

DISPARITY STUDY

Office of Economic Opportunity
Fiscal Year 2020



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DISPARITY STUDY

INTRODUCTION AND MANDATORY CALCULATION

The Philadelphia Home Rule Charter was amended in 2006 to require the Finance Director to file an "Annual Disparity Study" and devise "Annual Participation Goals" for the upcoming City Fiscal Year (July 1 – June 30). This requirement was codified in Chapter 17-1500 of The Philadelphia Code, "Annual Disparity Study and Participation Goals" which provided further guidance for the Finance Director. This included a formula to determine participation rates for minority-, women-, and disabled-owned business enterprises (M/W/DSBEs) on for-profit City contracts.

Unlike traditional disparity studies that are required to support race-conscious remedial programs subject to strict constitutional scrutiny [City of Richmond v. J. A. Croson Company, 488 s.S. 469 (1989)], the City's Office of Economic Opportunity (OEO) program is forward looking, and seeks to eradicate present-day discrimination by removing barriers for M/W/DSBE's, employing race and gender neutral strategies as practicable and leveling the playing field for all businesses to participate in City contracting. This annual study requires an analysis of City for-profit spend each fiscal year. The Ordinance contains the following formula:

§ 17-1503. Mandatory Formulas Required in Calculating Participation Rates.

(1) In conducting the Annual Disparity Study and calculating participation percentages, the Finance Director shall use the following formula to determine the percentage of contracts awarded to Minority Business Enterprises (MBEs), Women Business Enterprises (WBEs), and Disabled Business Enterprises (DSBEs) (collectively known as M/W/DSBEs): the total dollar value of contracts awarded to for-profit M/W/DSBE prime contractors and subcontractors registered by the City's Office of Economic Opportunity (the numerator) divided by the dollar value of all City contracts awarded to all for-profit prime contractors and subcontractors (the denominator).

This formula is applied to data from the OEO Fiscal Year 2020 (July 2019 – June 2020) Annual Report ("2020 Annual Report"). This report is an annual compilation of contract awards made by both the City and quasi-public agencies. For the purpose of focusing on M/W/DSBE achievement, dollars reported exclude "Few or None," those dollars associated with City contracts for which there are currently no M/W/DSBE firms available to provide goods and services. **As described in Chapter 17-1503 the numerator, total dollar value of contract awards to M/W/DSBE businesses for Fiscal Year 2020 was \$271,299,045. The denominator in the equation is \$901,778,874 which represents the total dollar amount of all City contracts awarded to for-profit businesses. Based on these amounts and applying the Mandatory Formula for Calculating Participation Rates, the participation rate for Fiscal Year 2020 is 30.08 percent.**

CITY OF PHILADELPHIA PERFORMANCE

In 2020, the City of Philadelphia continued with the Annual goal of meeting or exceeding 35 percent M/W/DSBE contracting across all City spending categories; 30.08 percent was achieved. A further look into the numbers revealed that in Fiscal Year 2020 total City spend for Public Works was \$295,393,817 with \$47,591,205 or 16.11 percent awarded to MBE's and \$29,057,095, or 9.84 percent awarded to WBE's. For Professional Services, Fiscal Year 2020 total City spend was \$496,236,370 with \$121,539,477, or 24.49 percent awarded to MBE's and \$58,454,302, or 11.78 percent awarded to WBE's. For Service, Supplies and

Equipment, the Fiscal Year 2020 total was \$110,148,687 with \$8,282,687 or 7.52 percent awarded to MBE's and \$6,374,279 or 5.79 percent awarded to WBE's.

For the purposes of this Disparity Study, contracting categories have been grouped into the overarching categories of Public Works, Professional Services, and Services Supplies & Equipment. Data for Professional Services includes Miscellaneous Purchase Orders; Services Supplies & Equipment includes Small Order Purchases and City-Wide SS&E, as shown in the 2020 Annual Report.

Table 1:
FY20 MWDSBE Participation

	Majority	African American	Asian American	Hispanic American	All Minorities	Women	MWDSBE
Public Works	\$218,745,517	\$21,079,222	\$7,119,797	\$17,293,417	\$47,591,205	\$29,057,095	\$76,648,300
	74.05%	7.14%	2.41%	5.85%	16.11%	9.84%	25.95%
Professional Services	\$316,242,591	\$80,294,156	\$26,021,321	\$14,626,300	\$121,539,477	\$58,454,302	\$179,993,779
	63.73%	16.18%	5.24%	2.95%	24.49%	11.78%	36.27%
Services, Supplies, Equipment	\$95,491,721	\$2,144,940	\$4,268,935	\$542,091	\$8,282,687	\$6,374,279	\$14,656,966
	86.69%	1.95%	3.88%	0.49%	7.52%	5.79%	13.31%
Total	\$630,479,829	\$103,518,318	\$37,410,053	\$32,461,808	\$177,413,369	\$93,885,676	\$271,299,045
	69.92%	11.48%	4.15%	3.60%	19.67%	10.41%	30.08%

Of the \$271 million dollars in M/W/DSBE spend covered in this study, we see that African Americans have received the largest amount of dollars with greater than \$103 million or 38 percent of the total M/W/DSBE dollars. White Women earned the next largest percentage with almost 35 percent, totaling \$93 million in contract awards. Asian Americans earned roughly \$37 million or 13 percent and Hispanic Americans earned \$32 million or 12 percent. Majority owned firms continued to significantly outpace OEO registered firms, earning the majority or nearly 70% of all City contract dollars.

AVAILABILITY

In calendar year 2021, OEO commissioned an Availability Study which was conducted by E-Consult Solutions Inc. This study employed a custom census approach which included a survey of businesses in the City's purchasing market and the collection of anecdotal evidence of barriers experienced by small and diverse businesses in the City's contracting community. E-Consult's Availability Study revealed the following in Table 2 on page 5. The availability of minority-owned businesses is estimated at 18 percent while availability of women owned businesses is 20 percent. The estimated availability of all minority and women owned business is 35%.

Table 2:
Availability

	White Males	African American	Asian American	Hispanic American	All Minorities	Women	Minorities and Women
Public Works	65%	12%	4%	4%	20%	16%	35%
Professional Services	64%	10%	5%	3%	18%	21%	36%
Services, Supplies, Equipment	68%	8%	6%	3%	17%	16%	32%
Total	65%	10%	5%	3%	18%	20%	35%

VENDOR IDENTIFIED BARRIERS TO SUCCESS

As part of E-Consult's Availability Study, minority and women owned businesses were asked to identify perceived barriers to doing business with the City:

- 1. Bid opportunities and bid awards.** Respondents expressed frustration with the bid process, which was described as onerous and confusing, and often the thought of engaging in the process deterred some of them from pursuing business with the City of Philadelphia. The requirements are often complicated, time-consuming, and offer a low percentage of winning a bid opportunity versus the effort to pursue. In addition, the Respondents perception is that the City prefers larger businesses that were more established with better connections which can be a barrier of entry for smaller businesses with no track record of working for the City or any government entity.
- 2. Connecting with and working with prime contractors.** Respondents have indicated that it has been challenging to win work as a small firm compared to some of the larger firms that compete for the same technical work. The view is that prime contractors have established relationships with select subcontractors and utilize the same subcontractors for various work. It was also noted that if subcontractors were selected to a team and they win the bid, it was difficult getting work or meaningful work in accordance with the contract.
- 3. Payment on invoices from City or from prime contractor takes too long** Respondent indicated that they were skeptical of the City's ability to pay invoices on time. Indicating the payment process is very challenging as cash flow is crucial to daily operations of a small business.

ANALYSIS DRIVEN RECOMMENDATIONS

In response to vendor feedback the following recommendations were made by E-Consult:

- Promote and expand the existing Mentor-Protégé program.
- Expand the Emerging Vendors program beyond Rebuild to the entire city.
- Provide feedback to businesses not selected for a City contract so they understand what they need to do to be more competitive.
- Provide various supports on how to navigate the City's procurement system and search for bid opportunities, via regular forums with the City's Procurement Department and a Frequently Asked Questions section on the Procurement website.
- Provide information via forums and the OEO website on the benefits and requirements for different types of certifications.

Based on the foregoing, the citywide goal of aspiring to meet or exceed 35% M/W/DSBE participation will continue for Fiscal Years 2021 and 2022.

WORKFORCE DISPARITY ASSESSMENT

For Fiscal Year 2020, a review of workforce participation was performed by:

- Determining procurement and workforce compliance on projects with Economic Opportunity Plans (EOP).
- Reviewing total project hours worked by all tradespeople as compared to hours worked by minority and female tradespeople
- Recommending annual minority and female workforce goals.

Based on this review, the City of Philadelphia's labor force involved in EOP's is diverse, with 46.36 percent of all trade and contract workers being minorities and women. The rate of participation of all minorities suggests that in its hiring and contracting practices, the City of Philadelphia has attained its goal of 40 percent participation for minority workers in all project hours worked on City contracts under an EOP. Among all workers for the year, minority workers accounted for 39.44 percent of all journeyman hours. Female workers account for 6.92 percent of all journeyman hours.

UTILIZATION

This worker participation rate is based upon the labor force of 326 active EOP projects over a 12-month period from July 1, 2019, through June 30, 2020 (Fiscal 2020). The labor force analyzed for this report includes both journeyman and apprentice-level workers. Worker participation in EOP projects, is contained within the City's LCP Tracker system. LCP Tracker is an electronic repository of certified payroll records submitted by both prime contractors and their subcontractors. The data provided tracks of the labor force's demographics involved in EOP projects from July 1, 2019, to June 30, 2020, and groups the number of employees and labor hours in multiple ways. The labor hours are categorized as journeyman and apprentice and employees were grouped as either laborer or skilled. The utilization of minorities and women in trade and skilled labor is presented in Table 3 on page 7.

Table 3:
Utilization

	White Males	African American	Asian American	Hispanic American	Native American	All Minorities	Women	Minorities and Women	Total
Skilled and Labor Hours	821,528	696,914	5,305	258,085	4,128	964,431	216,527	1,180,959	1,836,477
Hours Percentage	44.73%	37.95%	0.29%	14.05%	0.22%	52.52%	11.79%	64.31%	
Number of workers	2,775	1,274	20	571	15	1,880	330	2,210	4,767
Manpower Percentage	58.21%	26.73%	0.42%	11.98%	0.31%	39.44%	6.92%	46.36%	

COMPLIANCE WITH WORKFORCE GOALS

This section of the review focuses on compliance with established workforce goals in 2020, results presented here in Table 4. Based on the comparison of established goals when compared to actual participation, the City met the established goal overall even though there was a shortfall for most groups. The participation rate of women is at 6.92 percent and for all minorities at 39.44 percent in 2020, as compared to established goals of 5 and 40 percent respectively for these categories of workers (Table 4).

Table 4:
Goals vs. Actuals

	Participation Goals	FY 20 Participation	Variance
Minority	40%	39.44%	-0.56%
Women	5%	6.92%	1.92%

Source: LCP Tracker; American Community Survey 2006-2010 Equal Employment Opportunity (EEO) Tabulation Data

WORKFORCE SUMMARY

In summary, the analysis suggests that the City of Philadelphia's labor force involved in EOP projects is diverse, with 46.36 percent of all trade and contract workers being minorities and women. This rate of participation of all minorities suggests that the City in its hiring and contracting practices has capitalized on the momentum of previous years, moving positively toward, and achieving its set goal of 40 percent of participation for this category of workers. However, achieving established goals for journey person minorities and women's hours need attention and perhaps revision.

WORKFORCE RECOMMENDATIONS

While overall the inclusion and participation of all minorities at the City level has surpassed the established goals, special attention needs to be paid to (1) setting the goals, (2) examining employment participation rates on small projects, private projects, and department specific rates, and (3) refining employment data collection. For Fiscal Year 2022, the City will continue to aspire to a 40 percent goal for minority journey persons (22 percent for African American, 3 percent for Asian, 15 percent for Hispanic) and 5 percent for Women journey persons. Likewise, the aspirational goals for apprentices will remain at 50 percent for minorities and five percent for Women. These goals pertain to hours worked across all building trades by skilled workers and laborers.

