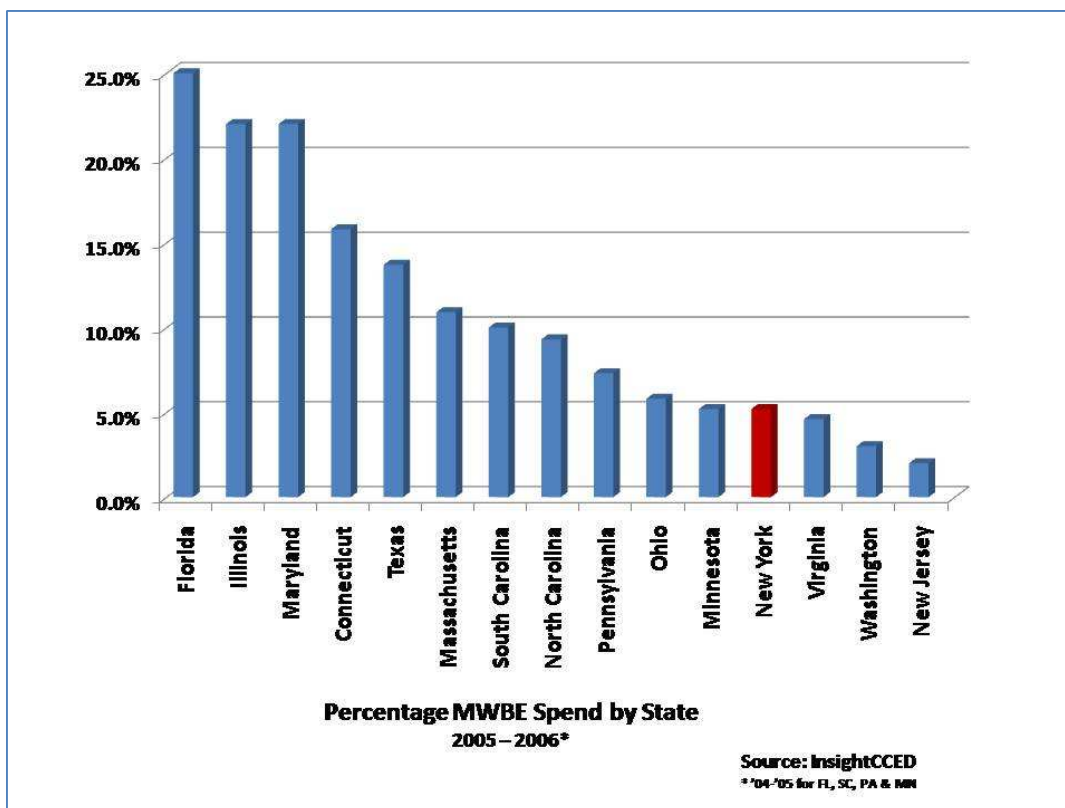
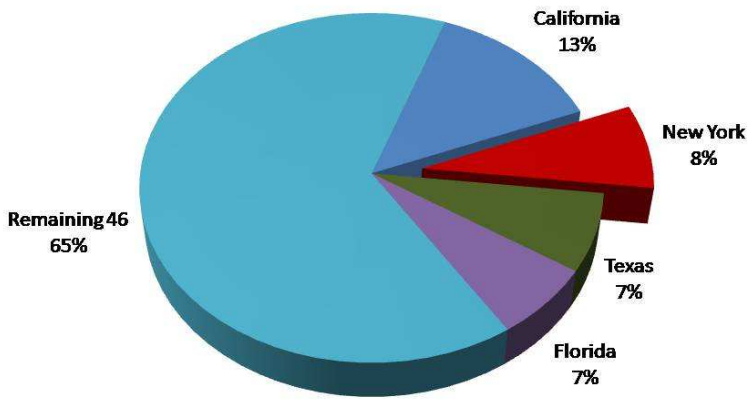


## NEW YORK STATE CAN CREATE JOBS AND REDUCE UNEMPLOYMENT IN MINORITY COMMUNITIES BY SPENDING ITS FAIR SHARE WITH MINORITY AND WOMEN OWNED BUSINESSES

Despite being one of the most ethnically diverse states in the country and having the 2<sup>nd</sup> highest number of women-owned enterprises (WBEs) and 3<sup>rd</sup> highest number of minority business enterprises (MBEs), at least 11 other states spend more with minority and women-owned firms.

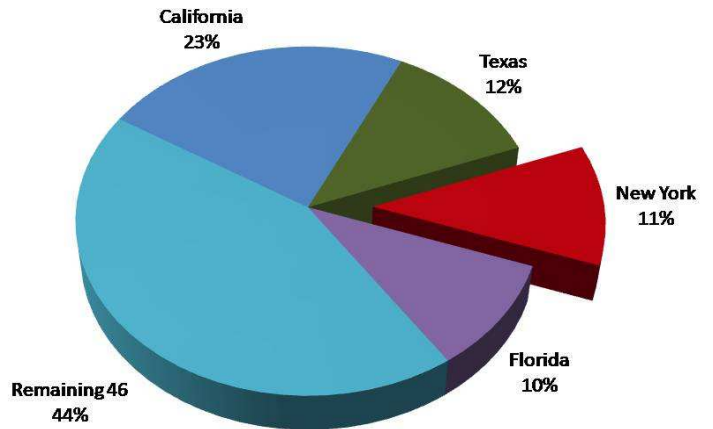
With a gross state product (GSP) of \$822 billion and more than 19.5 million residents, New York State represents the 11<sup>th</sup> largest economy in the world and one of the largest and most diverse populations in the country. Based on US Census data, 8% of all WBEs in the U.S. operated in the state; more than all other states, except California. Eleven percent of all U.S. MBEs operated in the state according to the Department of Commerce, more than all other states except two. Yet, in spite of these demographics, and in spite of a twenty-year effort to increase the amount state agencies spend with minority and women-owned enterprises (MWBES), the state spent only 5.2% of its \$8.5 billion budget with MWBEs between 2005 and 2006.





**U.S. Percentage of WBE Firms by State**

Source: US Census Bureau  
2002 Survey of Business Owners

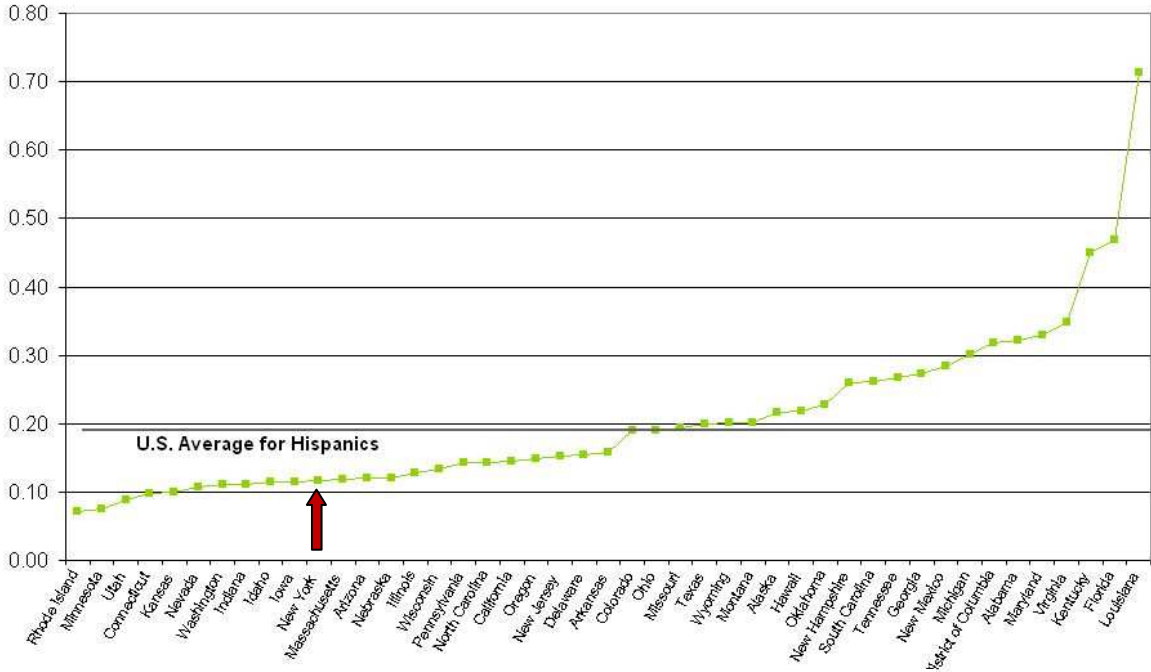


**U.S. Percentage of MBE Firms by State**

Source: US Dept of Commerce, MBDA  
2002 The State of Minority Business Enterprises

The result is particularly striking when New York, which has a 39% minority population, is compared to other less diverse states, such as Florida (38% minority), Illinois (34%), Connecticut (25%), Massachusetts (20%), South Carolina (34%), North Carolina (32%), Pennsylvania (17%), Ohio (17%) and Minnesota (14%) – all which outperform New York on a percentage basis. Maryland, which has nearly the same percentage of minorities (40%), outperforms New York by a factor of 5 on a percentage basis.

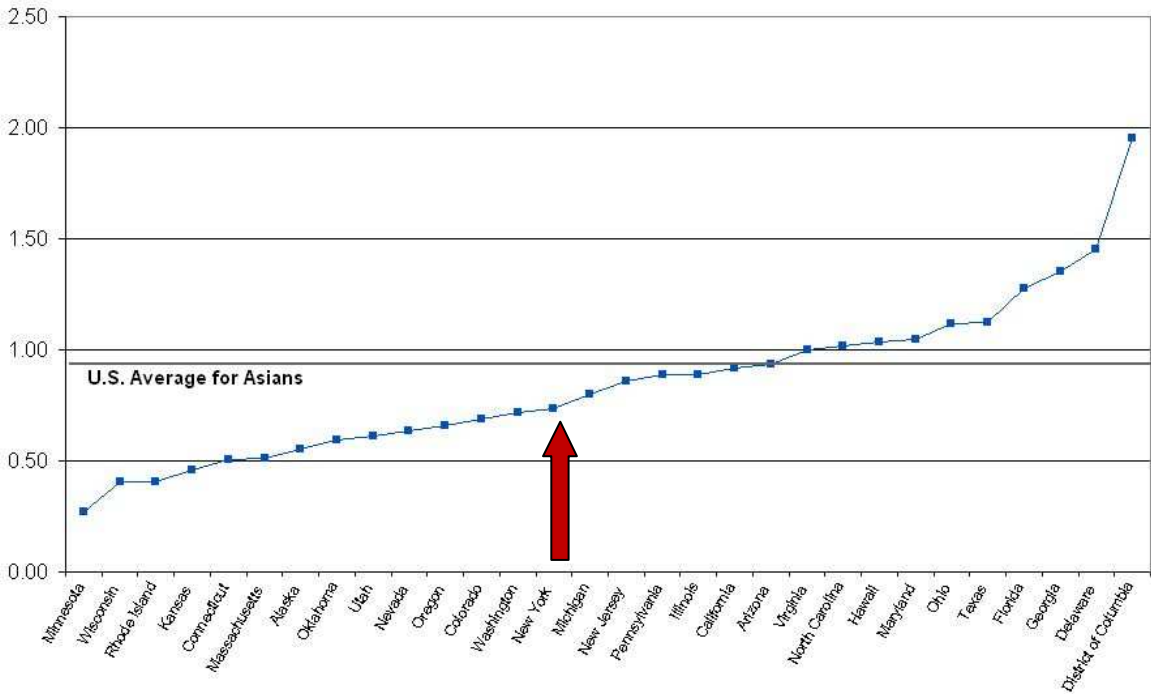
Another example of New York's relative performance with MBEs, in particular, is presented in the following three charts which highlight the state's business revenue gap among minorities. All three graphs show that New York's Hispanic, Asian and African American businesses have less sales / receipts per capita than the U.S. average.



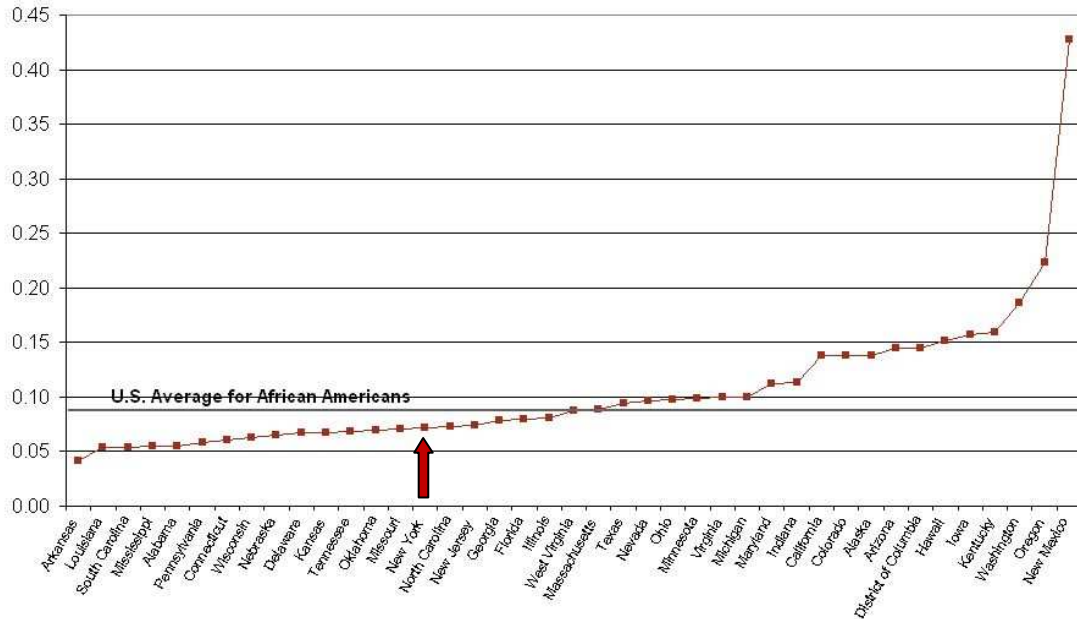
**Ratio of Hispanic Sales/Receipts by Hispanic Population**

Source: InsightCCED, 2002 U.S. Bureau of the Census

Note: The “Business Gap” chart above refers to the ratio between the portion of total sales and receipts of Hispanic or Latino owned firms compared to sales and receipts of all firms on the one hand, to the portion of population in the state that is Hispanic, on the other hand. A ratio of 1.0 signifies that there is no business gap. New York’s ratio of 0.11 means that the market share of Hispanic firms is about one tenth of what one would expect based on the Hispanic population. The national average business gap for Hispanics of 0.1872 means that the market share of Hispanic firms is less than 1/5th of what one would expect based on the Hispanic population. The red arrow represents New York State.



**Ratio of Asian Sales/Receipts by Asian Population**



**Ratio of African American Sales/Receipts by African American Population**

Source: InsightCCED, 2002 U.S. Bureau of the Census

**Increasing the state’s MWBE spend has great potential for creating new jobs throughout the state**

The above-mentioned results highlight critical issues of access, fairness, equity and fiscal responsibility in the state contracting process. They also suggest that the state is missing an opportunity to accelerate job creation throughout New York, particularly where it is needed most, in minority communities that have been particularly hard hit by the recent economic crisis. The state lost 236,000 jobs from September 2008 to September 2009 and recent statistics show that this job loss has disproportionately affected minorities. In certain communities throughout the state, the unemployment rate among Hispanics and African Americans is many multiples higher than that of non minorities. Strategic use of New York-based MBE vendors can enhance other on-going efforts for job growth in key communities because strong evidence exists that MBEs hire more minorities and create more jobs than non-MBEs.

Studies consistently show that MBEs are more likely than nonminority-owned businesses to locate in minority communities and to employ minority workers. MBE construction firms, in particular, stand out as a sub category most likely to hire workers actively in low-income minority communities. In an analysis of 3,100 large-scale MBEs and a comparison group of 2,000 non-minority firms, Margaret Simms and Winston Allen found that 74.6% of MBEs in construction actively recruited employees in poor minority communities. The second most were MBEs in business services (66.7%), and

manufacturing was third (62.8%). Nonminority firms in these same industries were much less likely than MBEs to seek employees in low-income minority neighborhoods.

As further evidence, in a recent study conducted by Chicago’s convention authority, the Metropolitan Pier and Exposition Authority (MPEA), researchers found that MBEs operating in the Chicago area tend to

**Minority Composition of the Labor Force**

	Minority-Owned Firms	Non Minority-Owned Firms
Percentage with 76% or more minority employees	60.1	15.2
Percentage with between 26% and 75% minority employees	14.8	16.7
Percentage with 25% or fewer minority employees	25.1	68.1
All employers	100	100

hire more ethnic minority employees: 60.1% of MWBE employers had 76% minority employees versus 15.2% of non-MWBE employers. This suggests that contracting with MBWEs achieves two important objectives: access to quality vendors, and the creation of jobs for those who need the most opportunity.

Another recent study by Thomas Boston found that minorities are more likely than non-minorities to locate both low and high-skilled businesses in high-poverty areas. By evaluating more than 6,000 firms, he found that on average 35% and 37% of high skilled and low skilled businesses owned by minorities are located in high-poverty areas. In contrast, 21% and 27% of high skilled and low skilled businesses owned by non-minorities are located in these areas respectively. Not only are minority business owners more likely to locate their businesses in high poverty areas, they tend to locate their business in neighborhoods with a higher concentration of their own ethnic group. If MBEs create jobs for those who need it the most, NY can foster job growth in communities that are often the last to see any true recovery.

**Increasing the state’s MWBE spend will improve its fiscal performance**

Over the past thirty years, a wide–range of states, federal agencies, corporations and non-governmental organizations have recognized the significant benefits of increasing their engagement and spending with diverse suppliers. A study by The Hackett Group found that organizations that focus heavily on supplier diversity generate 133% greater return on the cost of procurement compared to average organizations. Dramatically increasing the state spends with MWBE vendors can result in higher service levels, increased innovation and lower costs. Numerous states, including New Jersey, have directly linked their MWBE expansion initiatives to state contracting cost reductions.

We have outlined 3 fundamental reasons for the State of New York to dedicate its leadership to the issue of expanding its spending with MWBEs: [A] New York's diversity is not being leveraged adequately in the provision of services and products; [B] The use of more diverse suppliers can create job growth in those communities that are precisely in need of economic development; and [C] Diverse suppliers can improve New York's fiscal performance by the very nature of their competitive need to be streamlined, customer focused and performance driven. Our statement is supported with a wide range of data that underscores the importance of a commitment to a well managed, transparent and comprehensive MWBE procurement program. At the core of any MWBE initiative, however, is also a fundamental commitment to generating equal opportunity for small businesses which are the core of New York's economy. Fair, equitable, and inclusive business practices must be the hallmark of any program worthy of being implemented by the state. We ask that the Governor and the State Legislature commit to this effort and in the tradition of our state, make it a great example for other states to follow.