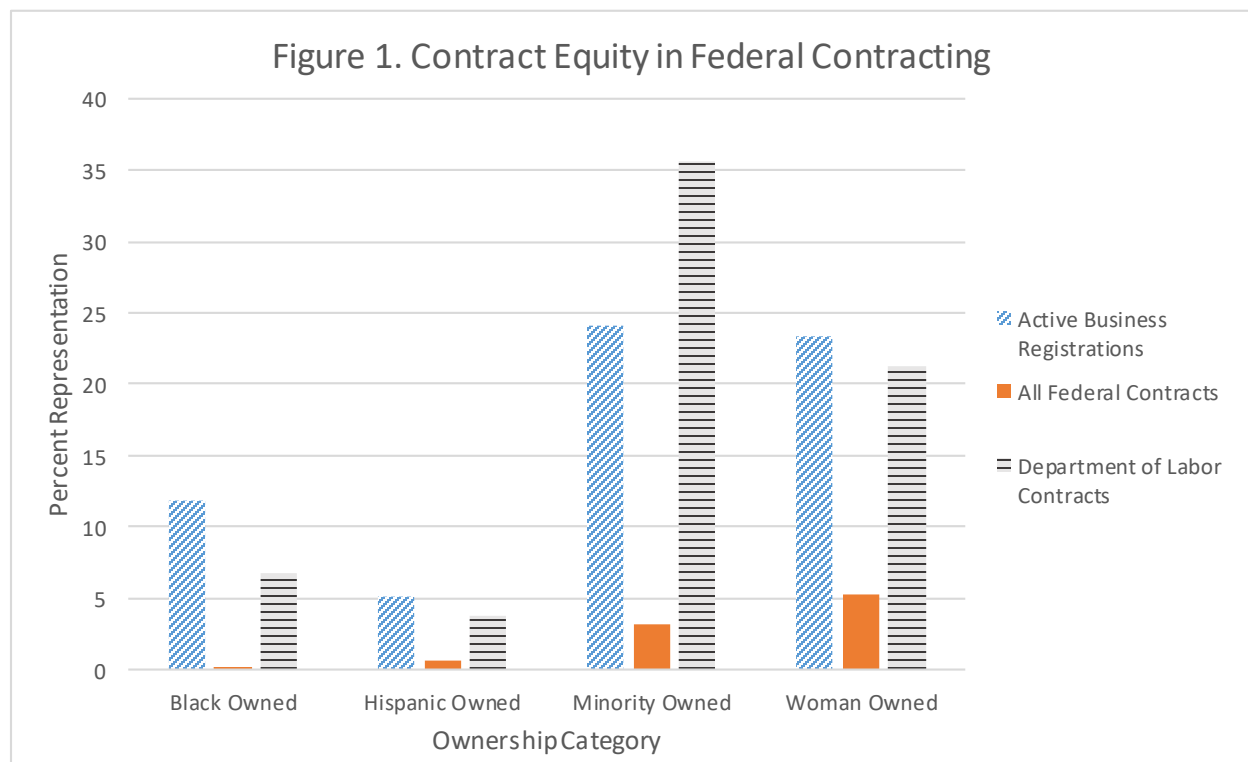


Progress in Procurement: Equity in Federal Contracting

On day one of the Biden-Harris administration, the President signed the [Executive Order on Advancing Racial Equity and Support for Underserved Communities through the Federal Government](#). That executive order charges all agencies with a comprehensive review of their programs to better understand how agencies are reaching historically underserved communities, including racial and ethnic minorities, immigrants, low-paid workers, and Americans with disabilities, among others. Federal procurement practices have an especially important role to play in this process, since government contracts can be a source of economic opportunity and prosperity for businesses owned and operated by women and racial and ethnic minorities. The DOL equity snapshot (Figure 1) considers the breakdown of recent Departmental contract actions, to include some of the approximate 1.1 million women-owned businesses and 1 million minority-owned businesses in the United States¹.

The figure below graphs three crucial statistical indicators on how women- and minority-owned businesses have fared in government contract awards in fiscal year 2021—with the federal government overall and with the Department of Labor. The first set of bars indicates the proportion of businesses registered to receive federal contracts. It reveals that 23% of businesses registered to receive federal contracts are owned by women, 12% have Black owners, 5% have Hispanic owners, and 24% have any minority owner overall. These compare with the business community overall in the following ways: 20% have women owners, 2% have Black owners, 6% have Hispanic owners, and 18% are minority-owned.



Comparing these bars with the respective data on all federal contract awards, we can see that women and minority-owned businesses represent a far lower share of federal contract awards than their

proportion of eligible businesses—and suggesting an important equity gap. Although minority-owned businesses represent 24% of eligible businesses for federal contract awards, they account for just 3% of all contract awards in fiscal year 2021—a 21-percentage point difference. The story is largely the same for Black business owners, who account for nearly 12% of eligible contract recipients but fewer than 5% of federal contract awardees. Businesses owned by women have not fared markedly better than minority-owned businesses in the recent federal procurement process. Women owned businesses represent nearly a quarter of registered businesses, but for federal contract awards, they have barely scraped above 5 percent.

These statistics cannot speak to the reasons for the gap in contracting. For instance, do minority-owned businesses apply for contracting opportunities at lower rates than non-minority-owned businesses or does the gap emerge later in the review process? But these data do suggest important opportunities for where to focus our attention in the implementation of the equity executive order—especially because there is evidence that it doesn't have to be this way.

Figure 1 reveals that minority-owned businesses receive DOL contract awards at a higher rate than their representation in the eligible pool of businesses. Looking specifically at Black and Hispanic-owned businesses, we can see that these firms are underrepresented relative to their share of eligible businesses—though not to such a degree as the rest of the federal procurement system. Women-owned businesses earn DOL contract awards at a rate more commensurate with their representation among eligible businesses.

This snapshot reveals both the importance of efforts to boost equity in procurement and the need for close attention to data. We can't address what we don't measure, and data provides an important guide to help us identify where we are making progress and where we need to focus additional efforts. For example, the Small Business Administration defines a small business concern distinction as small business, small disadvantaged business (including 8(a)), women-owned business, service disabled veteran-owned business, and HUBZone business. Absent from this distinction are businesses owned by people with disabilities, LGBTQ+ people, people of specific minority groups, those in rural areas, and those owned by other traditionally underrepresented and marginalized groups. The expansion of the small business concern data regarding these businesses would support the Department of Labor's ability to conduct more comprehensive analyses of its procurement efforts. Federal contracting represent important sources of economic mobility and we need to ensure that historically neglected or underserved parts of the business community receive the support they need to take advantage of those opportunities.

ⁱ <https://www.census.gov/newsroom/press-releases/2021/annual-business-survey.html>