SHARING EQUAL OPPORTUNITY: Minority Business Enterprises and Their Effects on Minority Employment in Inner City Neighborhoods

by

Cheryl L. Taylor

B.A., History and African and Afro-American Studies
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Signature of Author ____________________________ Cheryl L. Taylor
Department of Urban Studies and Planning
May 23, 1995

Certified by ________________________________ Karl Seidman, Lecturer
Department of Urban Studies and Planning
Thesis Supervisor

Approved by ________________________________ Langley C. Keyes, Professor
Department of Urban Studies and Planning
Chairman, Master of City Planning Committee

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<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>HUD</td>
<td>United States Department of Housing and Urban Development</td>
</tr>
<tr>
<td>LBM</td>
<td>Long Bay Management Company</td>
</tr>
<tr>
<td>MBE</td>
<td>Minority business enterprise</td>
</tr>
<tr>
<td>MDA</td>
<td>Minority Developers' Association</td>
</tr>
<tr>
<td>MHFA</td>
<td>Massachusetts Housing Finance Agency</td>
</tr>
<tr>
<td>M/WBE</td>
<td>Minority/women business enterprise</td>
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<td>WBE</td>
<td>Women business enterprise</td>
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Submitted to the Department of Urban Studies and Planning on May 25, 1995 in partial fulfillment of the requirements for the degree of Master in City Planning.  

ABSTRACT  

Attacks on affirmative action, widening income gaps within communities of color and persistent urban unemployment among people of color motivated this investigation into the employment benefits to inner-city communities of government agency minority business set-aside programs. This investigation is concerned with the issue of employment effects in economically distressed communities of color generated by MBEs receiving special consideration in public agency contracts. Is the equal opportunity afforded to minority developers and subcontractors being shared for the benefit of distressed urban communities? Put simply, do these MBEs participating in set-aside programs employ minority residents of inner city communities? Or, are minority business set-asides another middle-class subsidy that means opportunities for a few advantaged members of a socially and economically disadvantaged population? Reviews of the Massachusetts Housing Finance Agency’s minority business assistance programs, its goals for the HUD Demonstration Disposition and survey and case studies of minority business enterprises benefiting from special government agency procurement programs were undertaken to test this question. Results showed that minority business assistance programs and utilization targets can spur employment for people of color living in low-income communities. Minority business owners employ people of color in general and from Boston’s low-income neighborhoods in particular for reasons of proximity, convenience, social obligation and racial preference.

Thesis supervisor: Karl Seidman  
Title: Lecturer
CHAPTER ONE:

INTRODUCTION

Four circumstances make it timely to ask whether minority business enterprises (MBEs) participating in minority government procurement programs ("set-asides") extend benefits to economically distressed communities of color:

- African Americans and other racial groups in the post-Civil Rights era are becoming more internally segregated into a middle- to upper-class segment that is doing well and an underclass segment that is not.

- Unemployment rates among people of color are at least twice as high as those of the general population, in both periods of economic growth and contraction.

- There are limited funds available to address racial and ethnic group issues that might be more effective if directly allocated to combat persistent poverty and urban disinvestment in minority communities.

- Affirmative action programs are increasingly coming under attack by politicians and white male business owners as unfair and unconstitutional strategies that reverse rather than ameliorate discrimination.

This investigation is concerned with the issue of employment effects in economically distressed communities of color generated by MBEs receiving additional consideration in public agency contracts. Is the equal opportunity afforded to minority developers and subcontractors being shared for the benefit of distressed urban communities? Put simply, do these MBEs participating in set-aside programs employ minority residents of inner city communities? Or, are minority business set-asides another middle-class subsidy that means opportunities for a few advantaged members of a socially and economically disadvantaged population? Through a survey of minority business enterprises that have or may participate in a government agency's minority business utilization program, I set out to test this question.
Massachusetts Housing Finance Agency (MHFA) presents an appropriate case study in which to ponder this question. In recent years, MHFA has expanded its assistance to minority-owned businesses, enabling them to participate more fully in its' management companies' housing maintenance contracts. Each year since 1989, procurement from minority business enterprises has increased. At the end of fiscal year 1994, $37.1 million or 22% of vendor and construction dollars were awarded to MBEs statewide.

A new program promises to offer minority-owned businesses even greater contracting opportunities with MHFA. In late 1993, the US Department of Housing and Urban Development (HUD) announced that MHFA would be one of four state housing finance agencies to release a chunk of the 5,000 HUD-foreclosed subsidized housing developments nationwide. Under this Demonstration Disposition Program (as it is known), MHFA will finance and manage the extensive rehabilitation required for the nearly 1,900 Massachusetts housing units that will ultimately be sold to tenant organizations. All of these housing units are located in Boston's inner-city neighborhoods in which minority populations predominate. MHFA has estimated a $100 million price tag for the Demonstration Disposition and has committed to set aside 80% of controllable expenditures contract value to local businesses owned and operated by minorities.

For MHFA, the Demonstration Disposition is not just a housing rehabilitation, but more importantly, a community economic development project. The agency aims to revitalize the economically distressed communities in which these 1,878 housing developments are located through generating business and employment opportunities for the neighborhoods' residents. Former Agency Executive Director Marvin Siflinger maintained that the Demonstration

is about more than rehabilitating housing. The project... is aimed at strengthening communities by providing business and employment opportunities, along with giving residents a voice in their futures. We feel that we ought to be addressing the whole area of neighborhood revitalization, and neighborhood revitalization means business opportunities. Certainly, when you look at the thriving communities in this city, they are communities with thriving local businesses."

(Boston Globe, September 1994.)
Former Agency Deputy Director Eleanor White added that "the Demonstration also will have a major economic benefit, stimulating investment, job creation and significant opportunities for minority-owned business enterprises (Massachusetts Housing Finance Agency, October 1993)."

MHFA’s approach to the HUD Demonstration Disposition represents a perfect case study for the question of employment generated by subsidized MBEs: how well will the predicted impact of employment on the surrounding low-income communities be realized, particularly in the case of vendors and construction-related firms? What is the extent to which MBEs will hire within these low-income, high-concentration minority communities?

Unfortunately, data on MBEs participating in the Demonstration Disposition project and their recruitment/hiring practices will not be fully available in time for this investigation. However, it is possible to evaluate the workforce composition of MBEs that have completed work on other MHFA-financed housing units. Of course, the extent to which MBEs employ low income people of color living in Boston's inner-city neighborhoods could be quite different under the Demonstration Disposition than under its normal operations. Nonetheless, it is still valuable to anticipate the future by investigating these MBEs' past and current propensity to recruit among those for whom opportunities are not always available. Through an examination of minority contractors' current and previous employment patterns, we can evaluate the likelihood that these benefits will accrue to minority residents of low-income communities under the Demonstration Disposition.

Existing Research

That MBEs disproportionately hire among people of color living in economically distressed inner-city neighborhoods is an unquestioned assumption in the relevant minority business and employment literature; to date it has yet to be empirically tested. Unfortunately, the existing body of research related to minority business set-aside programs does not directly address the question of whether MBEs generate employment in economically distressed communities of color. Nonetheless, a number of studies examine critical factors of MBE set-aside programs that enable minority businesses to make a significant employment impact within these communities. These analyses focus on MBE viability and capacity;
justifications for directing set-asides to "high-potential" MBEs; and whether MBEs hire "majority-minority" workforces.

**Justifications for Assisting "High-Potential" MBEs**

One of the many criticisms levied against minority set-aside programs is that they only help "high potential" MBEs -- those that are already successful. Yet, high-income firms that serve mainstream markets have a greater capacity to create jobs and stimulate additional investment in low-income minority communities than smaller MBEs whose primary market resides within the inner-city. MBE set-aside programs that focused assistance on the latter group of minority businesses -- the Section 8(a) program of the Small Business Administration in particular -- have been utter failures (Bates, 1985b; Lowry, 1985).

**MBE Viability and Capacity**

While some MBEs may have become well-established in part because of set-asides, these businesses continue to be operated in an environment of historic inequality and discrimination. Relative to white males, minorities have low levels of personal wealth with which to begin their businesses. Limited access to equity capital keeps these firms relatively more dependent on debt financing than their white-male owned counterparts. They are more vulnerable to failure during periods of economic downturns and increasing interest rates; high leverage ratios ultimately constrict MBEs profitability and growth (Bates, 1985b). Additionally, these MBEs face limited access to mainstream markets due to the current effects of past and contemporary discrimination (Lowry, 1985). High potential businesses need MBE set-aside programs to continue to thrive.

**Minority Firms' Propensity to Hire Minorities**

While not providing direct evidence that MBEs employ minorities from economically distressed communities, a study contrasting employment practices of Black versus white-owned businesses (Bates, 1988a) revealed that Black-owned firms were more likely than not
to have staffs predominantly of color. The opposite was true for white male-owned firms. A variety of incentives exist for Black-owned firms to disproportionately hire minorities. Reasons listed include proximity, lack of competition for inner-city labor and political/social concerns.

Notwithstanding, there may be disincentives for minority business owners to hire predominantly minority workforces. Possibly, the viability of minority-owned firms may be affected if their workforces are composed disproportionately of people of color (Brown, 1986). Because of nothing other than prime contractors' discriminatory perceptions of them, these firms may be consigned to smaller subcontracts in which they don't gain valuable experience needed to take on larger jobs, thereby limiting their capacity to grow.

This is a critical yet sensitive issue for minority business owners. Quality and efficiency, allege detractors of MBE set-aside programs, are sacrificed on the altar of equality in any affirmative action program. Minority business owners are used to such attacks on their ability and are justifiably angered over them. While such perceptions may affect MBEs' viability, and thus, their ability to employ anyone, let alone minority residents of low-income communities, I will not discuss them here. Instead, the reader should explore these other analyses of minority businesses that have been thoroughly researched elsewhere.

*   *   *

To these views on the purposes and effectiveness of MBE assistance programs, I hope to add an additional justification for their continuation: that MBEs participating in government-sponsored minority procurement programs pass along their benefit to low-income communities of color in the form of jobs. If this is so, then these programs will not only have achieved the goal of leveling the playing field for minority entrepreneurs but also, will have been a much needed engine for employment generation for underserved inner-city communities. Based upon such a finding, it may be sound public policy to not only continue, but expand such programs to enable MBEs to generate jobs for this sector of the labor market.
**Thesis Organization**

To understand minority business' role in building community, it is important to understand its history. Chapter Two lays the theoretical framework for this thesis. The impetus for today's minority business utilization programs originated with the notion that economic self-help through business and economic development would bring African Americans and other disenfranchised minority group members into mainstream American society and to reduce poverty among them. Beginning in the early 19th century and continuing on at least through the early 1970s, African American leaders advocated for a business and economic development focus to the Black freedom struggle to bring social and economic equality to the masses of Black people who lived in the rural South and urban North. In Chapter Two, I will discuss how and in what context minority business utilization programs have been used as community economic development tools and as specific strategies to bring full employment to low-income communities of color.

For the specific case with which this thesis is concerned, it is also necessary to justify the need for community revitalization in the Linkage Areas. In Chapter Three, I lay the foundation for understanding the economic conditions of the neighborhoods where the Demonstration Disposition is occurring. The most recent census data indicates that the Target Area neighborhoods are predominated by people of color. As such, they are characterized by similar demographics as those of other American inner-cities: poverty and unemployment are high while household incomes are low relative to figures for the Boston Primary Metropolitan Statistical Area. Explanations offered for these phenomena include low relative educational attainment among African American and Latinos and evidence that employers' perceptions of inner-city people of color confound their attempts to gain employment. That these minority communities have not fully benefited from the region's relative prosperity evidences the necessity for urban revitalization in these neighborhoods.

While there is a need for urban revitalization in these neighborhoods, it is not always clear how it will occur. Former MHFA Deputy Director Eleanor White stated that "unless the Demonstration (Disposition) generates real economic and employment benefits for this community, it will not have been a success in our terms." Chapter Four considers the
impetus for the Demonstration's 80% MBE target participation rate in the context of MHFA's community and economic development goals. Here, I will highlight the role that a quasi-public agency can play in revitalizing neighborhoods in which its financed housing developments are located, particularly when pressed to do so by a very active minority business community. MHFA has been effective in achieving — and in some areas, surpassing — its MBE utilization goals primarily because it has marshaled its own and other organizations' resources to ensure that MBEs can compete on a level playing field.

Yet, if the previous chapter addressed MHFA's strategies for increasing opportunities for minority business enterprises, it left two questions unanswered concerning the residual effects of its MBE assistance programs. First, given its high MBE utilization goals for the Demonstration Disposition, what level of employment among people of color in general and among people of color in the Target Areas might MHFA in particular expect to generate? Second, if MHFA had possessed the same will and mobilized similar resources to developing a job training component to the Demonstration as it had for generating extensive participation among minority business owners, what might be the result? Although there may not be conclusive answers to the latter question, data gathered and interviews conducted by the author may provide insight into the former query. In Chapter Five, I will present survey results on employment patterns from prospective MBE participants in the Demonstration Disposition. While not all MBEs employed people of color, nearly every African American construction contractor and vendor reported having "majority minority" workforces from many of the Target Area neighborhoods. In this chapter, I will also discuss factors that may affect MBEs likelihood of drawing from the inner-city minority labor force.

To be sure, no one employment program directed at people of color living in urban inner-cities can or will eliminate unemployment, reduce poverty or raise household incomes; there are too many different interests and skill levels for one program to accommodate everyone. However, where specific employment opportunities may be available to those groups most in need of them, public agencies can play a role. Those that are committed to community development can partner with each other to equip neighborhood residents to take opportunities as they come. Chapter Six concludes this inquiry by discussing programs MHFA could have developed to ensure broadly realized employment
opportunities for people of color in its Target Area neighborhoods and suggesting areas for future research.

1 "Minority business enterprises" and "minority-owned firms" are defined as those businesses in which 51% or more of the equity is held and the day-to-day operations are run by minorities. Minorities are here defined as African Americans, Asian Americans, Hispanics, and American Indians/Eskimos/Aleuts.


3 "Controllable expenditures" include all contract costs net of taxes and utilities. Eleanor White, March 25, 1995.

4 Vendors would include those business people providing carpet, kitchen fixtures and other such equipment. Construction-related firms include those providing such things as sprinkler systems; heating, ventilation and air conditioning systems; electrical and wiring systems and plumbing.
CHAPTER TWO:

THEORETICAL FRAMEWORK

Contemporary minority business utilization programs developed by federal, state and local governments during the late 1970s and 1980s were founded upon the notion that economic self-help through business and economic development would bring African Americans and other disenfranchised minority group members into mainstream American society and to reduce poverty among them. Beginning in the early 19th century and continuing on at least through the early 1970s, African American leaders advocated for the deployment of business and economic development strategies in inner-city urban areas to bring social and economic equality to the masses of Black people who lived there. Chapter Two places present-day minority business development programs in this context. Here, I will discuss how and in what context minority business utilization programs have been used as community economic development tools and as specific strategies to bring full employment to low-income communities of color.

Introduction

Two periods in modern African American history had a major impact on the development, philosophies and objectives of contemporary government agency minority business utilization programs. Black leaders in the post Emancipation era (circa late nineteenth and early twentieth centuries) stressed economic enterprise as the means by which Blacks would gain total equality with whites and America would resolve its race problem. Booker T. Washington, this position’s chief proponent, exhorted that through hard work and material gain, Blacks would gain the respect of whites and achieve the social, economic and political justice due them.

Sixty years later, Black civil rights leaders and revolutionaries alike advocated for a variation of this strategy or theme, calling it "Black capitalism", "community economic development," "minority entrepreneurship" and "ghetto self-determination" among them. Confronting the slow pace with which Blacks and other minority groups members gained social justice and economic parity with whites, those such as Stokely Carmichael, Malcolm X and Dr. Martin Luther King, Jr. came to realize that the right of a Black person to sit at
a once segregated lunch counter did not address his/her ability to pay for the lunch once served.

Minority business utilization programs in the public and private sectors are direct outgrowths of these philosophies. MBE programs' goals were not only to ostensibly increase the participation of businesses owned and operated by people of color in government contracting opportunities, but to provide jobs to minorities living in economically distressed communities, to revitalize urban inner-cities and to provide goods and services to underserved minority communities.

"Hard Work and Entrepreneurship: The Key to Black Equality"

Following the Emancipation Proclamation of 1863, Reconstruction brought to the newly freed Blacks not the liberty and equality it promised them, but an exploitative peonage and sharecropping system in which they lived in virtually the same conditions as when they were enslaved. Reconstruction also brought on the wrath of white Southerners who, under the cloak of the Klu Klux Klan literally terrorized Black Southerners with "legal" lynchings, cross burnings and denials of rights supposedly guaranteed them under the Fourteenth Amendment.

In this context of slave emancipation, the betrayal of Reconstruction and the South's "Redemption" lived the majority of African Americans with virtually no social or political rights and frail economic status. While a number of Black leaders of the day (among them, Frederick Douglass, W.E.B. DuBois and William Monroe Trotter) demanded Blacks' constitutionally guaranteed civil rights, a cadre of other voices emerged to say that Blacks had to first earn these rights through hard work and enterprise.

Those articulating this more conservative opinion thought that through industry and entrepreneurship, Black folk would be accorded their rights as citizens and the respect due them as human beings. Economic activity, along with self-help and racial solidarity, became dominant values in many Black communities. This theme of accommodation versus agitation became the center of the Black movement, even in the face of the violent suppression of Blacks' political and civil rights.
Booker T. Washington, this position’s most prominent articulator, made it his life’s calling to convince Blacks and whites alike that civil rights would come to Blacks once we proved to whites that we were worthy of them (in an economic sense). Perhaps the original articulator of "boot strap-ism" as the key to social and economic success, Washington promoted a single-minded focus on economic activity among Blacks (e.g. work and productivity) as the solution to America’s race problem, which at the time was a blatant and vicious denial of civil and human rights, including "legal" lynchings and the denial of the right to vote. In his 1895 speech to the World's Fair, known as the Atlanta Compromise, Washington both appeased whites and guided Blacks, saying:

*The wisest among my race understand that the agitation of questions of social quality is the extremest folly, and that progress in the enjoyment of all the privileges that will come to us must be the result of severe and constant struggle rather than artificial forcing. No race that has anything to contribute to the markets of the world is long in any degree ostracized. It is important and right that all privileges of the law be ours, but it is vastly more important that we be prepared for the exercise of these privileges. The opportunity to earn a dollar in a factory just now is worth infinitely more than the opportunity to spend a dollar in an opera house. . . . In all things that are purely social, we can be as separate as the fingers, yet one as the hand in all things essential to human progress.*

(Foner, 1972: 577)

To be sure, not all Black leaders who espoused economic and business development solutions to America’s race dilemma (i.e. what to do with free Blacks) turned their backs on the civil rights struggle. A few prominent Blacks also felt that business development would yield economic empowerment that would thus raise the status of Black Americans. John Hope said:

*Industrial education and labor unions for Negroes will not change this condition. They may modify it, but the condition will not be very materially changed. . . . We must take in some, if not all, of the wages, turn it into capital, hold it, increase it, . . . as a means of employment for the thousands who cannot get work from old sources. Employment must be had, and this will have to give an opportunity to Negro workmen crowded out by white competition. . . . Employment for colored men and women, colored boys and girls must be supplied by colored people.*

(Bailey, 1971: 73)

However, Washington’s approach to Black empowerment was seen by many other of that era’s Blacks leaders as accommodationist. The latter group believed that America's political leadership during that time would neither willingly nor benevolently allow Blacks to
determine political leaders, receive the same education side-by-side in public school with their sons and daughters, nor share equally in any way with whites the fruits of American capitalism. The only way for Blacks to gain their political, social and civil rights was to seize them. Perhaps in response to Washington's approach, Douglass retorted that "power concedes nothing without a demand; it never has and it never will." For the next several decades, ideological struggles continued within the Black community for the direction of this liberation movement.

"Black Capitalism: Economic Empowerment for Blacks and Other Minorities in America's Inner-Cities."

Civil rights struggles for equal access to education, the right to vote and the to end legalized segregation occupied the Black freedom movement during the 1940s, 1950s and 1960s. However, toward the end of the 1960s, Black integrationists, militants, and conservatives alike realized the limitations and ultimate hollowness of civil rights without economic empowerment. Black economic development as a solution to America's persistent race problem reemerged as a primary objective of the Black freedom struggle.

These leaders understood that the right of a Black person to sit at a once segregated lunch counter spoke nothing of his or her ability to pay for the lunch once served; to own such an establishment in his/her community; or to spread the wealth generated by such an establishment in his or her community. For Blacks, these ideas meant individual business success and community wealth and power. For whites, it was a better alternative to the War on Poverty's "failed" social programs.

Particularly after the urban riots of the late 1960s, Black and white leaders alike shifted their attention to augmenting business and employment opportunities for African Americans living in urban inner-cities. Many different groups -- each with their own agendas and understandings -- began to advocate for "compensatory capitalism," "green power," "minority entrepreneurship," "economic self-help," "ghetto self determinism," and "community economic development." These people ranged from Dr. Martin Luther King Jr., Malcolm X, to political leaders like Robert F. Kennedy, conservatives such as Dr. Kenneth Clark, Whitney Young, militants like Roy Innis, and to groups such as the Black
Panthers, the Nation of Islam and CORE, the Urban League, the Southwest Council of La Raza, the National Association of Businessmen to the US Chamber of Commerce and the National Association of Manufacturers.

In his speech “The Ballot or the Bullet,” Malcolm X stated that the philosophy of Black nationalism meant that:

(1)n every church, in every civic organization, in every fraternal order, it’s time now for our people to become conscious of the importance of controlling the economy of our community. If we own the stores, if we operate the businesses, if we try and established some industry in our own community, then we’re developing to the position where we are creating employment for our own kind. Once you gain control of the economy of your own community, then you don’t have to picket and boycott and beg some cracker downtown for a job in his business. (Foner, 1972: 996-997)

In his 1968 bid for the presidency Richard Nixon seized upon the idea of Black Capitalism, catapulting it to national (read mainstream) prominence. Nixon’s Black Capitalism campaign captured this concept in sound-bit television commercial that appealed to African American’s sense of hope, whites fear of race and both groups desire for answers to society’s complex racial problems. Text from two of Nixon’s commercials illustrates point:

"Wrong Road" -- narrated by Richard Nixon
For the past five years we’ve been deluged by programs for the unemployed -- programs for the cities -- programs for the poor. And we have reaped from these programs an ugly harvest of frustrations, violence and failure across the land. What we need are not more millions on welfare rolls -- but more people on payrolls in the United States. Now our opponents will be offering more of the same. But I say we are on the wrong road. It is time to quit pouring billions of dollars into programs that have failed. I believe we should enlist private enterprise, which will produce, not promises in solving the problems of America.

"Black Capitalism" -- narrated by Richard Nixon
The face of the ghetto is the face of despair. If we hope to light this face, we must rescue the ghetto from its despair. But not with more promises. Not with the old solution . . . the handout. We must offer a new solution . . . the handup. With your help, I will bring a new program to get private enterprise into the ghetto and the ghetto into private enterprise. I call it “Black Capitalism.” More black ownership of business and land and homes can be the multiplier of pride that will end our racial strife. The black man’s pride is the white man’s hope. (Blaustein and Faux, 1972: 14-16.)

Although the majority of African Americans were apparently unconvinced of Nixon’s sincerity to Black community issues -- he captured a mere 10% of the Black vote -- upon
election in 1968, President Nixon issued administrative directives to federal agencies to increase their procurement from minority businesses. From the close of the 1960s through the 1970s, federal agencies including the Small Business Administration (SBA) and the Department of Transportation developed minority business assistance and set-aside programs.

Creation Of Minority Business Enterprise Utilization Programs In Federal Agencies.

During the late 1960s and through the 1970s, the strategies of the Black freedom movement centered around two poles: (1) Black capitalism on the one hand, which called for development of individual Blacks as entrepreneurs; and (2) community economic development on the other hand which stressed wealth-building for the benefit and empowerment of inner-city neighborhoods.

Minority business assistance programs stemmed primarily from the former approach, influenced by goals of the latter. By "leveling the playing field" for minority business enterprises in majority-dominated professions (namely construction contracting for public works), minority businesses would be able to employ those members from low-income predominantly minority communities, thereby reducing the poverty rate and moving more members from the underclass to the middle-class.

The first federal program to assist minority entrepreneurs did not explicitly target business people of color, but rather aimed at benefiting "socially or economically disadvantaged" business people. As part of the 1967 amendment to the Equal Opportunity Act, the SBA's Section 8(a) program mandated that a pre-set percentage of federal contract dollars be set-aside for firm owned by "socially or economically disadvantaged people." As well, it provided procurement assistance to businesses (1) located in urban and rural areas of high unemployment or low-income people or (2) owned by low-income people.

Although, "socially or economically disadvantaged people" included Blacks, Hispanics, Asian Americans, American Indians, Eskimos and Aleuts and poor whites, nearly all of the participating enterprises were owned by minority group members by 1978, with two-thirds
of these owned by Blacks. The “socially or economically disadvantaged people” designation also allowed high-, middle- and low-income minority business enterprise owners to participate.

Section 8(a) was one of the federal government's responses to the urban rebellions of the late 1960s. The Report of the National Advisory Commission on Civil Disorders (also known as the Kerner Commission) -- convened to investigate the underlying causes of the urban riots -- concluded that a main cause of the rebellions was the lack of business ownership in minority communities. The Kerner Commission recommended that the federal government “give special encouragement to Negro ownership of business in ghetto areas.”

Beginning after a series of executive directives from President Nixon in 1970, a number of federal agencies developed programs to increase procurement from small and minority businesses in federal contracting. Such federal agency programs, including those administered by the Department of Defense and Department of Transportation, represented a shift in focus from concern with poverty alleviation among inner-city "mom and pop" establishments to leveling the playing field between minority and nonminority businesses.

The goals were to remedy the current effects of past discrimination -- among them, low rates of business ownership among minorities, fewer years of experience and low capacity vis-a-vis majority-owned firms versus whites by addressing the white-minority business procurement gap. One of the major federal minority business assistance programs was the Local Public Works Employment Act (LPWEA) of 1977. The first explicitly minority program, the LPWEA mandated expenditures of $4 billion to stimulate employment in construction trades in the sluggish economy, earmarking $400 million worth of local contracts for minority firms.

Other minority and disadvantaged business set-aside programs include the Surface Transportation Assistance Act (1982) which required a minimum of 10% of all Federal Highway Administration contract dollars be allocated to disadvantaged business enterprises and the National Defense Authorization Act (1987) that set a 5% goal for defense
procurement contracts for disadvantaged businesses. Although all minority business utilization programs vary by agency, many include bonding and working capital assistance and technical assistance programs (Bates and Williams, 1995).

Local Minority Business Utilization Programs.

By 1989, at least 234 states, cities, counties and special district bodies had an MBE program, and most included WBEs (LaNoue, 1992). Some programs are race-neutral (emphasize training, financing and bonding opportunities, better publicity about contracts, and smaller subcontracts). Others are explicitly race-based contracts. Set-asides -- versus utilization targets -- are common: Maryland sets-aside 10% for M/WBEs; DC. sets-aside 50% of construction contracts. In Seattle and Hillsborough County, Florida, when three or more M/WBE subcontractors exist for a given category, the total dollar amount of the relevant subcontracts must go to M/WBEs. San Francisco and King County, Washington grant five to -10% advantage to M/WBEs in bidding and award point preferences to joint ventures or contracts with substantial M/WBE participation. The first local program was begun in Atlanta in 1971 to built multi-racial support for the construction and completion of the MARTA, the city's mass transit system (LaNoue, 1992).

Rationales for such state and local MBE utilization programs include:

- remedying current contract discrimination against specific minority firms or in general;
- compensating for current or for past societal discrimination;
- creating employment opportunities in minority communities;
- providing role models of entrepreneurial success to young people of color;
- establishing economic strength in minority communities as part of overall economic development strategies;
- stimulating investment in economically distressed communities that allow further business expansion and job creation.
Challenges to Minority Business Utilization Programs

In recent years, however, support for special procurement programs for minority-owned businesses has diminished. White-male business owners who believe that their public contracting opportunities have been reduced relative to those of MBEs, along with federal, state and local level politicians and policy makers predisposed to disdain affirmative action policies question the validity of set-aside programs. They believe that since these firms do not necessarily submit the lowest bid for work, they are less efficient producers and perform lower-quality work that therefore makes them more costly with which to do business relative to non-minority-owned businesses.

As well, they postulate that many MBEs benefiting from programs to increase procurement from minorities are well-established businesses that do not require preferential consideration in public contracts. Set-aside programs, in this group's analysis, are overbroad in their coverage of minorities; not all races/ethnic groups included in many government agencies' set-aside programs exist in substantial numbers within these jurisdictions. They also argue that minority business set-asides are unconstitutional in that they do not afford white males equal protection under the law.

Criticism of minority business development programs — albeit to a lesser degree and of a different nature — has also come from some minority constituencies. Some minority group members have questioned the wisdom of minority set-asides as social policy. They argue that limited funds available to address minority concerns should be directly allocated to combat persistent poverty and disinvestment in America's inner cities. Rather than further subsidize middle- to upper-income people of color, scarce government resources should be designated to address the myriad problems of the underclass (Bailey, 1971). As well, other minorities criticize the ineffective administration of federal set-aside programs. They say that, contrary to these programs goals, minority businesses do not "graduate" to mainstream business opportunities; instead, they wither in a ghettoized, noncompetitive environment (Brown, 1986).
During the 1980s, growing numbers of white-male contractors and policy makers who opposed affirmative action also challenged minority business enterprise set-asides as unconstitutional and generators of "reverse discrimination." Until late in the decade, legal challenges to federal, state and local set-aside programs were rejected by the courts. The present effects of past discrimination that thwarted MBEs' from bidding on government projects or providing public agencies with goods and service were assumed to exist contemporarily. The courts did not require public agency procurement offices to prove discrimination against minority businesses statistically or empirically.

The Croson Decision and its Effects

All of this changed with the City of Richmond v. J.A. Croson ruling of 1989. The Court's decision against Richmond, Virginia's 30% minority business enterprise set-aside program represented a major blow of unprecedented proportions to special minority procurement programs, from the federal agency down to the city government level. In her majority opinion, Supreme Court Justice Sandra Day O'Connor stated that:

Where there is a significant statistical disparity between the number of qualified minority contractors willing and able to perform a particular service and the number of such contractors actually engaged by the locality or the locality's prime contractors, an inference of discriminatory exclusion could arise.3

Technically, the Supreme Court judgment did not provide a basis for the elimination of special MBE procurement programs, but rather a significant curtailment of them. Before a state or local government agency could implement an MBE procurement program, specific and statistically based findings of discrimination against defined ethnic groups needed to be recorded.

In the six months following the Croson decision, half of the 234 state and local government agency minority business development programs were dismantled, suspended or challenged. By the end of the year, these remaining programs were gone. As a result, MBE participation in government contracts dropped substantially (Bates and Williams, 1995; LaNoue, 1992). For some businesses that also participated in corporate minority procurement programs, the Croson ruling also meant a significant reduction in private
subcontracting opportunities; a number of large companies believed that the *Croson* ruling relieved them of this obligation to minority business people. Only recently have state and local governments began to reinstitute their special minority-business procurement programs, albeit cautiously.

Today, minority business enterprise set-aside programs rest on shaky political ground. Although state and local government agencies across the nation continue with their set-aside programs, attacks on their legitimacy and constitutionality continue to be levied. As well, relatively little definitive data exists that proves a clear benefit to either participating MBEs in terms of capacity-building, or to low-income communities, in terms of role models for youth or jobs for unemployed adults. This investigation is therefore concerned with whether minority-owned firms that participate in government procurement programs also benefit low-income communities of color in the form of jobs. If so, justifications for continued funding of set-aside programs are revalidated: MBEs receiving these government benefits could be proven to be engines of employment growth for inner-city areas desperately in need of an economic recharge.

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1 Given the contemporary debate over set-asides programs as noncompetitive and ultimately inefficient, it is ironic that the first set-aside program was not directed toward minority-businesses at all, but rather to small (usually majority-owned) businesses to raise their level of participation in government contracts.

2 The Section 8(a) program is currently in its twenty-eighth year of operation. Theoretically, minority businesses are supposed to "graduate" from the Section 8(a) program into the competitive mainstream of government procurement; however, because of the persistence of old boys networks, MBE's difficulty securing adequate financing and limited experience in their given trades, MBE's transition from supported to competitive bidding is infrequent (Bates, 1985b).

CHAPTER THREE:

SOCIAL AND ECONOMIC CONDITIONS OF TARGET AREA NEIGHBORHOODS

Chapter Three sets the foundation for understanding the economic condition of the neighborhoods where the Demonstration Disposition is occurring. The Target Area census tracts are neighborhoods predominated by people of color. As well, they are characterized by similar demographics as those of other American inner-cities: poverty and unemployment are high while household incomes are low relative to figures for the Boston Primary Metropolitan Statistical Area. Explanations offered for these phenomena include low relative educational attainment among African American and Latinos and evidence that employers' perceptions of inner-city people of color confound their attempts to gain employment. That these minority communities have not fully benefited from the region's relative prosperity evidences the necessity for urban revitalization in these neighborhoods.

Introduction

All of the 1,878 units to be renovated under HUD's Demonstration Disposition Program are located throughout Roxbury, Dorchester, Mattapan and the South End in what MHFA terms Linkage Areas I and II. The Linkage Areas are home to some 90,000 Bostonians, 15% of the city's total population. Within these neighborhoods live significant portions of Boston's African American and Latino populations. People of color predominate in these neighborhoods; Blacks constitute over 60% of the Linkage Areas while Hispanics comprise 15% of the total population. Moreover, more than 40% of all African American Bostonians reside in these neighborhoods. Similarly, one in five Hispanic Bostonians live in these neighborhoods.

Unfortunately, Blacks and Hispanics living in the Linkage Areas are among the poorest, least educated and least employed relative to others living within the Boston Metropolitan region. That the Linkage Areas' high poverty and unemployment rates among people of color occurs within a high-income, low unemployment region suggests that opportunities may not be available to everyone who needs them.
Quite possibly, low educational attainment among Blacks and Latinos, racial discrimination in hiring and lack of access to formal and informal employment networks may combine to limit minorities' employment opportunities. I will discuss the first two points in this chapter and address the last point fully in Chapter Five.

**Economic conditions for Target Area residents**

**Employment and unemployment**

Unemployment rates in the Boston Metropolitan region traditionally have been among the lowest in the United States. Not, however, for Blacks and Hispanics in the Linkage Areas. Predictably, people of color in these areas have lower labor force participation rates than the citywide or metro-wide population. Figure 3.1 shows that while the region's unemployment rate stood at 6.2% in 1989, the rate among Blacks and Latinos in the Target Area neighborhoods reached 15.2% and 19.6%, respectively.

![Figure 3.1: Unemployment Rates in 1989](image)


In many ways, however, unemployment presents only part of the story; it is an imprecise measure of the number of people who do not hold jobs. Non-labor force participants are a substantial part of these populations. While this category includes young people in school,
retired persons and wives of working spouses in households that require only one paycheck, it also includes older teens and prime-aged adults who are none of the above -- or in other words, idle.

Idleness also measures chronic or long-term unemployment. "Idle" persons have not worked, or looked for work within the four-week period prior to census enumeration. Unfortunately, it is not possible to precisely measure the proportion of idle persons. Nonetheless, it is an important measurement to consider in questioning employment effects engendered by MBEs in low-income communities.

Figure 3.2 compares the rate of unemployed and "idle" persons of color in the Linkage Areas to this rate for people living in the Boston Metropolitan region. Using the unemployed and idleness rate for the region as a benchmark, it appears that proportionately more Blacks and Latinos in the Target Area neighborhoods are jobless than mere counts of the unemployment rate suggest.

![Figure 3.2: Unemployment and "Idleness" Rates in 1989](image)


For those residents of the Linkage Areas who did work, however, the story was very positive. Nearly 80% of employed Blacks and Hispanics worked full-time (at least 35
hours per week or more) in 1989, a slightly higher proportion than the Boston citywide population average. As well, the proportion of persons employed for the full year in 1989 was greater in the Linkage Areas for Blacks and Hispanics than for all employed persons in the city.

**Median household income**
Given their high unemployment rates in the Target Area neighborhoods, Black and Latino households earn somewhat less than their Black and Latino counterparts and a great deal less than the median household in the metro region (Figure 3.3). African American households located within the Linkage Areas earned 82 cents for every dollar earned by Blacks in the metro region as a whole; for Hispanic Target Area households, the comparable figure was 65 cents. In 1989, Boston Metro's median household income was $48,393 -- almost twice that of Black householders' median income in these neighborhoods and more than two-and-a-half times the median income of Hispanic-led householders3.

![Figure 3.3: Median Household Income in 1989 (1994 constant dollars)](image)

**Earnings by source**
A primary reason that Black and Latino households located in the Linkage Areas earn so much less than households in the Boston metropolitan region is that proportionately more
of them rely on public assistance income and less of them rely on employment income. In the greater metro region, 6.7% of households had public assistance income and 82.2% had income from employment. In comparison, one in four Black households and 43.1% Hispanic households within the Linkage Areas counted public assistance as an income source.

It is usually but not always the case that employment generates much more income than does public assistance combined with employment. It would be helpful to evaluate median incomes of households in which public assistance contributes to income versus households with only income from employment. However, this information does not exist. Still, it is possible to compare the relative well-being of people living in the Linkage Areas versus people living throughout the metro region by examining poverty rates.

**Poverty level of persons**

The implication of low income Black and Latino households are high poverty rates among these population groups. Not only do African Americans and persons of Hispanic origin experience deplorably high poverty rates within these communities, but they are highly concentrated in these areas. Over 1 in 4 Blacks living in these neighborhoods lived below the poverty line, compared to 1 in 12 persons living in the metropolitan region. More than half of all poor African American Bostonians live in these neighborhoods.

Poor Latinos are also concentrated in these communities. Over 70% of poor Hispanic Bostonians live in the Linkage Areas. At 45%, their poverty rate here is among the highest among all population groups. Outside of the Target Area census tracts, the Hispanic poverty rate in Boston is 33.9. During this period, Boston's citywide poverty rate stood at 18.7%.

To what factors are high unemployment and poverty rates and low household incomes among people of color in the Linkage Areas due? Although a thorough investigation into this question is outside of this inquiry's scope, I will touch upon supply and demand factors that likely affect inner-city Blacks' and Latinos' employment opportunities: educational attainment among Blacks and Latinos in the Linkage Areas and racial discrimination they may face in pursuit of jobs.
**Educational attainment**

As a proxy for the condition of the labor market, educational attainment imparts the skill level achieved by its members. On average, the skill levels of African Americans and Hispanics in the Linkage Areas are equal to or lower than those of the greater citywide population. However, educational attainment is much lower for them here than it is for their counterparts in the Boston metro region. Relative to the total population of persons 25 years and over in Boston, African Americans and persons of Hispanic origin within the Target Area census tracts are more likely to be high school dropouts and less likely to be college graduates.

Neither Blacks nor Latinos' high school graduation rates compare favorably with those of Blacks and Latinos metro-wide. On this level, 70% of African Americans and nearly 60% of Hispanics are at least high school graduates, eight and 14 percentage points higher, respectively, than those living within the Linkage Areas. On the positive side, 32% of Blacks in the Target Area neighborhoods have had some college training; 11.8% were graduates of college and professional/graduate schools. Just over 20% of Hispanics in these areas have had some education beyond high school; of them, 7.5% have gone on to college and professional/graduate school.

Low relative educational attainment among Blacks and Latinos, however, likely explains only a portion of their higher unemployment and poverty rates and lower median household incomes. Other possible elements contributing to these phenomena may include the massive erosion of the U.S. manufacturing sector, particularly in the Northeast, during the 1980s that provided the greatest proportion of low-skill employment; the region's (over)concentration on high-level service sector industries (i.e. finance, insurance, real estate, and legal services) that require professional-level skills; people of color's limited access to employer and recruitment networks in which most hiring is done; and some employers' tendency to infuse racial discrimination in their workforce recruitment efforts.

Several labor economists and sociologists have thoroughly documented the shift from a manufacturing-based to a high-end service-based economy; I will not elaborate on this shift here. Others in these professions have disclosed the critical role that personal networks
play for employers when they seek to increase their workforces; I will address this factor specifically in chapter five.

However, given this paper's research question, racism and racial discrimination in hiring is worth exploring here. If Blacks and Latinos from Boston's inner-city neighborhoods are excluded from employment opportunities due to some employers' racially discriminatory recruitment practices, then assistance to minority business enterprises could potentially be justified as playing a significant role in reducing unemployment among low-income people of color living in inner cities. In the next several sections, I review the research on racism in hiring, explore the issue of whether minority business owners display a propensity toward hiring other people of color and briefly address the impact of full employment on poverty rates.

Racism and Racial Discrimination in Hiring

Many employers these days are frustrated by the quality of the unskilled and semi-skilled labor pool. Those in hiring positions say that too many applicants lack the basic skills, such as literacy and numeracy to work in even the most entry-level positions. A number of employers conclude that high school diplomas are not the proxy for competence and desired skill level that they once were. As well, some employers cite the eroded work ethic of some racial/ethnic group members of the unskilled and semi-skilled labor pool; they complain that Blacks and to some degree Hispanics expect more compensation for the work they are willing to do. These employers may therefore resort to being more selective in their hiring practices, using more subjective ratings for targeting certain racial and ethnic population groups and avoiding others.

Recent research (Moss and Tilly, 1994) indicates that many employers place increased importance on "soft" skills in their hiring decisions, along with the traditional "hard" skills that have always been important. Although half said that hard skills -- education and training -- are still critical determinants of whom they hire, a large percentage (43%) hold that a potential employee's work ethic and interpersonal skills are just as important in their hiring decisions. "Soft" skills include the ability to interact well with customers, co-workers and employer, initiative-taking and motivation to do a job well.
Interviews with employers in the Chicago area suggest that potential employers perceive Black men to lack soft skills. Employers' perception of Black men's skills is a mix of their own racial stereotypes, misinterpretation of cultural signals and perhaps an accurate assessment of Black men's productivity relative to other racial/ethnic gender groups. Yet, on this final point, employers may broadly assign the negative characteristics of all Black men -- that they are belligerent and have weak work ethics -- to individual Black men whom they interview but choose not to hire. This is known as statistical discrimination.

Inner-city minorities are effectively shut out from the labor market due to either "pure" or "statistical" discrimination. "Pure" discrimination defines the actions of those who have a "taste" for racism. These are people who would pay a premium to avoid working with members of specific racial/ethnic groups. Neoclassical economic theory holds that these firms, in a perfectly competitive market, should not survive because discrimination is noncompetitive. It does not predict that firms will not discriminate, rather, that those that do may not be in business for long. However, if customers and other employers share the same "taste" to discriminate, then such businesses can thrive.

"Statistical" discrimination describes the practice of employers assigning stereotypical and often negative characteristics of the group to the individual. Employers are more and more using assumptions about racial and ethnic groups as proxies for productivity and strong work ethics. Recruitment to fill job vacancies means costly searches. Getting reliable recommendations from previous employers is difficult and time-consuming, and may even make both current and prospective employers vulnerable to lawsuits. Some employers may decide that Blacks and members of some Hispanic ethnic groups are lazy and belligerent workers with chips on their shoulders who intimidate their bosses, co-workers and customers; why bother with interviewing them, anyway? Research shows, however that confounding issues of race, class and residence do not so much predict an employee's productivity as shape it by expectations.
Questions about racism and racial discrimination's role in recruitment and hiring led Neckerman and Kerschenman to study the hiring practices of 185 Chicago-area firms in 1988 to 1989. Their findings suggest that the race of an applicant negatively affected employers' recruitment practices. Neckerman and Kerschenman found that Black applicants were selectively screened out before they even applied for positions because recruitment did not occur in communities where Blacks lived. A high percentage (40%) of sampled employers did not advertise in citywide newspapers; these yielded too many applicants. Instead, many sampled employers advertised in local white, white ethnic, and Hispanic newspapers because of the strong work ethics employers' associated with these communities. In one case, an employer advertised in the Chicago Defender, a Black community newspaper in order "to keep the (affirmative action) numbers in balance." Interestingly, those who advertised in local/suburban papers (presumably with small Black readerships) had workforces that were 16% Black; on the other hand, those who advertised in citywide papers had workforces that were on average 32% Black.

Many surveyed employers assigned all negative connotations of the inner-city underclass to all Blacks and in most cases to Hispanics: crime, poverty, illiteracy, drug use, belligerence, dishonesty, and laziness. Only when Blacks had an "in" (e.g. a trusted reference who could vouch for them or a referral from within the company) were they given an opportunity to be considered, or hired. Usually, Blacks did poorly on job interviews because of the way employers interpreted their verbal cues and body language. This is unfortunate: the interview could potentially offer Black applicants an opportunity to "redeem" themselves in the eyes of the potential employer, given the invitation. In these settings, Black applicants could be questioned on work philosophy and attitude toward work.

However employers commonly complained of Blacks' "shabby" or "inappropriate" dress. Others mentioned that Black interviewees "didn't play the game" or "follow the rules." One said: "You don't need to look at the address to know where they're from; it's how people come across; they don't know how to behave in an office."

Blacks performed relatively better on standardized employment tests, perhaps because of these tests' objectivity. Standardized tests very strictly measured basic literacy and numeracy. The authors note, however, that these results may present a rosier picture than
what is actually the case. Firms administering biased tests were not counted; essentially, the effect of bias was not held constant.

Multivariate regressions showed that high percentages of Blacks employed in a firm related positively and significantly to the firm's use of skills testing as an employment criterion. The proportion Black in an area was the strongest and most statistically significant variable explaining the percent Black in the typical entry level job; such indicates that inner city firms higher Blacks disproportionately. Interestingly, the percent Black in an area and percent Black employed in craft occupations was negatively associated, suggesting that discrimination continues in skilled building trade unions (Kirschenman and Neckerman, 1991).4

What remains of this evidence detailing discriminatory hiring practices by mainstream/white employers is the question of whether minority business owners hold differing views of the minority labor force. If there is a general Black attitude and character that mainstream/white employers find objectionable, is it an issue for Black employers? In other words, is this "attitude" a survival mechanism that Black employees can turn on and off at will for different types of employers? Given the racial discrimination faced by Blacks and people of Hispanic origin as they search for employment, what is the extent to which minority business owners hire from within communities of color? The following section examines empirical research of this question.

Do Minority-Owned Businesses Hire Other Minorities?

A national study contrasting employment practices of Black versus white-owned (Bates, 1988) revealed that Black-owned firms were more likely than not to have staffs predominantly of color; the opposite was true for white male-owned firms. Eighty-six percent of all Black owned-firms have workforces that are "majority minority" — their staffs are at least 50% minority. Nearly two-thirds of white male-owned firms (61.2%) employed no minority group members. Less than 20% of white male-owned firms have majority-minority staffs.
It was clearly a rare case that Black-owned firms do not employ minority group members, or employ them in insignificant numbers. Less than 5% of Black-owned firms employ no minority employees. Slightly more than 14% of Black firms have workforces that are under 50% minority. These proportions held across all industry lines, including white-collar professional service firms as well as blue-collar businesses requiring low- to semi-skilled workers.

A variety of incentives exist for Black-owned firms to disproportionately hire minorities. Reasons listed include proximity, lack of competition for inner-city labor and political/social concerns.

**Proximity.** Minority business enterprises are located where minority populations are concentrated. Nationwide, 82% and 88% of African Americans and Hispanics, respectively live in major urban areas. White male-owned firms, on the other hand are located in suburban and nonmetropolitan regions. For reasons indicated in the previous section, majority-owned firms are less likely to hire predominantly minority staffs.

**Preference to work with members of one's own race.** As shown in the previous section, majority-owned firms prefer not to hire -- and in fact do not -- hire minority workforces. On the other side, Black employers hire predominantly that are comprised predominantly of minorities, as shown in the previous section. This could indicate Black employer's preference to work with other minorities; cultural barriers may not exist among people of color (Brown, 1986).

**Social and political concerns.** Minority businesses may also be concerned about rising poverty and unemployment rates among communities of color; they may see their role as minority business people as contributing to the uplift of downtrodden communities. As well, MBEs that do not hire predominantly minority staffs risk alienating supporters of and fueling fire to the detractors of set-aside programs.

Yet, there may be disincentives for minority business owners to hire predominantly minority workforces. Brown (1986) questioned whether workforces in which people of color are the majority affect the viability of minority-owned firms. He wondered if the
conclusion that minority-owned firms are less efficient than white-owned firms, thereby raising the marginal cost of city contracts was accurate. Multivariate regressions, however, indicated that there was no statistically significant effect of majority-minority workforces on minority-owned business’ profits.

Nonetheless, no matter the reaction of minority-owned firms to Black and Hispanic applicants, MBEs must also face the issue of the declining quality of the labor market. A skills mismatch also exists between the human capital endowments of unemployed minorities and the skills and education required by emerging and expanding minority businesses. As well, African American- and Hispanic-owned businesses do not have the capacity to completely ameliorate the problem of chronic urban unemployment for minority communities. If all minority-owned firms employed staffs entirely of color, the resultant increase in employment would not even be a drop in the bucket in decreasing these communities’ unemployment rate. Chapter 5 discusses this point in the specific case of MHFA’s management of the HUD Demonstration Disposition.

**Minority Business Enterprise Hiring Within Inner-City Communities of Color**

A very important question raised by this research into the propensity of minority firms to hire "their own" is: among which groups of minorities do these MBEs hire: inner-city or suburban residents? In the face of mounting poverty and social dislocation of urban inner cities, it is necessary but not sufficient for minority-owned firms to hire other minorities without regard to class background; they must seek to hire among those ignored by majority-owned firms. Chapter 5 presents the results of the survey on MBE hiring patterns in low-income Boston communities of color that I conducted during January and February, 1995.

**Potential Of Full Employment To Reduce Poverty Rates**

Any discussion of employment effects on low-income communities of minority businesses must address poverty. Two issues are at play: (1) capacity of minority business owners to provide sufficient wages for people to escape poverty; and (2) the effect of economic
growth on poverty. Arguably, it makes no difference whether or not minority business enterprises benefiting from special government agency procurement programs hire chronically unemployed persons if such employment does not lift people out of poverty. In other words, wages paid by minority-owned businesses should provide sufficient income upon which an individual or a family can rely on for adequate housing, food and clothing. Although such questions are outside of this thesis' scope, results from my MBE survey will also address the issue of a "living wage" -- an amount sufficient to support a family of four, as defined by the U.S. Census' poverty thresholds.

General information on the relationship of full employment to reduced poverty rates is available. A recent study of the effect of economic growth on poverty in Boston found that full employment did indeed decrease the city's overall poverty rate. Single individuals in households of unrelated persons fared the best. Where in 1980, they were 45.1% of poor households, they were only 15.1% in 1988. All families -- white, African American and Hispanic -- had lower poverty rates in 1988 than in 1980. Unfortunately, their poverty rates remained the same (Osterman, 1991).

However, for Blacks and Hispanics, the poverty rates are still unacceptably high. This suggests that while the effects of a strong economy flow down to low-income communities, they are not substantial enough to significantly reduce poverty for all groups. The implications are that those who could take advantage of an economic upturn were perhaps endowed with relatively more education and training and less affected by other barriers (among them, drug use, mental illness, other health problems, etc.) than those who remained in poverty. Additionally, those whose poverty status did not change appreciably -- perhaps for some of the reasons offered above -- could have needed more intensive or a different combination of services than those available to them.

Conclusion

The proportions of high poverty, high unemployment and low median incomes of African Americans and Latinos living in the Linkage Areas that are due to low educational attainment, the declining manufacturing base, limited access to employment networks or racial discrimination in hiring are not known. Further research concerning the specific
sources of this phenomenon should be undertaken; it will not be expounded upon here. Rather, for the purposes of this inquiry, it is critical to understand Blacks' and Latinos' access to employment opportunities and their preparation for them.

In the next chapter, I will turn to a discussion of the opportunities available to Boston-area minority businesses in the HUD Demonstration Disposition Project. Given the will and resources, Massachusetts Housing Finance Agency and Boston's very active minority business community succeeded in expanding opportunities for minority business enterprises. Given the same commitment to increasing employment among Blacks and Latinos, particularly those who live in low-income Boston neighborhoods, what might be the result? These issues will be discussed in the next two chapters.

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1 All data are from the 1990 Census of Population and Housing, Social and Economic Characteristics of the Boston Metropolitan Statistical Area and from the 1990 Census Summary Tape File 3A for Massachussetts on CD-ROM. All calculations were made by the author.

2 Linkage Areas I and II comprise the following Boston census tracts: 705, 708, 709, 805, 806, 807, 813, 814, 817, 818, 820, 821, 901, 902, 903, 904, 915, 916, 917, 918, 923, 924, 1001, 1002, and 1005. From the 1990 Census of Population and Housing, Social and Economic Characteristics. Data provided for census tracts with Black and Hispanic populations of at least 400 persons. All of these census tracts contained at least 400 African Americans. The following census tracts contained less than 400 Hispanic persons: 708, 709, 806, 807, 814, 817, 818, 820, 901, 902, 904, 923, 1002; data was therefore not provided. Information about other minority groups (Asian Americans and American Indians, Eskimos and Aleuts) was not calculated because their populations were too few in too many census tracts to yield meaningful statements.

The MHFA bases its distinction between Linkage Area I and II on the target minority business participation rates for the work it contracts out to vendors and construction-trade firms. For all of MHFA's projects — excluding the Demonstration Disposition — MBE participation goals stand at 55% and 20% of all contracts' controllable expenditures in Linkage Areas I and II, respectively.

33 1989 income is adjusted to 1994 real dollars using the 1.195 conversion factor calculated below:

\[
\frac{1994CPI-U}{1989CPI-U} = \frac{148.2}{124.0} = 1.195
\]

4 Although the evidence presented here speaks to the specific case of Chicago-area employers, this information is likely generalizable to other urban cities, including Boston.
CHAPTER FOUR:

MASSACHUSETTS HOUSING FINANCE AGENCY'S ADMINISTRATION OF THE HUD DEMONSTRATION DISPOSITION PROGRAM VIS-A-VIS MINORITY BUSINESS ENTERPRISES

Former MHFA Deputy Director Eleanor White said that "unless the Demonstration (Disposition) generates real economic and employment benefits for this community, it will not have been a success in our terms." Chapter Four considers the impetus for the Demonstration's 80% MBE target participation rate in the context of MHFA's community and economic development goals. Here, I will highlight the role that a quasi-public agency can play in revitalizing neighborhoods in which its financed housing developments are located, particularly when pressed to do so by a very active minority business community. MHFA has been effective in achieving -- and in some areas, surpassing -- its MBE utilization goals primarily because it has marshaled its own and other organizations' resources to ensure that MBEs can compete on a level playing field.

Introduction

The Massachusetts Housing Finance Agency is uniquely suited to assume responsibility for disposing of the 1,878 HUD-foreclosed housing units in Boston's inner-city neighborhoods. Not only did it gain considerable experience from managing the rehabilitation and sale of another set of HUD-foreclosed properties -- called the Granites -- in Roxbury and Dorchester, but it did so without making the same mistakes as HUD: excluding the project's surrounding predominately minority community. Rather than using all white developers, construction crews and vendors to rehabilitate properties located in predominantly minority communities as HUD had done in the late 1960s, MHFA's disposal of the Granite Properties beginning in 1987 was a community-based initiative. Community development corporations serving the communities in which the Granites were located as well as Long Bay Management, one of the largest minority developers in Boston, rehabilitated, purchased and now manage these housing units spending a significant portion of the controllable contract dollars on minority business enterprises.
MHFA's Minority Business Development Programs

MHFA's focus on minority business assistance is a recent and rapidly evolving phenomenon. MHFA's management of the Granite Properties disposal occurred in this context and expanded under the then newly appointed Executive Director Marvin Siflinger and Deputy Director Eleanor White. Frustrated by HUD's lack of aggressiveness with which it procured MBEs to participate on its contracts, Siflinger and White (formerly of HUD) decided to do better in their new positions, given the freedom (at the time) of being at MHFA. Their first opportunity came with the Granite Properties disposition.

MHFA hails its disposition of the Granite Properties as its model of inner-city revitalization and community building through partnerships with non-profit community development corporations (CDs) and developers of color. The current Demonstration Disposition is patterned after this successful housing disposition.

Rehabilitated twice before in 1967 and in 1968, the Granites had fallen into such grave disrepair that costs to bring these North Dorchester/Roxbury apartment units up to housing and sanitation code hovered between $46 and $88 million. Under heavy congressional and public scrutiny for its public housing mismanagement, HUD authorized MHFA to act as its agent in the rehabilitation and sale of these 1,162 housing units. Through the Metropolitan Boston Housing Partnership, Dorchester and Roxbury-based CDs purchased and developed the bulk of these housing units – 944 total. Long Bay Management Company successfully submitted a $1.7 million bid for the remaining 218 units known as Granite Package #5.

As "do-gooder" programs, Siflinger and White, along with Equal Opportunity Director Wilson Henderson believed that increasing MHFA's MBE utilization for both its internal operations as well as its financed developments was the right thing to do, given that minorities had traditionally been shut out of public contracting opportunities, particularly in Boston. Long considered more than merely a "bricks and mortar" housing finance agency, MHFA's objective with its minority business development programs was for the economic benefits of its projects to flow back into the community as much as possible.
However, if MHFA was truly committed to this goal, then it had to look at whether minority businesses were in a position to bid on contracts generated by MHFA-financed developments as contracts were let. For the most part, the majority of them were not. Undercapitalization and lack of access to external financing, insufficient bonding capacity and limited access to the (old-boy) networks in which majority contractors announced bidding opportunities conspired to preclude MBEs' full participation in MHFA's contracts.

MHFA also had to look at its own capacity to "grow" MBEs. By itself, its capacity was low. Although Agency officials could point to successful minority-owned business in the Boston area, they did not necessarily recognize the elements that contributed to this success or the role they could play in developing them in other nascent minority businesses.

Kenneth Guscott, a prominent African American developer in Boston explained: "The fact is, they didn't know how to do it; they didn't know how to get the minority (contractors), but they were willing to listen." Both Guscott and John Cruz, Jr., a successful minority general contractor, consulted MHFA on the elements of their prosperity. These programs were possible if the minority business community worked with MHFA to realize them. Mr. Guscott continued:

"(T)he system doesn’t know how to deal with us (African Americans and other people of color) and therefore, we have to show them how to deal with us. And, a lot of times, we don’t know how to deal with them; it’s like two worlds. Until we get together, we’re going to be fighting each other like cats and dogs."

Through its Equal Opportunity (EO) Division, MHFA responded with an array of programs designed to break down these barriers. Through all of its minority business assistance programs, MHFA sought to identify and replicate the ingredients of success. They fall into three primary categories: (1) networking, (2) training and (3) gap financing and bonding capacity.

**Networking.** Begun in February 1993, *Challenging Equal Opportunity* (CEO) newsletter serves as a networking tool for MBEs and management companies; CEO informs the former of contracting opportunities and of the myriad business assistance programs
available to them and providing the latter with a forum for announcing contracting opportunities. MHFA's MBE/Management Company Trade Fair allows minority vendors to familiarize management companies with their goods and services. Similarly, the MBE Professional/Management Company Information Exchange provides a social setting for accountants, lawyers, insurance agents and other professionals of color to discuss upcoming bids with management company executives. The MBE Mentor program provides MBEs that have completed contracts on MHFA-financed developments with immediate feedback from the management company.

**Training.** MHFA's training programs facilitate minorities' entry into the real estate and property management fields. As well, the agency sponsors workshops that review the business development and management basics, beginning with how to draft a business plan. There are the Minority Management Training Program, Minority Property Management Executive Program and Minority Real Estate and Appraisal Training Program.

**Gap Financing and bonding capacity.** In conjunction with the Community Development Finance Corporation (CDFC), the Minority Enterprise Investment Corporation (MEIC) and the Massachusetts Industrial Finance Agency (MIFA), MHFA capitalized a loan guarantee pool which would leverage financing from private banks. Through the Minority/Women Contractor Bond Support Program, MBEs gain financial and technical assistance in applying for their first surety bond, necessary to have for bidding on MHFA contracts. The Minority/Women Contractors' Bond Fund provides letters of credit to minority contractors participating in the above program.

Additionally, MHFA's Equal Opportunity Division convened the MBE Vendors Linkage Program Advisory Committee in 1991 to consult the Agency on how best to assist minority businesses and "level the playing field" so they could compete with majority-owned firms on equal footing. It was the Committee's suggestion to increase the MBE target utilization rate from 5% of procurement to 40% in Roxbury, North Dorchester, Mattapan and parts of Jamaica Plain and the South End and 10% outside of the area.

In measuring these minority business assistance programs in terms of contract dollars expended on minority vendors and contractors, the MBE Vendors Linkage Program
Advisory Committee and MHFA have been successful. During fiscal year 1992, 44% of operating expenditures on MHFA-financed developments located in the MHFA Target Area went to minority-owned businesses; this amounted to nearly $2.3 million. On construction projects, MBEs garnered almost $18 million of the $80 million spent statewide.

The Demonstration Disposition Program

Based upon the MHFA's success with the Granite Properties disposal, HUD contracted with the agency to take over interim asset management of and ultimately sell its 1,878 foreclosed and badly deteriorated housing units. From April 1984 to December 1992, the Department of Housing and Urban Development's Boston Office foreclosed on nearly two thousand of its most deteriorated housing units. These multi-family developments, scattered in some of Boston's most economically disinvested neighborhoods throughout Roxbury, Dorchester, Mattapan and the South End, required extensive rehabilitation work. HUD surveys completed by the Boston regional office (costing upwards of $1 million) determined that over 90% of the units required some level of repair work and nearly 50% contained lead paint, a toxin proven to severely damage children's nervous systems.

But, these indicators of HUD mismanagement represented only the tip of the iceberg. An internal audit obtained by the Boston Globe revealed that the problems HUD national faced paralleled those of the Boston Regional HUD office. The audit, which covered October 1991 to August 1993, detailed more than $6 million in losses or missed earnings due to mismanagement.

A Boston Globe article from October 1993 delineated some of the more egregious findings from the report:

- More than $69,000 in tenant security deposits from four developments was missing.
- HUD is owed $2.5 million in uncollected rent, with 73 tenants owing $10,000 or more apiece; one owes $43,396. From 1982 to 1991, local HUD policy was to not evict for nonpayment, a policy the audit called outdated. The audit reported 70 percent of total unpaid rent is due from tenants at Franklin Park I and II in Roxbury.
- Almost 900 units have lead paint, a toxin that can gravely injure children, but HUD has no records to determine which apartments require abatement, and has no plans to delead them.
Surveys costing $733,188 and $330,327 were conducted to determine needed repairs. Almost 1,750 were identified, but only 104 units received work.

Eighteen percent of HUD units were vacant, costing the agency $917,000 annually in lost rent.

Almost $860,000 was spent on security, but it could not be determined if security protection was needed or provided.

HUD spent $2.2 million on supplies with a number of companies, but rarely received the discounts it was due under contracts. Also, one HUD official "voiced concerns that he has little assurance that materials and supplies being purchased are actually going into the projects," the audit reported.

Private management companies staffed properties at a ratio of one employee for every 7.6 units, more than four times the national average of 33 units per employee, with a cost that exceeded the national standard by $4.9 million during the audit period.

The HUD Regional office was clearly in no position to do anything positive with these properties. In this context, HUD turned to MHFA and other state housing finance agencies across the country to dispose of it foreclosed properties.

The MHFA also meant for the rehabilitation of these properties to be community reinvestment of the neighborhoods in which they were located. According to most Boston housing advocates, the rapid deterioration of these HUD-foreclosed housing units hastened the further decline of these already struggling neighborhoods. "These properties represent the heart of the physical decay of the Boston neighborhoods," said Thomas A. Bledsoe, executive director of the tenant advocacy group, the Metropolitan Boston Housing Partnership. Residents have had to deal with "everything from infestations of roaches to drug dealers' controlling property," and HUD has done little about it, Bledsoe said.

Members of the minority business community, however were concerned that the Demonstration Disposition might be business as usual. The Minority Developers' Association -- a trade association of professionals of color engaged at all levels of real estate and property development -- were concerned with the Demonstration Disposition process on two fronts:

Quality of the rehabilitation: Particularly given HUD's track record in general and especially with the first Granite Properties renovation, minority business owners in the construction trades wanted guarantees that the rehabilitation work would be adequately
funded so that the end result would conform to their high expectations of what it should be.

**Economic opportunities for minority business:** MBEs feared that their participation in the Demonstration Disposition would, at best, stay within the parameters defined by the Granite Properties disposition and, at worst, mirror that of the first Granite Properties renovation two decades earlier. They perceived their business opportunities to be nonexistent outside of inner-city communities in which people of color predominated. The MDA rationalized that their opportunity base is — and should be — in their own communities; this would, therefore necessitate a much higher MBE target participation level. We're "not asking for handouts or quotas, just a fair share."11

**Impetus for the 80% minority business participation rate.**

Needing to show that it had the support of tenant groups in the properties to be disposed, local businesses and the general community in order to participate in the Demonstration Disposition, the MHFA approached the Minority Developers Association in 1992 to seek its support. Initially, the MHFA offered minority business enterprises a 50% target participation rate for the Demonstration's total contract value, estimated to be at $100 million.

Minority businesses "went ballistic. They came in at their most assertive,12" saying that 50% was much too low, given that these developments existed in their own markets. Carolyn Gibson and Ernest Branch of the New England Black Property Managers' Forum advocated that the target MBE utilization level be raised to 100%. Their reasoning: contract dollars allocated to minority businesses should reflect the percentage of minority residents in the properties to be rehabilitated. The MDA estimated the racial/ethnic composition of these housing units' tenants to be 98% Black and Hispanic, not to mention that of the neighborhoods in which they were located.

At first, MHFA balked. Marvin Siflinger, then agency executive director, initially disagreed strongly with handing over the project to minority developers and construction trade firms. He did not believe that the Bush Administration's HUD would accept such a
high target MBE utilization rate. MHFA, fearing that their application would be rejected solely on the basis of a high MBE participation goal, negotiated with the MDA, reluctantly setting the goal at 70%. Eleanor White, former MHFA deputy director recounts the events as follows:

"...Marvin (Siflinger) said that he would go to the HUD regional administrator and if he had his support for a higher goal and if he were sure that the application would not be turned down because of that higher goal, he'd be glad to put in an 80% goal, which is what happened. We went and saw Master Pietro, who was the regional administrator at the time. We made our case, he agreed to support us, we amended the goal to 80% and that's what happened. And, nobody thought we could do it....

'As it turned out, which we didn't know at the time, (Pietro) was going to be leaving very shortly, so I guess he thought he had nothing to lose. We didn't know that at the time, but it played out that way. The deputy regional administrator, Harold Thompson, who is Black, I think worked him over pretty well. He said 'you don't need this aggravation. If you think you've seen people nasty and obnoxious, you haven't seen anything until you get this minority community riled up. MHFA's in the clear because they said they'd go along with it if you did and so all of the heat would be directed to you.' Which was true, what would have happened. And I think he didn't want to deal with that. And, he was leaving, so it wasn't as if he'd actually have to be there to take the heat. I think that's the main reason."

In the end, HUD announced in October 1993 that MHFA would immediately take over interim management of the housing units and prepare them for sale to tenant groups.

The HUD Demonstration Disposition as an Employment Program

In addition to its housing rehabilitation and tenant empowerment components, "the Demonstration also will have a major economic benefit, stimulating investment, job creation and significant opportunities for minority-owned business enterprises." Yet, in terms of job creation for minority tenants of these housing developments or minority residents of these inner-city neighborhoods, MHFA has not marshaled analogous resources to achieve employment goals as it has for its MBE targets. Rather, any employment generated within these communities by MBEs for tenants or neighborhood residents would occur only as a result of the 80% target minority business utilization rate. Eleanor White explained that any employment benefits accruing to tenants or residents would

"... really (be) thought of as a by-product and I'll tell you why. Although we always thought it would be quite wonderful if that happened, we were very nervous about setting up expectations that we couldn't meet. The fact of the matter is that most of the residents in the properties that we were talking about are low-income, females on public assistance with children. To say to that
A few questions thus emerge.

Given MHFA's assumption that a high target MBE utilization level will mean job creation in the Demonstration Disposition communities, do minority-owned businesses hire inner-city residents and housing development tenants of color?

If MHFA were to marshal the same level of resources to a job training and placement component of the Demonstration Disposition as it does to MBE business assistance programs, what would be the result/would the result be increased employment for area residents? On what scale?

The next chapter addresses the issue of MBE hiring patterns in depth.

1 Eleanor was actually Chief of Operations when she first joined MHFA.
2 From interview with Eleanor White; March 23, 1995.
5 From interview with Kenneth Guscott, April 21, 1995.
6 From interview with Kenneth Guscott, April 21, 1995.
7 MHFA Linkage Area includes Roxbury, North Dorchester, Mattapan and parts of Jamaica Plain and the South End.
8 The HUD Demonstration Disposition is actually a national demonstration program. In addition to the MHFA, three other housing finance agency nationwide will dispose of over 5,000 HUD-foreclosed housing units.

9 "HUD Audit Finds Millions Wasted by Boston office; advocates say tenants have suffered." The Boston Globe. October 18, 1993.

10 Ibid.

11 From interview with Danny Cruz, then president of the Minority Developer's Association, February 3, 1995.

12 From interview with Eleanor White; March 23, 1995.


CHAPTER FIVE:

PRESENTATION AND ANALYSIS OF MINORITY BUSINESS ENTERPRISE
EMPLOYMENT PATTERNS SURVEY

The previous chapter closed on two questions. First, given its high MBE utilization goals for the Demonstration Disposition, what level of employment among people of color in the Linkage Areas by minority businesses might MHFA expect to result? Second, if MHFA had possessed the same will and mobilized similar resources to develop a job training component to the Demonstration as it had for its MBE assistance programs, what might be the result? Although there may not be conclusive answers to the latter question, data gathered and interviews conducted by the author may provide insight into the former query. I will present key survey results on employment patterns and rates from prospective MBE participants in the Demonstration Disposition. While not all MBEs employed people of color, nearly every African American construction contractor and vendor reported having "majority minority" workforces as well as employed people of color from Target Area neighborhoods. Overall, the minority business owners who did employ people of color from these communities did so because of convenience and a sense of social obligation.

Introduction

Theoretically, increased employment opportunities for low-income inner-city residents of color naturally flow from high MBE utilization rates. Yet, to date, no information has been collected to definitively answer the question of whether dual benefits accrue to both middle-class minority business owners and people of color living in low-income neighborhoods1. MHFA officials have stated that whatever employment results for Target Area residents from the Demonstration Disposition will be the byproduct of its greatly financed MBE utilization programs and not from any concerted effort to realize increased employment on the Agency's part. Nevertheless, it is fair to gauge how well this byproduct may be realized given the past and current employment practices of MBEs identified as potential participants in the Disposition. Even though the Demonstration Disposition was not meant to be a social program, there may likely be useful employment results that could be supported by a job training and employment program in the future. To test the likelihood of hiring among this labor force sector by minority businesses identified by MHFA, I set out to examine these businesses' past and current employment practices.
Methodology

To get a sense of MBEs hiring patterns, I randomly selected and surveyed a sample of minority construction contractors and vendors listed in MHFA's Minority Business Enterprise Directory. The survey was limited to MBEs in construction trades and selected vendors. My reasoning was that these MBEs would potentially offer more opportunities than their counterparts in the legal, financial services and related professions requiring post-secondary, graduate and professional degrees.

Surveyed MBEs were involved in the following trades:

- asbestos removal
- building supply
- cabinets
- carpentry
- carpet wholesalers and installers
- concrete companies
- lead abatement companies and inspectors
- electricians
- excavation and site work companies
- fencing companies
- general contractors
- heating, ventilation and air conditioning (HVAC) and mechanical contractors
- masonry companies
- oil companies
- interior and exterior painters
- plasterers
- paving, stripping and sealing companies
- pest control companies
- plumbers
- roofers
- security companies
- trucking companies
- waste disposal and hauling companies
- window supplies and services.

Of the 266 minority construction contractors and vendors listed in the directory, I used a random-number generator to assign a nonsystematic number to each of the MBEs. From this parent population, I constructed a geographically stratified random sample of 67 MBEs (25% of the parent population) from which to mail surveys.

Following their geographic representation in the directory, the sample consisted of 63.4% \((n = 43)\) of MBEs located within the Boston area; 34% located outside of the Boston area, but within Massachusetts \((n = 22)\); and 2.6% located outside of Massachusetts \((n = 2)\). I could not replicate the racial/ethnic makeup of the parent population in the sample because MHFA did not collect such information on the MBE owners on the minority business roster.
I mailed out the surveys during the third week of January, 1995. Businesses were given until February 10, 1995 to respond to the questionnaire. During the first two weeks of February, I called each MBE owner who received a survey. The purpose of these phone calls was to answer any questions the surveyed minority business person had as well as to remind them to complete and return their surveys.

I received the majority of surveys during this three-week period, although a few MBEs returned them up until early March. Twenty-three MBEs returned the survey by mail, equaling a 34% survey response rate and an 8.6% effective response rate. Tables 5.1 through 5.3 compare characteristics of the parent population, of the randomly selected sample that received surveys and of the resulting respondents.

Given such a small absolute number of survey responses, however, I caution the reader against concluding that the data I will present next is completely generalizable to the entire Boston MBE population. Very likely, there is a degree of randomness to the survey data that should be considered when reviewing the findings from it.
Moreover, this small sample size makes it more likely that the sample is not representative of the population from which it was drawn; statistical confidence in these findings is therefore weak. This may particularly be the case for Asian American, Hispanic and white women business enterprises; I only received two and four each, respectively, from these population groups. However, I believe that the number of responses that I received from African American MBEs—provide firmer ground on which I can draw broad conclusions about these employers' employment patterns and practices.

**Minority Business Employment Patterns**

**Characteristics Of Minority Business Enterprises**

More than half of the survey respondents are Black/African-American business owners ($n = 13$). Eight of these businesses are located in the Target Area neighborhoods of Dorchester and Roxbury; the rest are either located in another Boston neighborhood ($n = 1$) or outside of Boston. Four Hispanic/Latino business owners—one operating in Dorchester and the rest operating businesses outside of Boston—responded to the survey. Four white business owners responded to the survey; one is located in Roxbury and the rest are outside of Boston. All are owned by women. Finally, two survey respondents are Asian American business owners, both with businesses located outside of Boston.

These responding MBEs own construction-trade firms, wholesale companies as well as provide services that management companies use. While African American MBEs are engaged in many different sectors, all of the responding white, Hispanic and Asian American respondents own businesses in the construction industry. The construction trades in which white WBEs are engaged are: waterproofing, damp-proofing, caulking and painting; site work; masonry-construction; and general contracting. Two of the Hispanic MBEs were general contractors and the other two were electrical contractors. Both Asian American respondents were general contractors. Responding African American MBEs in the construction trades are general contractors ($n = 6$), painters and steel erectors (one in each); sell kitchen cabinets and toilet accessories ($n = 1$); provide such services as oil distribution, moving and warehousing, security, pest control and lead paint inspections (one in each); and perform construction estimates and work write-ups ($n = 1$).
Even though the majority of responding MBEs own businesses in the construction trades, they do not require the same skill level for their employees. A high school diploma, followed by relevant job experience and appropriate trade licenses are the most often named required skill levels by African American MBEs. For white women, Latinos and Asian American MBEs, however, job experience comes first, followed by completion of an accredited apprenticeship program; this makes sense, as all of these M/WBEs operate in the construction trades. Figure 5.1 lists the skill levels required by responding M/WBEs by the type of business in which these business owners are engaged. Numbers in parenthesis refer to the number of times MBEs mentioned the particular skill requirement; MBEs were encouraged to offer as many responses as applicable.

### Figure 5.1:
**Required Skill Level by Race of MBE by Type of Business**

<table>
<thead>
<tr>
<th>Race</th>
<th>Skill Levels</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Asian American</strong></td>
<td>General contractors: high school, job experience (2)</td>
</tr>
<tr>
<td><strong>Hispanic</strong></td>
<td>Electrical contractors: high school, apprenticeship program (2)</td>
</tr>
<tr>
<td></td>
<td>General contractors: job experience (2)</td>
</tr>
<tr>
<td><strong>White</strong></td>
<td>Waterproofing, caulking and painting: high school, attitude, experience</td>
</tr>
<tr>
<td></td>
<td>Site work: attitude</td>
</tr>
<tr>
<td></td>
<td>General contractors: job experience, apprenticeship program</td>
</tr>
<tr>
<td><strong>Black</strong></td>
<td>General contractors: high school, job experience, attitude (2)</td>
</tr>
<tr>
<td></td>
<td>Painting/building: high school</td>
</tr>
<tr>
<td></td>
<td>Steel erection: high school</td>
</tr>
<tr>
<td></td>
<td>Kitchen cabinetry, toilet accessories: high school, experience</td>
</tr>
<tr>
<td></td>
<td>Lead paint inspections/deleading: training, license, job experience</td>
</tr>
<tr>
<td></td>
<td>Moving and warehousing: none</td>
</tr>
<tr>
<td></td>
<td>Oil distribution: high school</td>
</tr>
<tr>
<td></td>
<td>Pest control: high school, license</td>
</tr>
<tr>
<td></td>
<td>Security: high school</td>
</tr>
<tr>
<td></td>
<td>Construction estimates and work write-ups: job experience, computer literacy</td>
</tr>
</tbody>
</table>
On average, most of the MBEs surveyed paid their employees "living wages," meaning, enough to adequately provide for an individual or for a family of four. However, some employers paid higher average wages than others. At nearly $19 per hour, white WBEs paid the highest average hourly wage for their most entry level employees. Hispanic employees were second, trailing white WBEs by about $2 less per hour to their most entry level employees. Black employers paid their employees nearly 50% less than that paid by white employers; the average hourly wage Black employers paid their most entry level employee was $10 per hour.

MBEs in the construction trades paid the highest wages to their employees; those in the service sector paid the lowest. Although Black MBEs operating businesses in the construction industry paid among the highest wage of all Black MBE respondents, the average hourly wage they paid their employees was still much lower than that paid by other MBEs and WBEs. Nonetheless, the wages Black business owners paid their employees were roughly on par with those paid to Black male high school graduates in the 25-34 and 35-44 year-old age ranges. Based on full-time, full-year employment (40 hours per week at 50 weeks per year), African American MBEs paid their employees an average of $20,000 per year. Boston Black male construction workers in the former age category earned $11,349 per year, while those in the former category earned $23,280 per year (1990 Census). Assuming that African American business owners who responded to the survey employ workforces comprised largely of Black men, this information suggests that issues related to Black men's earning power may play a role in the average wages paid by Black MBEs.

That responding Latino, Asian American and white business owners pay higher wages than Black business owners may also be a result of the particular construction trades in which MBEs are involved and perhaps, their requirement to employ union labor. Those MBEs
that were located outside of Boston paid higher hourly wages than those within Boston. However, this result may be skewed by the preponderance of non-Black M/WBEs in the construction trades operating businesses outside of Boston.

In sum, responding MBEs own businesses located in Target Area neighborhoods, other parts of Boston and outside of the city. They are owned by African Americans, a Native American, Latinos, Asian Americans and white women. Although these MBEs own businesses in a variety of sectors, they are primarily concentrated in the construction trades. Nearly one-third of these firms are located within the Linkage Areas, although over half are located outside of Boston. With these characteristics of responding MBEs, I turn next to the characteristics of these minority business owners’ workforces. In the following section, I present survey findings on MBEs employment patterns, discussing them in the context of these firms' characteristics. I conclude by contemplating some reasons as to why particular MBEs may or may not be predominantly employing Blacks and Latinos from the Linkage Areas.

**Minority Business Enterprises Employment Patterns**

The primary question I sought to answer via the “Survey of Minority Business Enterprises and their Employment Patterns” was what is the likelihood that Black and Latino residents of Target Area Neighborhoods will experience increased employment opportunities resulting from the Demonstration Disposition, given the past and current employment practices of Boston-area minority business owners who may participate in the Demonstration? My hope was also that survey results would shed light

<table>
<thead>
<tr>
<th>OWNER'S RACE</th>
<th>WITH AT LEAST ONE EMPLOYEES FROM TARGET AREA</th>
<th>WITH NO EMPLOYEES FROM TARGET AREA</th>
<th>TABLE AVERAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>African American</td>
<td>78.6% (11)</td>
<td>35.9% (2)</td>
<td>72.1% (13)</td>
</tr>
<tr>
<td>Asian American</td>
<td>#N/A (0)</td>
<td>37.5% (2)</td>
<td>37.5% (2)</td>
</tr>
<tr>
<td>Hispanic</td>
<td>22.2% (1)</td>
<td>46.7% (3)</td>
<td>40.6% (4)</td>
</tr>
<tr>
<td>White</td>
<td>39.3% (1)</td>
<td>21.7% (3)</td>
<td>26.1% (4)</td>
</tr>
<tr>
<td>Table Average</td>
<td>71.3% (13)</td>
<td>35.2% (10)</td>
<td>55.6% (23)</td>
</tr>
</tbody>
</table>
on whether certain traits of minority businesses -- such as the owner's race and business location and type -- affect this likelihood.

Survey Results
Overall survey results reveal that the majority of MBEs employ "majority minority" staffs and employ from Target Area Neighborhoods. Slightly over half of the responding minority businesses employ staffs in which 50% or more employees are people of color; at least one of each of these minority business owner's employees is of color from a Target Area Neighborhood. Thirteen of the 23 MBE owners from whom I received surveys employed an average of 71.3% people of color, with at least one employee of color from Dorchester, Roxbury or Mattapan. Two MBE owners who employed solely from the Target Area Neighborhoods employed workforces that averaged 99.4% people of color. Those who employed no people of color from the Target Areas still employed workforces consisting of 35.2% minorities.

Although MBEs located within Target-Area Neighborhoods were slightly more likely to employ people of color from these areas, non-Target Area businesses still employed minority staffs from these area neighborhoods. Of the eight MBEs located in the Target Areas, seven employed workforces averaging 78.8% people of color. Three of the 15 MBEs operating outside of these neighborhoods still employed predominantly minority (x = 62.5%) staffs, including a number of staff members from the Target Areas. Altogether, a little more than half of the responding MBEs employed workforces that were greater than 50% people of color and where at least one minority employee of each of these MBEs lived in a Target Area Neighborhood.

More than other minority business owners, however, African American MBEs employed people of color; significantly, a number of their employees are people of color from the Target Areas. Black business owners were more likely than surveyed white, Latino and Asian American business owners to employ at least a few people of color from the Target Area Neighborhoods. This phenomena occurred regardless of the business type or location of the particular Black business. Those Black business owners who did not employ "majority minority" workforces from the Target Areas -- much less from other neighborhoods -- were few. Although survey data showed that "majority-minority"
employment patterns from Target Areas were not the case for either white female or Latino contractors, I am skeptical as to how representative the figures for these M/WBEs might be, given the low number of survey responses I received from them.

Eleven of 13 responding African American minority business owners employed "majority minority" workforces; many of their employees were from Dorchester, Roxbury, Mattapan and the South End. On average, nearly eighty percent of African American business owners' employees in 1994 were Blacks, Latinos, Asian Americans or other non-white ethnic group members, several of whom lived in the MHFA-defined Target Areas. Slightly over half of these employees were Black ($x = 53.8\%$) and under 10% ($x = 6.6\%$) were Latino.

The six African American MBEs that are located within the Target Areas had an even greater propensity to employ people of color from these neighborhoods. The percentage of their workforce that comprised people of color and had at least a handful of minority employees from the Target Area neighborhoods averaged 85.4%. There were no Target Area-based Black-owned businesses that did not employ people of color from this area's neighborhoods.

Although over half of the responding African American MBEs operated businesses located outside of the Target Areas (and outside of Boston), this did not appear to affect their propensity to hire Blacks and Latinos from the Target Areas. Table 5.7 shows that, among the seven Black MBEs located outside of the Target Areas, five employed workforces composed primarily of people of color, with at least a few of these minority employees from one of the Target Area Neighborhoods. Combined, almost two-thirds of these business owners' employees were people of color. The two Black-owned firms that were neither located within the Target Areas nor

<table>
<thead>
<tr>
<th>LOCATION OF BUSINESS</th>
<th>AVERAGE PERCENTAGE OF EMPLOYEES OF COLOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target area neighborhoods (n = 6)</td>
<td>85.4%</td>
</tr>
<tr>
<td>Other Boston neighborhood (n = 2)</td>
<td>62.5%</td>
</tr>
<tr>
<td>Outside of Boston (n = 5)</td>
<td>59.9%</td>
</tr>
<tr>
<td>TABLE AVERAGE (N = 13)</td>
<td>72.1%</td>
</tr>
</tbody>
</table>
employed people of color from these neighborhoods still employed an average of 35.9% people of color.

Summary
African American business owners drive the high level of minority employment revealed by the Survey of Minority Business Enterprises and Their Employment Patterns. This occurred independent of their business location and type. Although Latino, Asian American and white M/WBE respondents employed comparatively lower percentages of minorities in their workforces than African American business owners, these results should not be generalized to their larger population groups because of their low response rates. Black MBE respondents were also responsible for most of the employment of minority Target Area residents also revealed by the survey.

The survey, however, could not show the precise extent to which MBEs drew upon people of color from the Target Area Neighborhoods for their labor. Particularly where the minority business owner checked off several different neighborhoods for their minority employees' residences, the ratio of Target Area versus non-Target Area residents of color employed by minority business owners could not be accurately discerned from the survey responses. Nevertheless, the data allowed me to say that nearly all of the Black business owners each hired at least a handful of minority Target Area residents; on the survey, these business owners checked at least three of the four Target Area Neighborhoods for the communities in which their minority employees lived. The two African American business owners who did draw solely upon the Target Area Neighborhoods for their labor averaged workforces that were nearly 100% minority.

Propensity of MBEs to Employ People of Color from the Target Areas
What accounts for the propensity of some minority business enterprises in general and most African American business owners in particular to employ workforces predominantly of color? for some of them to draw their labor from people of color living in Target Area communities? In Chapter Three, I suggested reasons offered by Timothy Bates, a leading economist researching minority businesses that participate in government agency set-aside programs. He stated that proximity, preference and social and political concerns are the
main reasons that minority business people tend to employ other minorities. To repeat
these points:

- **Proximity.** Black businesses hire those around them. Because most Black businesses
  are located in urban areas in which people of color predominant, they employ those
  most readily available to them.

- **Preferences to work with members of one's own race.** Bates mentioned that white
  business owners may prefer not to employ Black or other racial minority group
  members because of fear, prejudice or concern for how business might be affected by
  predominantly minority staffs. Black business owners may desire to work with those
  with whom cultural barriers may not exist, or may be significantly reduced.

- **Social obligations and political concerns.** Minority business owners may also desire to
  "give back" to the people of color in economically distressed urban communities who
  are less fortunate than themselves. They may see employment as an obligation that
  they, as business owners should fulfill.

Survey results and follow-up interviews suggest that all of these factors — plus convenience
(as seen as reliance on personal networks and word of mouth) — drive African American
MBEs' propensity to employ majority-minority workforces from low-income communities.
Proximity interacted with issues of racial preference, convenience and social obligation. I
asked one Black MBE about the extent to which his company hired people of color from
inner-city communities. His response was: "from where else will we hire?" I will elaborate
on each of these findings in turn, using comments from completed surveys and case studies
to support these observations.

**Racial Preference**

It was neither practical nor well-advised for me to ask MBEs and WBEs if they preferred
to work with members of their own racial group over members of other racial or ethnic
groups. Such questions are usually not answered truthfully, particularly if asked by an
interviewer who does not belong to the same racial/ethnic group as the interviewee. Some
respondents might have even considered this an offensive question, implying that they may
be given to bigotry. To be sure, preference to hire members of one's own racial or ethnic group does not necessarily make someone a bigot; nonetheless, few people would admit to a racial predilection for fear of being considered a racist.

So, while I can not speak definitively about whether MBEs prefer to work with members of their own ethnic groups, there is de facto employment information implying that some MBEs may favor working with their own over members of other racial/ethnic groups. (It is important, however, to restate that these data may only be applicable for this sample, rather than the population of minority and white-women owned businesses in the Boston area.) Three-quarters of all African American business owners employed staffs comprising of 50% or more Black employees. All white WBEs had workforces in which whites comprised 50% or more of their total employees; one of these WBEs had 100% white employees. However, these findings are likely confounded by these MBEs' and WBEs' location and the proximity to minority communities. Therefore, it is important to reduce the impact of location on these calculations.

Among the responding minority and white women business owners whose firms were located outside of Boston – where the concentration of the minority population is likely to be much lower – there could be a degree of racial preference in employment based on de facto employment patterns. Although every MBE employed at least a plurality of white employees (meaning 40% or greater), each racial/ethnic group of business owners

<table>
<thead>
<tr>
<th>TABLE 5.8: MBEs LOCATED OUTSIDE OF BOSTON: AVERAGE PERCENTAGE OF MINORITY EMPLOYEES BY RACE OF EMPLOYER BY RACE OF EMPLOYEE</th>
</tr>
</thead>
<tbody>
<tr>
<td>OWNER'S RACE</td>
</tr>
<tr>
<td>---------------</td>
</tr>
<tr>
<td>AFRICAN AMERICAN (N = 7)</td>
</tr>
<tr>
<td>ASIAN AMERICAN (N = 2)</td>
</tr>
<tr>
<td>HISPANIC (N = 3)</td>
</tr>
<tr>
<td>WHITE (N = 3)</td>
</tr>
<tr>
<td>TABLE AVERAGE (N = 15)</td>
</tr>
</tbody>
</table>

Note: Averages do not calculate to 100% across because some MBEs employ members of unspecified racial/ethnic groups.
employed high percentages of members of their own racial/ethnic groups. This indicates that racial preference may enter into these employers' decision-making processes about whom to hire, along with other factors; however, the extent to which this predilection weighs heavily on employers' minds will likely remain unknown.

As shown in Table 5.8, all MBEs located outside of Boston -- with the exception of Latino business owners -- employed staffs comprised predominantly of the owner's particular ethnic or racial group, second after white employers. White WBEs that were located outside of Boston (three of four total), employed majority white workforces primarily. However, these two occurrences -- that M/WBEs on average employed staffs composed disproportionately their own racial/ethnic group members -- may be due to factors other than racial preference. These results may have more to do with small racial/ethnic minority populations from which to draw in cities outside of Boston, for example than whether or not an MBE or WBE chooses to hire solely from within his/her own ethnic/racial group.

Preferred Recruitment Methods Among MBEs and WBEs
For most every job seeker, connection to a network of friends and family in which information about employment opportunities is easily and constantly exchanged may be just as critical to securing a job as skill level and experience. This is no doubt true for low-income Blacks and Latinos living in MHFA-financed housing developments as well as for those living in its defined Target Area neighborhoods.

For African American-owned minority businesses, hiring occurs to a large degree among/within personal networks. Eleven of the 13 responding Black MBEs cited "friends and family" and "word of mouth" as the most effective employee recruitment methods for their businesses. In fact, most hiring that occurs in mainstream settings is conducted through personal networks. Recruitment via personal networks also coincides with a high degree of hiring Blacks and Latinos from the Target Area neighborhoods by Black MBEs. Personal networks were also most frequently named by white women "MBEs" as the method by which they hired most of their employees.
Those African American MBEs citing "friends and family" as their most effective recruitment method employed workforces consisting overwhelmingly of people of color from Target Area Neighborhoods. Black business owners who recruit their employees via "friends and family" employ workforces that average 69.4% people of color, some of whom reside in the Target Area neighborhoods. Those naming "word of mouth" as their most effective recruitment method averaged workforces of 92.9% people of color.

Indeed, these employers preferred using their personal networks to hire employees over other methods. Usually, friends and family were the "most reliable people" as well as the most "flexible." As well, employers found qualified workers more easily among people they already knew or who were referred to them by people they knew than among strangers. One employer preferred his/her personal network "because any public form of recruitment overwhelms the office with unqualified applicants."

Minority business owners also listed unions and want ads next most frequently as sources of employees. Although one MBE preferred unions -- "you can call trained personnel (sic) off a job list" -- others who used them still preferred friends and family and word of mouth. An MBE in the latter category mentioned that "we are obliged to hire from (the union) hall, but 'word of mouth' is most effective."

Case study: Johnson's Pest Control Company

Mr. Joseph Johnson runs a small extermination company out of his home in one of the target area communities. He started his business in 1982 as a sole proprietorship. With the growth of his accounts, Johnson incorporated his company in 1985; however, the costs of functioning in this manner grew to prohibitive levels, so he switched back to a sole proprietorship in March 1994.

When I spoke to him in April 1995, Mr. Johnson had just secured a contract with Massachusetts Housing Finance Agency to do some work through a HUD program. Although Mr. Johnson has no full-time permanent employees, his business is brisk enough to provide side jobs and full-time temporary employment to those who are looking for experience, to earn extra money on the weekends or to stay busy until they find more
steady work. Most of those whom he employs are from Dorchester. Usually, they are African Americans, however, some are also Latinos.

Word of mouth and friends and family networks are the most effective recruitment methods on which Mr. Johnson relies to fill the positions generated by his new contracts. Sometimes, a current employee suggests a son, brother-in-law or a cousin whom Mr. Johnson might hire to help out on these jobs. Other times, those looking for work see Mr. Johnson exterminating a house or apartment units and inquire about work availability.

By way of illustration, Mr. Johnson told me about Darryl Evans, a management company superintendent who asked about opportunities for "pick-up" work. Mr. Johnson brought Evans on to do pest control work on Saturdays, allowing the latter kept his current position and earn extra money on the side. Evans began working for Mr. Johnson full-time after a work-related injury at his regular job prevented him from continuing as a superintendent (but apparently did not affect his ability to exterminate buildings). However, later, when Evans broke his ankle and became fully disabled, he referred Johnson to his son, whom Johnson hired to fill Evans' place. As the company's pest control contracts swelled, Evans' connected his friends to Johnson, whom the latter hired.

Mr. Johnson's workers come and go. A lot of them are strictly part-time, while others are full-time employees, if only for a few months. The work Johnson provides, however, is flexible and well paying. Additionally, Mr. Johnson pays his employees to complete a one-and-a-half day training session and for the $45 licensing fee, both required of pest control workers. If someone would like to work for Johnson, but can only work for him during the week, then Mr. Johnson accommodates and adjusts the schedule.

Mr. Johnson starts his employees at $10-14 per hour, depending on the particular job and the employees' experience level. Usually, he pays them about $25 per hour and sometimes more if the job begins early in the morning on Saturday, if it is a long distance from the area, or if it requires the use of special chemicals. For a few hours' work, one could possibly earn between $60 and $90.
The process by which Mr. Johnson brings on new employees likely exemplifies the method by which other MBEs recruit labor. Not only are "word of mouth" and "friends and family"-based recruitment efforts among the most convenient ways to hire new employees, but these methods can potentially reduce the employers' risk that the new hire will not work out because s/he has already been pre-screened by the referring party.

That Black MBEs employ majority minority staffs and employ from the target neighborhoods independent of their business location may indicate a strong connection to these neighborhoods that is not only based on their market area, professional associations and personal relationships. Responding minority business owners may feel a sense of responsibility and obligation to provide opportunities to those Blacks and Latinos who remain in these economically distressed urban areas from which these business owners were fortunate enough to escape.

Social obligations
Recognition of the pervasive racism preventing some Black and Latino inner-city residents from gaining employment and of their duty as business people to develop the communities from which they came drives the minority business owners with whom I spoke to employ majority minority workforces. These business people of color are guided by the philosophy of "each one, reach one." This mantra makes assistance to those Blacks and Latinos who have not defied society's odds for their failure incumbent on those who have. One MBE owner with whom I spoke thought that, as MBEs, minority-owned firms "should be sensitive to the difficulties of our folks getting jobs" in mainstream organizations17. These interviewees see this duty not as a burden but as an unquestioned responsibility to uplift the people and communities of which they are a part and from which they came.

Case Study: Long Bay Management Company
A good example of this philosophy in practice is Long Bay Management Company, a development and property management firm located in Boston, on the edge of the South End. Three brothers – Kenneth, George and Cecil – and their mother started Long Bay Management in 1971 to see if they could develop affordable housing in Boston's low-
income and predominantly Black neighborhoods better than the white developers who often built poor quality housing in these areas.

For example, in the Grove Hall, Roxbury and Dorchester sections of Boston, a Jewish developer from Newton named Murray Simon developed 2,000 housing units through five corporations called the Simon Group. As many developers traditionally did at the time, Simon brought in construction workers from Canada to build the units while young Black men stood watching on the street corner, capable, but not recruited, to do the work. Guscott believes that the Simon Group did a very shoddy job; their work was only cosmetic, completed haphazardly and done very quickly; they intentionally built these housing units to only last long enough to attain accelerated depreciation tax benefits and leave.

The Guscotts set out to do better. They bought and successfully rehabilitated two houses. Next, they developed 17 units of multi-family housing. They wanted to find out how these white developers were coming to the inner-city and developing affordable housing. Long Bay soon became successful at it, while preserving their goal of building high quality housing in low-income Black neighborhoods. They quit their regular jobs and did this work full time.

In my first interview with him in January 1995, Mr. Kenneth Guscott described the origin of Long Bay Management Company as "a direct offshoot of the Garvey movement. Do it yourself. Make it happen. It's nothing new." Long Bay is one of most successful minority development firms in New England. They have developed over 1,000 units of affordable housing and are growing at about 20% per year.

I spoke to all three brothers – but primarily to Mr. Kenneth Guscott, the eldest of them – about the benefits of minority business enterprise to economically distressed communities of color. Long Bay employs 43 people, 40 of whom are African American, Haitian, Jamaican, Cuban and other people of color. Most of these employees live in the community. Mr. Kenneth Guscott's implementation of the "each one, reach one" credo follows the idea of teaching people how to fish and thus ensuring their self-sufficiency, rather than providing them with fish and thus consigning them to persistent dependence.
"We don't hire 'poverty people'" explained the elder Guscott; instead, they seek to train people out of poverty.

Long Bay does not recruit new employees, but rather, those looking for work seek out the firm. People see that LBM is participating in or managing a construction project and come directly to them to inquire about work. If these employment applicants lack skills, then they are not hired, but are pointed in the direction of apprenticeship or other training programs, of which Mr. Kenneth Guscotts laments that there are too few. The biggest need of subsidized housing tenants that he sees right now is a high school diploma or the equivalent. It is frightening, Mr. Guscott says, the number of tenants who do not have even this.

What Long Bay Management Company is doing by working in the inner-city is (1) giving people an opportunity to do the job; and (2) giving people faith in themselves that they can do the job and (3) helping them to build the community. In dealing with whites, especially in government agencies, Mr. Kenneth Guscott has seen that they bring a missionary perspective to these communities. Many of these whites believe that they will save the "poor natives" and make conditions better for them. However, Guscott emphasizes that there is a cadre of Blacks -- of which he is a prominent leader -- who are able to build their own communities from the inside.

Aside from employment, one of the most important things that Long Bay does is to build other minority businesses. LBM spends a great deal of money growing smaller, nascent minority businesses to take on larger contracts. As a construction management company, LBM assembles the plumbers, carpenters, electricians, HVACs who know how to do the work, but not the paperwork. They have mentored these firms and helped them to secure financing, to do planning, scheduling, paperwork and attain bonding with the banks for past 15 years. Guscott spoke of advancing as much as $10,000 to minority businesses who have won contracts so that they could purchase the necessary equipment to get started on the job. What Long Bay has done with this assistance is built small minority businesses into sizable firms.
Guscott acknowledges, however, that there is difficulty to in getting qualified housing maintenance contractors — such as plumbers and electricians — who are of color. He attributes this to the lack of union access that continue to dog minorities' efforts to learn skilled trades. He and members of the Minority Developers' Association are working on this.

Guscott espouses the importance for Blacks to devote their skills to minority communities. This is especially for the youth so that they can see positive role models and know that success is attainable. People in communities need to see real illustrations of others "who look like you and me" rebuilding their neighborhoods and legitimately benefiting from all that the US offers. "There is nothing wrong with capitalism as long as we are allowed to participate in it," Guscott declares. "Once we can, we can beat the socks off of it."

**Magnitude of the Demonstration Disposition's Employment Impacts**

Given that minority businesses owners employ people of color, some of whom from these low-income, predominantly minority communities, how might employment be affected under the Demonstration Disposition? Into how many jobs might the 80% minority business enterprise utilization goal translate for these low-income communities?

To answer this question, I have envisioned three scenarios. For each of these scenarios, I have assumed that:

- the estimated $100 million disposition cost for the Demonstration remains fixed;

- labor costs are 60% of the controllable contract dollars; this is a valid mix since the Demonstration is a housing rehabilitation project and as such, does not require the same expenditure on materials as do construction projects;

- the cost to create one job equals $30,000. This includes a $10 per hour wage at $20,000 per year (based on the average hourly wage paid by Black MBEs) and overhead (payroll taxes, workers' compensation insurance, social security, etc.).
Additionally, I have systematically varied the MBE utilization rate in each scenario. In the best case, 80% of controllable contract dollars are secured by MBEs. In the worst case 22% -- the statewide MBE utilization rate in 1994 -- is reached. Descriptions of the scenarios follow.

- **Scenario #1** assumes that Target Area residents fill all jobs that are created as part of the Demonstration Disposition.

- **Scenario #2** assumes that 71.3% of jobs go to residents of MHFA-defined Linkage Areas; this is the average percentage people of color that MBE owners employed who drew employees from the Target Area neighborhoods.

- **Scenario #3** assumes that 55.6% -- the average of all MBEs returning surveys -- of jobs are filled by Target Area residents.

Tables 5.9 through 5.11 indicate the potential to create a significant number of jobs for Target Area residents of color. In every scenario, the Demonstration generates the greatest number of jobs where MHFA has reached its 80% target MBE utilization goal. In Scenario #1, where minority business owners employ exclusively from the Target Areas and the MHFA meets its 80% target MBE participation rate, then 1,600 jobs will potentially be created for the benefit of Target Area residents. In Scenario #2, where MBE owners employ a workforce that comprises of 71.3% people of color, all of whom from the Target Area Neighborhoods, 1,141 jobs will be created in these communities. Even if MBEs remain at their 55.6% average Target Area employee percentage, almost 900 jobs will be available for minority residents of Target Area communities (Scenario #2).
Where MHFA does not reach its 80% goal, but instead stays at 55% -- the target MBE utilization level in the "normal" maintenance of its financed housing developments -- 1,100 jobs may possibly be created for Target Area residents. Under Scenario #2, 784 jobs will be created in these communities. And, even if only 55.6% of these jobs go to Target Area residents (Scenario #3), this still means over 600 jobs for Target Area residents.

### Table 5.10: Scenario #2: Target Area Residents of Color Fill 71.3% of New Jobs

<table>
<thead>
<tr>
<th>MBE Utilization Rate</th>
<th>Labor Costs (as a percentage of the controllable contract dollars)</th>
<th>Cost of Each Job Created</th>
<th>Number of New Jobs Created</th>
</tr>
</thead>
<tbody>
<tr>
<td>80%</td>
<td>60%</td>
<td>$30,000</td>
<td>1,141</td>
</tr>
<tr>
<td>55%</td>
<td>60%</td>
<td>$30,000</td>
<td>784</td>
</tr>
<tr>
<td>22%</td>
<td>60%</td>
<td>$30,000</td>
<td>314</td>
</tr>
</tbody>
</table>

### Table 5.11: Scenario #3: Target Area Residents of Color Fill 55.6% of New Jobs

<table>
<thead>
<tr>
<th>MBE Utilization Rate</th>
<th>Labor Costs (as a percentage of the controllable contract dollars)</th>
<th>Cost of Each Job Created</th>
<th>Number of New Jobs Created</th>
</tr>
</thead>
<tbody>
<tr>
<td>80%</td>
<td>60%</td>
<td>$30,000</td>
<td>890</td>
</tr>
<tr>
<td>55%</td>
<td>60%</td>
<td>$30,000</td>
<td>612</td>
</tr>
<tr>
<td>22%</td>
<td>60%</td>
<td>$30,000</td>
<td>245</td>
</tr>
</tbody>
</table>

Given this magnitude of job creation generated by the Demonstration Disposition, MHFA's direct investment in job training programs could have been worth the expense. MHFA's direct investment in its minority business utilization programs may indirectly generate anywhere from 250 to 1,600 jobs for Target Area residents of color, provided by minority business enterprises with Demonstration contracts. Although survey results showed that not all minority business owners employed people of color in general or people of color who reside in the MHFA-defined Target Area Neighborhoods in particular, more than a few do.

If MHFA had considered more thoroughly the Demonstration's potential to create this level of jobs for people of color in Boston and in the Target Area neighborhoods specifically, then it could have partnered with employment/job training agencies focused on these communities to at least prepare minority Target Area residents to compete for these new jobs. Perhaps then, in Eleanor White's terms, it would have "generate(d) real
economic and employment benefits for this community" and would have been a success in its terms. In this thesis' concluding chapter, I will discuss some options that MHFA could have pursued.

**Conclusions**

**Major findings**

Not only do minority-owned businesses employ people of color, but, more importantly, they hire people of color from the MHFA-defined Target Areas. Most African American business owners employ workforces in which people of color predominate; many Black business owners also drew their minority employees from Target Area neighborhoods, although the extent to which they did (versus employing people of color who lived outside of these neighborhoods) can not be precisely discerned from the survey. This phenomena occurred independent of MBEs business location for African American business owners.

Parallel statistics did not exist for Latino, white women or Asian American business owners, however, perhaps as a result of these groups' small sample sizes. Because of the few responses received from these racial/ethnic groups, their employment results should not be considered generalizable. A larger sample or response rate from these groups may provide a fuller picture of Boston's Latino, Asian, and white WBEs employment patterns.

Survey data disclosed that Black business owners drive the employment of people of color from the Target Area. The workforces of all but two Black MBEs consisted of at least a few people of color from the MHFA-defined Target Areas; this circumstance occurred regardless of business type or location. On average, nearly four out of five of these Black business owners' employees were people of color, with at least a few from these low-income Target Area neighborhoods. Every Black-owned business that is located in the Target Area neighborhoods of Dorchester and Roxbury employed people of color from these areas.

These MBEs employed predominantly minority staffs in which at least some of their minority employees were from the Target Area neighborhoods for all of the reasons suggested by economist Timothy Bates, a leading economist researching minority business:
proximity, preference to work with members of one's own racial group and social obligations. Minority-owned businesses' employment patterns are based on proximity, preference to employ members of one's own racial/ethnic group, convenience and social obligation.

Proximity. Survey data show that strong correlations exist between MBE business location and residence of employees. Particularly — but not exclusively — where Black businesses are located did the data reveal many incidences of "majority minority" staffs in which a number of employees lived in the Target Area neighborhoods.

Preference. A tenuous relationship, however, exists between racial preference and staffs comprised primarily of people of color, some of whom from Target Area communities. Looking just at MBEs located outside of Boston so that results are not confounded by business location, no MBEs disproportionately employed members of their own ethnic/racial group. White WBEs, however, may have expressed their racial preferences in their employment patterns, as all employed workforces comprised of 50%+ white employees. However, this might also mask proximity to these labor force pools.

Convenience. Survey data and follow-up interviews indicate that the degree of minority hiring in these Target Area neighborhoods is also likely due to the convenience of hiring from within personal networks. Most all business owners rely on friends and family and word of mouth to fill vacant positions. These recruitment efforts enable employers to effectively pre-screen applicants based upon a known reference source. As demonstrated in the case study of Johnson's Pest Control Company, this recruitment method enables some employers to access a constant and reliable supply of qualified workers, which also coincides with a great deal of hiring from these low-income communities.

Social obligation. Interviews with Black MBEs disclose that the degree of hiring people of color from Target Area neighborhoods is also based upon these business owners' commitment to improve the lives of these neighborhoods residents. For one Black business owner in particular, this obligations extends much beyond employment. It encompasses growing small minority owned businesses that includes mentoring, extending loans and providing technical assistance them.
Implications for the Demonstration Disposition

What is the likelihood that Black and Latino residents will benefit from the increased employment opportunities that will likely result from the Demonstration Disposition?

To the extent that Target Area residents of color are connected to minority business owners' employment networks and the degree to which MBEs actualize any obligation they feel to share their success in low-income neighborhoods, MBEs identified as potential participants in the Demonstration Disposition can be engines of employment growth in these neighborhoods. Just as with businesses owned by white males, many minority- and women-owned businesses conduct their hiring through their personal networks and via word of mouth. That some of the responding businesses employed predominantly minority staffs and from the Target Areas indicates the interaction level that occurs within and across geographies for some population groups, but not for others. It may also reflect the degree of social responsibility that members of some racial minorities feel toward others in their group. While African American business owners employed workforces that were overwhelmingly of color and from the Target Area neighborhoods, regardless of their business location, Hispanic MBEs and white MBEs did not.

Scenarios that I have outlined indicate that minority business owners who win Demonstration Disposition contracts could generate a significant level of employment for Target Area residents of color. In order for as many of these residents as possible to benefit, they will not only need to possess the requisite skills, but they should also be linked to a network in which information on job availability is regularly circulated. Based upon the phenomena revealed by the data, participation in these informal networks is critical to becoming employed by these business owners. If the majority of these Blacks and Latinos most in need of work are not tied into these personal networks, then the degree to which they do benefit from the Demonstration Disposition's job opportunities may not be fully realized.

1 According to Professors Timothy Bates, the leading economist writing about minority business enterprise programs, there have been no MBE studies that ask the specific question of whether minority
business that benefit from public-agency utilization goals and business assistance programs tend to hire predominantly people of color who live in poor urban areas.

2 The information listed in the directory was current as of September 1, 1994.

3 I have defined this region as those Boston neighborhoods and cities whose zip codes begin with 021.

4 Including one business owned jointly by an African American and an American Indian.

5 Total number of survey respondents divided by the parent population: \( \frac{23}{266} = .086 \).

6 Survey responses from all but the Black business owners should probably not be considered as representative of all Hispanic, white or Asian-owned businesses in the Boston area that may participate in the Demonstration Disposition due to the small number of responses that I received from these MBEs.

7 Apparently, MHFA defines white women as minorities, because they were included on its roster of Minority Business Enterprises. This is a very contentious issue between white female and minority male and female business owners. First, white women business enterprises (WBEs) rely on majority resources (from their spouses or families) which are many times greater than those to which minority businesses have access. Second, WBEs are much more likely to be front firms for a majority firm; often, a white male puts his business in his wife’s name to gain access to WBE preference programs.

8 The business locations of responding MBEs are quite different from those of both of the parent population and of the sample. Where I strove to replicate the geographic distribution of MBEs in the sample, a disproportionate share of MBEs operating outside of Boston responded to the survey. Whatever effect this might have on other survey results – specifically, whether these MBEs employ predominantly workforces of color from the Linkage Areas - will be discussed.


10 While I can calculate the number of MBEs with one or more employees from the Target Areas, I have no precise data as to the exact number of employees who live in these neighborhoods of Dorchester, Roxbury, Mattapan and parts of the South End. Minority business owners were asked to provide their firm’s total number of employees by race/ethnicity of employee. As part of the same question, they were also asked to indicate all of the neighborhoods in which these employees lived; they were not asked to recall the exact number of Black employees, for example who lived in Dorchester or Roxbury. Please see Appendix A: *Survey of Minority Businesses and their Employment Patterns*, Question #16 for more information.

11 In this case, it is possible to say with certainty that a number of these MBE respondents' employees are of color and from the Target Area Neighborhoods because they checked several different boxes indicating their employees' neighborhood of residence on the survey. Please see Appendix A: *Survey of Minority Businesses and their Employment Patterns*, Question #16 for more information.

12 In these cases, it is possible to say with certainty that at least a few of these MBE owners' employees are from the Target Area Neighborhoods; eight of these Black business owners checked three of the four possible Target Area Neighborhoods for their employees' residences. Please see Appendix A: *Survey of Minority Businesses and their Employment Patterns*, Question #16 for more information.

13 Please see previous footnote.
Unfortunately, at $8 and $9, respectively, these same employers paid their employees among the lowest average hourly wage. Not surprisingly, African American MBEs mentioning unions as their best source of employees, paid their workers an average of $13.50 per hour. Those with employees of color from the Linkage Area neighborhoods averaged workforces that were 50% minority, while those with employees of color from outside of the Linkage Area neighborhoods averaged workforces that were 60% minority.

The names of the company, proprietor and employees have all been changed to protect the respondent's privacy.

From a February 3, 1995 interview with Danny Cruz.
CHAPTER SIX:

SUMMARY AND CONCLUSIONS

Key issues

MBE set-asides -- in the Massachusetts Housing Finance Agency case, minority business assistance programs and utilization goals -- do not just mean benefits to middle-class business owners. There is a degree of employment occurring in low income areas among people of color, as proven by my data. MBEs -- particularly those owned by African Americans -- overwhelmingly employed people of color, regardless of their business location. They also employed people of color who live in the Target Area Neighborhoods, although survey data did not allow me to determine the precise extent to which this occurred. Parallel statistics did not exist for Hispanic- and Asian American-owned businesses. However, because the number of surveys returned from these owners were too few to make reliable judgments, I caution the reader against generalizing this finding to the entire Latino and Asian American business community.

Policy makers and advocates develop minority business assistance programs and utilization goals for a variety of reasons: to redress past and current discrimination in contracting; to provide positive role models for youth; to create employment and business opportunities for other minorities, particularly those who live in inner-city, low-income neighborhoods. Survey results and follow-up interviews that I conducted revealed that a number of African American MBEs are at least fulfilling the latter objective for a variety of reasons. They are: proximity, social obligation, preference to work with members of one's own race and convenience of recruiting employees from within personal networks. Underlying these explanations for employing predominantly minority workforces and for drawing from low-income neighborhoods are principles of minority community self-determination and economic self-help that initially guided these programs' development almost twenty-five years ago.
Implications for Massachusetts Housing Finance Agency

As I stated earlier in this inquiry, the Massachusetts Housing Finance Agency regarded any employment generated for minority Target Area residents from the HUD Demonstration Disposition as a byproduct of its heavily invested-in minority business assistance programs. Given the high degree of minority employment by MBEs that the survey revealed occurs normally, MHFA could expect MBEs' employment patterns to continue under the Demonstration Disposition. What is unclear is whether Target Area residents of color are currently the primary beneficiaries of MBE employment and, if so, whether they will remain so under the Demonstration.

If MHFA did nothing but continued its focus on capacitating minority businesses to participate in the Demonstration, those minority residents of the MHFA-identified Target Area neighborhoods with existing links to MBEs recruitment networks would likely still benefit from the employment opportunities generated by these MBEs. However, if a job-creation objective for Target Area residents of color paralleled MHFA's 80% goal for minority business utilization, and the Agency had thus invested similar resources in employment and training programs for these residents as it had for its minority business assistance programs, then perhaps a broader degree of employment benefits could be realized by those Target Area residents of color who are "outside of the recruitment loop."

Recognizing that MBEs conduct their employee recruitment much like other business owners -- through personal networks and via word of mouth -- MHFA could have developed strategies to widen this recruitment loop. Then, as many Target Area residents of color as possible could at least compete for the Demonstration Disposition-engendered job opportunities. All employers face a tremendous risk when they recruit new workers; the new hire may either be a good fit or may not work out at all, resulting in a waste of the employer's time and money. Employers, therefore, rely on a number of cues indicating whether a potential employee may or may not work out. Chiefly, employers depend on those whom they know and trust to provide background on job candidates when they recruit new employees. In this respect, minority business owners who responded to the survey and with whom I spoke are no different from most other employers.
Understanding this recruitment process, MHFA could have broadened the employment loop by facilitating opportunities for MBEs to interact with minority Target Area residents. Perhaps by doing so, Blacks and Latinos living in these neighborhoods could have the opportunity to capture all of the Demonstration Disposition-generated employment opportunities. At the time that MHFA secured the HUD contract to dispose of that federal agency's foreclosed housing units, it could have inventoried the skills set of the Target Area labor force and those "idle" person not in the labor force against the expected scope of housing rehabilitation work to assess the degree to which these residents could be integrated into the Demonstration's employment opportunities.

Borrowing from its various minority business assistance initiatives, MHFA could have broadened these residents' access to these recruitment networks by developing similar programs. For example, MHFA could have coordinated a job fair that would have served to introduce Target Area residents to potential employers. As well, it could have set up a mechanism -- such as a newsletter or telephone hotline -- through which minority business owners could announce employment opportunities and minorities living in Target Area communities could compete for them.

As well, MHFA could have consulted with minority business owners on their employment needs and the difficulty- they may have in tapping this sector of the labor force, in terms of inadequate skills and job preparedness. Such an assessment could have led MHFA to support expansions or subsidies of existing apprenticeship and licensing programs for those trades that require completion of accredited apprenticeship programs and licenses for their labor forces. Minority Target Area residents could thus be prepared for the employment opportunities likely generated by the Demonstration Disposition and enabled to compete for them because they are equipped and connected to MBEs' employment networks.

To be sure, the Demonstration is a one-time contract that will not likely last more than two years; the employment it generates will not be permanent. Nonetheless, it is one of several multi-billion dollar public works projects -- including the Central Artery "Big Dig" and Governor Weld's proposed Megaplex Sports Arena -- that will probably produce thousands of construction jobs for Boston residents -- if they are prepared to take them. If these residents of color are not prepared for this opportunity, non-residents could fill
these jobs, just as the employment from the first two Granite Properties rehabilitations went to Canadians. This is a fact recalled by Kenneth Guscott which he hopes will not be repeated. To the extent that minority Target Area residents gain work on Demonstration Disposition contracts may be the degree to which they are prepared to work on these and other public works construction projects.

Perhaps MHFA, partnering with employment/job training agencies, may facilitate the Target Area minority workforce's participation in Boston's public works contracts by creating a certificate describing the bearer's skills mastered on a Demonstration subcontract. Skills required by the Demonstration housing rehabilitation are likely to be transferable to other construction projects, or can at least be drawn upon when a new competence must be learned. This agency consortium could also provide MBEs and white business owners with the certificate holders' names so that employers are aware of those in Target Area communities who possess the training they require. One of the most common excuses offered by contractors as to why they do not employ from low income communities in which people of color predominate is that there are neither qualified or ready people to take on these jobs. Such a certificate could provide little room for such excuses.

Because the rehabilitation phase of the Demonstration Disposition has not yet begun, there might still be time for MHFA to facilitate MBEs' employment of those Target Area residents of color who possess the skills required by these business owners, but who may not be connected to their recruitment networks. Full integration of those Black and Latino residents of these neighborhoods who would like to share in the employment opportunities generated by the Disposition, but who may not "be in the loop" nor currently possess the required skills for MBEs to hire them may have to wait for the next major public works project. However, given MBE owners' desire to make meaningful contributions to these communities and the will of MHFA and the minority business community to generate inner-city revitalization through business development and employment, job creation for Boston's people of color living in economically distressed neighborhoods can be a realizable goal.
Unanswered questions

If this research answered the question of whether there is a propensity for minority business owners to disproportionately employ people of color from low-income neighborhoods, it left unanswered a number of critical questions.

Fundamentally, future research on minority business enterprises should address the following question: what is the capacity of minority businesses to bridge the "poverty-privilege" gap that exists within communities of color? To approach this question, it is critical to analyze MBEs' workforce recruitment processes; the quality of work that is offered by these MBEs, measured by the average hourly wage paid; and the larger question of whether MBEs and any public works' projects possess the capacity to raise employment and reduce poverty rates in low income minority communities. Even if most MBEs conduct their hiring among people of color who live in these communities, their ultimate impact on reducing poverty and unemployment rates could be confounded by (a) minority residents' limited access to the personal networks through which MBEs recruit; (b) wages paid that are inadequate to sustain a family or individual above the poverty level; or (c) the size and duration of MBEs or projects' employment impacts that are insufficient to address these communities' employment needs.

In this context, I envision space for a more thorough investigation to occur.

Capacity. What is the capacity of minority business to affect unemployment and poverty rates in these communities. If every last MBE in the Boston area filled all of his/her positions with Blacks and Latinos from the Target Area neighborhoods, what would be the result? How much poverty and unemployment would remain? What efforts of minority business owners should a public agency support to stretch capacity to its fullest potential?

Ability to reduce poverty and unemployment rates. What is minority businesses' effect on poverty and unemployment rates? Timothy Bates concluded that all the minority hiring really does not amount to a drop in the bucket in terms of reducing unemployment and poverty. So, perhaps further research could test this question from the employee's
viewpoint to question the change in income that this intervention (employment by an MBE) engendered for low-income/poor people.

I hope that this investigation will ignite interest to further explore these and other research questions.
APPENDIX A:

SURVEY OF MINORITY BUSINESS ENTERPRISES AND THEIR EMPLOYMENT PATTERNS

Thank you very much for participating in this survey. Please take a few minutes to fill in the information below. When completed, please mail survey back in the envelope provided. If the return envelope has been misplaced, please mail survey back to:

Cheryl Taylor
c/o Department of Urban Studies and Planning
Massachusetts Institute of Technology
77 Massachusetts Avenue, Bldg. 7-338
Cambridge, MA 02139

You may also fax survey to (617) 253-2654. If you have any questions, please contact Cheryl Taylor at (617) 661-8091.

OWNER/PRESIDENT/PRINCIPAL-IN-CHARGE DATA

1. Race/ethnicity of owner (check one):
   - African American/Black
   - American Indian/Eskimo/Aleut
   - Asian American
   - Caucasian/White
   - Hispanic/Latino
   - Other (please state)

2. Owner's gender:
   - Male
   - Female

3. Owner's age (check one):
   - Under 25
   - 25-39
   - 40-59
   - 60 years +
APPENDIX A

BUSINESS DATA

4. Year business established: ___________________________

5. Location of business (check one):
   - Dorchester
   - South End
   - Other Boston neighborhood
   - Boston neighborhood O Outside of Boston

   - Roxbury
   - South Boston
   - East Boston

6. Type of business:
   - Construction trade: ____________________________
   - Wholesale -- product line: _______________________
   - Service: ________________________________
   - Other (please specify): _______________________  

7. Which of these ranges best represents your business' average revenues over the past 3 years (1992-1994)? check one
   - Under $50,000
   - $50,000 - 99,999
   - $100,000 - 149,999
   - $150,000 - 199,999
   - $200,000 - 249,999
   - $250,000 - 299,999
   - $300,000 - 349,999
   - $350,000 - 399,999
   - $400,000 - 449,999
   - $500,000 +

8. Over the last 3 years, what has been the trend in your business' annual revenue? circle one
   - Rising
   - Falling
   - Remained constant

9. What was the approximate dollar value of work from Massachusetts Housing Finance Agency projects and the percentage of total revenue during the following years?
   1992: $ ____________________________ % of total revenue: ____________________________ %
   1993: $ ____________________________ % of total revenue: ____________________________ %
   1994: $ ____________________________ % of total revenue: ____________________________ %

10. Over the last three years (1992-1994), what has been the nature of your work with the MHFA?
EMPLOYEE DATA

11. How have you recruited your employees? please check all that apply
- Friends & family
- Want ads
- Unions
- Welfare agencies
- High schools
- Apprenticeship programs
- Other (please state)

12. Which recruiting method has been the most effective? Why? Please explain.

13. Has the MHFA helped you to recruit employees? If yes, how?

14. What skill or experience level is required for your business' most entry-level position?
(examples: high school diploma, 2 years experience on related projects, completion of an accredited apprenticeship program, etc.)

15. What is the average hourly starting wage for your business' most entry-level position?
$ per hour

16. In 1994, how many employees did you have? To what racial/ethnic groups did they belong?
a. Total # of employees: 

b. # of African American/Black employees: 

   In which neighborhoods did they live? please check all that apply.
- Dorchester
- Roxbury
- Mattapan
- South End
- South Boston
- East Boston
- Other Boston neighborhood
- Outside of Boston
16. In 1994, how many employees did you have? To what racial/ethnic groups did they belong (continued)?

c. # of American Indian/Eskimo/Aleut employees:
   In which neighborhoods did they live? *please check all that apply.*
   - Dorchester
   - South End
   - Other Boston neighborhood
   - Roxbury
   - South Boston
   - East Boston
   - Mattapan
   - Outside of Boston

d. # of Asian American employees: ________
   In which neighborhoods did they live? *please check all that apply.*
   - Dorchester
   - South End
   - Other Boston neighborhood
   - Roxbury
   - South Boston
   - East Boston
   - Mattapan
   - Outside of Boston

e. # of Caucasian/White employees:
   In which neighborhoods did they live? *please check all that apply.*
   - Dorchester
   - South End
   - Other Boston neighborhood
   - Roxbury
   - South Boston
   - East Boston
   - Mattapan
   - Outside of Boston

f. # of Hispanic/Latino employees:
   In which neighborhoods did they live? *please check all that apply.*
   - Dorchester
   - South End
   - Other Boston neighborhood
   - Roxbury
   - South Boston
   - East Boston
   - Mattapan
   - Outside of Boston

g. # of employees of Other races/ethnic groups:
   In which neighborhoods did they live? *please check all that apply.*
   - Dorchester
   - South End
   - Other Boston neighborhood
   - Roxbury
   - South Boston
   - East Boston
   - Mattapan
   - Outside of Boston
## APPENDIX B:
### REFERENCES

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daniel Cruz</td>
<td>Cruz Construction Company and Minority Developers' Association <em>(outgoing president)</em></td>
</tr>
<tr>
<td>Kenneth Guscott</td>
<td>Long Bay Management Company and Minority Developers' Association <em>(member)</em></td>
</tr>
<tr>
<td>George Guscott</td>
<td>Long Bay Management Company</td>
</tr>
<tr>
<td>Cecil Guscott</td>
<td>Long Bay Management Company</td>
</tr>
<tr>
<td>Wilson Henderson</td>
<td>Director of Equal Opportunity, Massachusetts Housing Finance Agency</td>
</tr>
<tr>
<td>Eric Rice</td>
<td>Senior Equal Opportunity Analyst, Massachusetts Housing Finance Agency</td>
</tr>
<tr>
<td>Kenneth Thompson</td>
<td>Senior Equal Opportunity Analyst, Massachusetts Housing Finance Agency</td>
</tr>
<tr>
<td>Eleanor White</td>
<td>former Deputy Director, Massachusetts Housing Finance Agency</td>
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BIBLIOGRAPHY


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