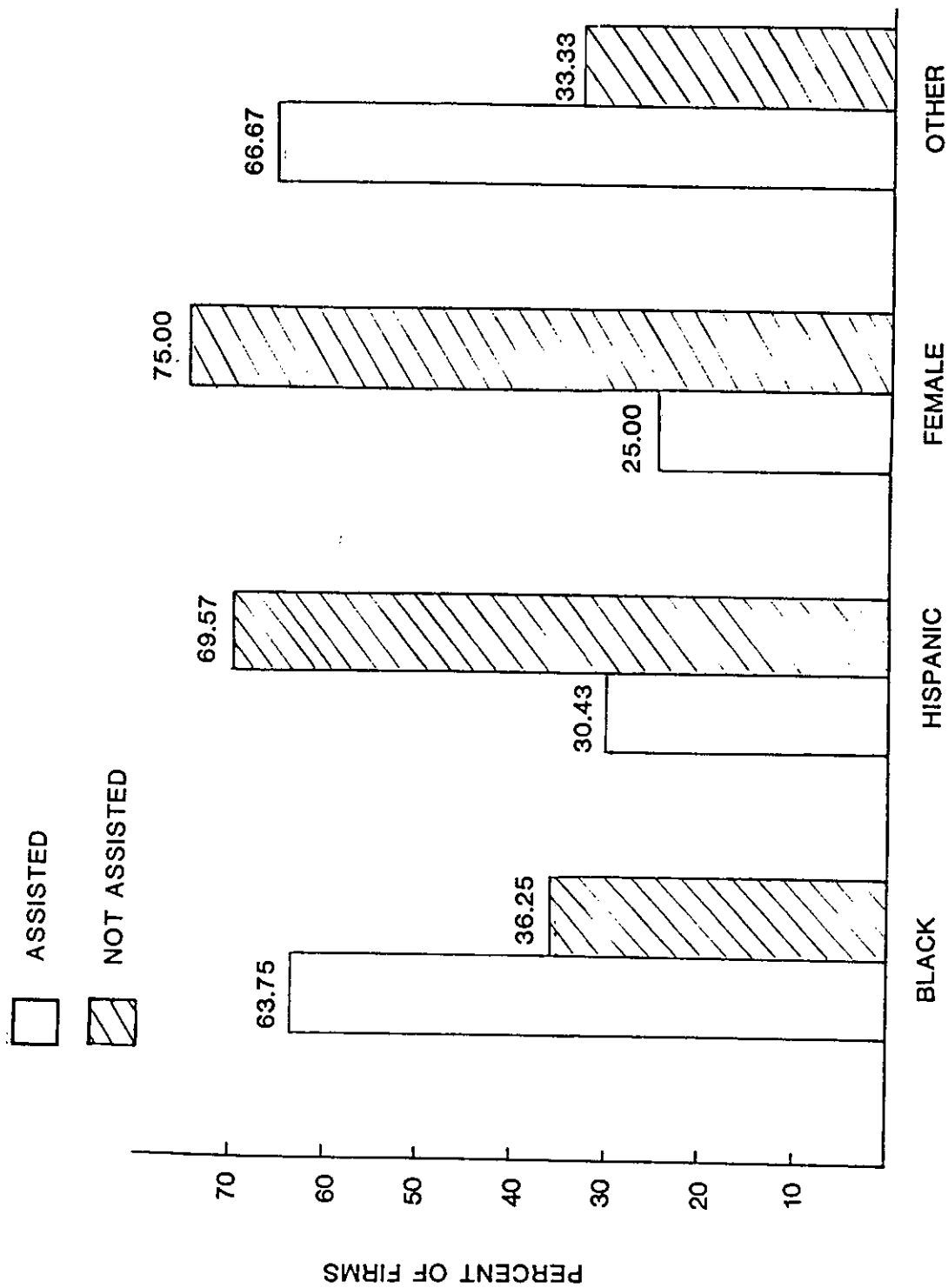


FIG. 33 - MINORITY FIRMS FAMILIAR WITH MBE BUT NOT ASSISTED BY MBE

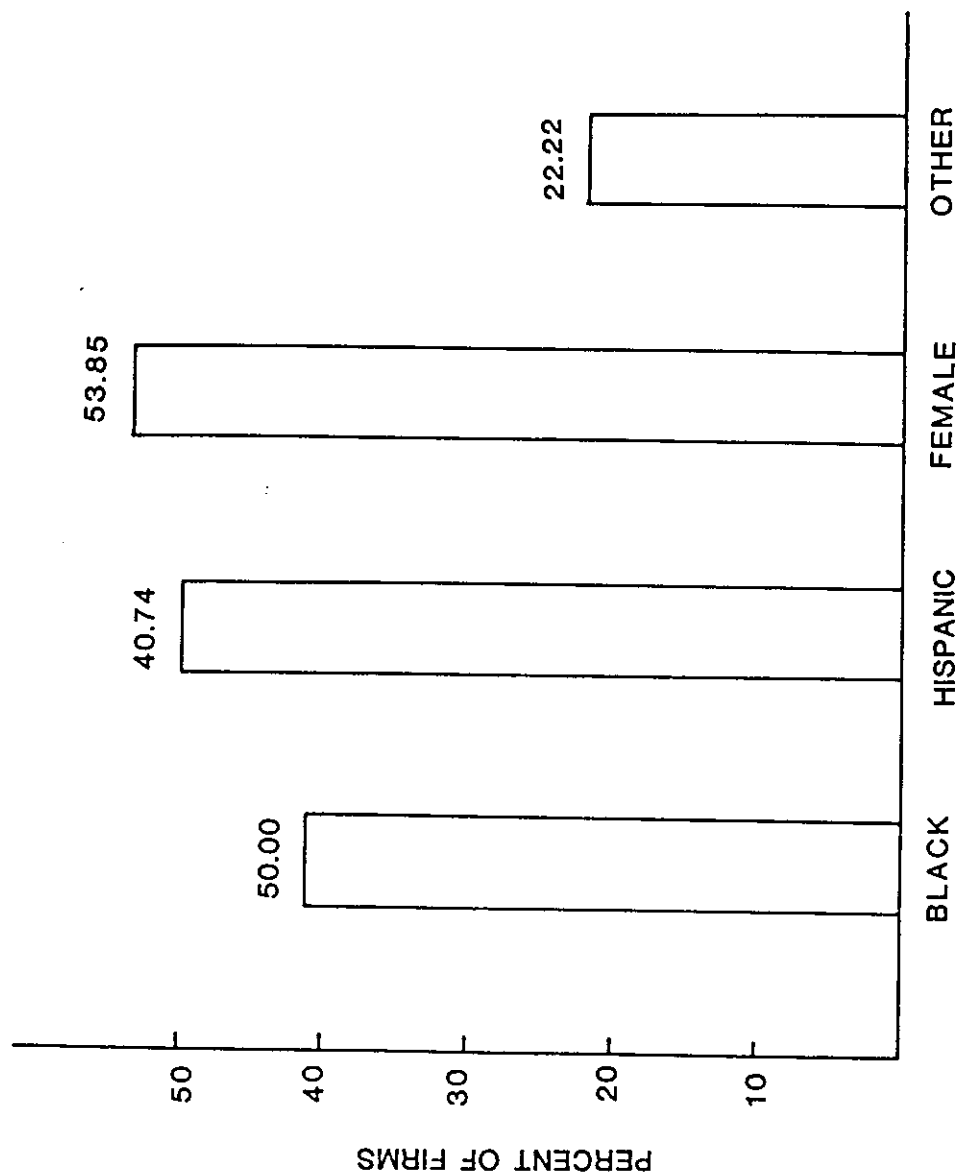


FIG. 34 - INCIDENCE OF THE PROBLEM OF HIGH BONDING REQUIREMENT  
ON MBE JOBS

## CHAPTER 5

### CONCLUSIONS AND RECOMMENDATIONS

This Phase I Study provides a profile of minority and non-minority contractors' business participation in Florida, with minority enterprises treated in greater detail. It is apparent that minority participation is low in Florida in terms of number of firms and their gross dollar volume. However, the statistics show that their participation has been increasing in recent years.

This Phase I Study focuses primarily on getting a general profile of minority businesses participation in the construction industry in Florida and understanding the difficulties they encounter in daily operations. The follow-up studies in Phase II could address these subjects:

- (1) The financing and bonding problems of the minority contractor.  
These were reported to be the most common and severe of the problems affecting the minority contractor. Procedures that bring improvement in these areas would almost certainly augment minority participation.
- (2) There are numerous causes for each category of difficulty.  
Therefore, Phase II should work on the highest-ranked causes so that the greatest benefits could be obtained within limits of budget and time.

- (3) Besides the Phase II Study, another study of the difficulties encountered by non-minority small contractors in Florida is recommended. This would compare the problems of small minority contractors to those of small non-minority contractors to determine whether the problems minority contractors face are common to all small construction firms, or whether they are ethnically connected.
- (4) A noticeable disparity exists between the portion of Hispanic contractors on the one hand and female and Black contractors on the other in obtaining construction work through the assistance of the MBE regulations. A study of the root causes of this disparity would be interesting.

This study confirms the long-held beliefs that minorities encounter difficulties with financing, bonding, labor forces, management skills, marketing, and cheap competition. In these problem areas this study quantifies the specific causes so that they can be assessed as to their comparative severity. This information yields a base for a Phase II Study to generate alternative solutions for increasing minority participation in the construction industry while minimizing potential undesirable side effects.



APPENDIX

QUESTIONNAIRE

TYPE OF FIRM

1. Are you a general contractor?  
\_\_\_\_ Yes \_\_\_\_ No
2. If yes, what type of construction does your firm primarily perform? (specify one only)  
\_\_\_\_ Residential Building  
\_\_\_\_ Non-residential Building  
\_\_\_\_ Highway  
\_\_\_\_ Heavy-Industrial  
\_\_\_\_ Municipal Utilities  
\_\_\_\_ Repairs and Alterations
3. If you are not a general contractor, in which of the following special trades has your firm been engaged as a special trade contractor. (mark all which apply)
- \_\_\_\_ Acoustical Contractor
  - \_\_\_\_ Air conditioning Contractor
  - \_\_\_\_ Concrete Contractor
  - \_\_\_\_ Dry Wall Contractor
  - \_\_\_\_ Electrical Contractor
  - \_\_\_\_ Elevator and Escalator Contractor
  - \_\_\_\_ Sheet Metal Contractor
  - \_\_\_\_ Excavation and Grading Contractor
  - \_\_\_\_ Roofing Contractor
  - \_\_\_\_ Floor Covering (Except Wood)
  - \_\_\_\_ Flooring (Wood) Contractor
  - \_\_\_\_ Foundation Contractor
  - \_\_\_\_ Glass and Glazing Contractor
  - \_\_\_\_ Heating Contractor (Except Electric)
  - \_\_\_\_ Plumbing Contractor
  - \_\_\_\_ Heating Contractor, Electric
  - \_\_\_\_ Insulation Contractor
  - \_\_\_\_ Lathing and/or Plastering Contractor
  - \_\_\_\_ Refrigeration Contractor
  - \_\_\_\_ Masonry and/or Stone Contractor
  - \_\_\_\_ Paving Contractor
  - \_\_\_\_ Ornamental Metal Work Contractor
  - \_\_\_\_ Painting, Paper-Hanging Contractor
  - \_\_\_\_ Residential Remodeling Contractor
  - \_\_\_\_ Siding Contractor and/or Applicator
  - \_\_\_\_ Structural Steel Erection Contractor
  - \_\_\_\_ Terrazzo, Ceramic Tile, Marble, and Mosaic Contractor
  - \_\_\_\_ Water Well Drilling
  - \_\_\_\_ Wrecking and Demolition Contractor
  - \_\_\_\_ Subdivision Development
  - \_\_\_\_ Other (specify) \_\_\_\_\_

OWNERSHIP

4. The organization of your firm is:  
\_\_\_\_ Single owner \_\_\_\_ Partnership  
\_\_\_\_ Corporation

5. Of which group does the owner or manager of the firm consider himself/herself a member. (specify number if more than one)

<u>Health</u>	<u>Sex</u>
____ good	____ male
____ disabled	____ female
____ mentally disabled	

<u>Ethnic Group</u>	<u>Age</u>
____ American Indians	____ 20-29
____ Asian-American	____ 30-39
____ Black	____ 40-49
____ Caucasian	____ 50-59
____ Spanish American	____ 60 or above
____ Other (specify)	

6. Number of regular payroll employees:  
\_\_\_\_ (specify number)
7. Annual gross dollar volume of work performed by your firm.  
\_\_\_\_ (specify in dollars)

DIFFICULTIES ENCOUNTERED IN OPERATION OF YOUR FIRM (Check all that apply)

8. Financing
- \_\_\_\_ Obtaining interim working capital
  - \_\_\_\_ Meeting requirements for loan
  - \_\_\_\_ Obtaining credit for supplies
  - \_\_\_\_ Customers have difficulties obtaining financing
  - \_\_\_\_ High interest rates
  - \_\_\_\_ Alleged discrimination by loan officer
  - \_\_\_\_ Difficult to collect payments from customers
  - \_\_\_\_ Other (specify) \_\_\_\_\_
9. Bonding (reasons behind difficulties in securing a bond)
- \_\_\_\_ Lack of familiarity with procedures used by insurance industry
  - \_\_\_\_ Lack of construction experience
  - \_\_\_\_ Discrimination
  - \_\_\_\_ Insufficiently skilled crafts persons
  - \_\_\_\_ Insufficient management ability
  - \_\_\_\_ Improper bookkeeping practices
  - \_\_\_\_ Inadequate working capital
  - \_\_\_\_ Inadequate equipment
  - \_\_\_\_ Insufficient bank credit
  - \_\_\_\_ Inability to post collateral

9. Bonding Con't.  
☐ Inability to meet completion schedule  
☐ Inability to get a co-signer  
☐ Other (specify) \_\_\_\_\_

10. Labor  
☐ Recruitment-skilled craft persons  
☐ Recruitment-supervisory personnel  
☐ Recruitment-management personnel  
☐ Turnover  
☐ Training  
☐ Difficulties with union  
☐ Aged work force  
☐ Other (specify) \_\_\_\_\_

11. Management Skill  
☐ Reading blueprints  
☐ Estimating and bidding  
☐ Bookkeeping  
☐ Handling finances  
☐ Personnel Management  
☐ Scheduling  
☐ Other (specify) \_\_\_\_\_

12. Other  
☐ Marketing (finding work)  
☐ Cheap competition  
☐ Obtaining contractor's license  
☐ Other (specify) \_\_\_\_\_

13. Which subject of difficulty, if improved, would have the greatest positive effect on the present operation of your firm? (specify one only)  
☐ Financing ☐ Management skill  
☐ Bonding ☐ Labor  
☐ Other (specify) \_\_\_\_\_

SET ASIDE PROGRAM

14. Is your firm familiar with the Minority Business Enterprise (MBE) set aside program? ☐ yes ☐ no
15. Have MBE regulations assisted you in obtaining construction work? ☐ yes ☐ no
16. Regardless of two previous answers, please check any of the applicable responses to the statement below.
- ☐ Not aware of MBE set aside program  
☐ Not a registered minority business as per regulations  
☐ Have not been approached to bid on MBE jobs  
☐ Have not heard of any MBE jobs  
☐ Cannot meet high bonding requirements of some MBE work  
☐ Unclear on regulations for qualification  
☐ Too much competition for MBE jobs  
☐ Do not bid MBE work  
☐ Other (specify) \_\_\_\_\_

MORE MINORITY CONTRACTORS PARTICIPATION

17. Do you know of any other minority contractors whom you would recommend that we get in touch with?

<u>Name</u>	<u>Address</u>	<u>Phone</u>
_____	_____	_____

18. This survey is an initial step toward finding workable ways to help minority contractors get more involved in the construction industry of Florida. We would like more input from you through a follow-up interview. If you do not mind, please give your name, address, and phone number so that we can contact you.

<u>Name</u>	<u>Address</u>	<u>Phone</u>
_____	_____	_____

19. Thank you!

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