

Leveling the
Playing Field

By Caryn A. Boisen

A strong business case exists for diversifying the construction industry workforce, and many certification programs already exist to pave the way.

Certifying Businesses in the Construction Industry

America’s workforce is becoming increasingly diverse. By the end of 2024, it is expected that Hispanics will make up twenty percent of the workforce, while African Americans will make up nearly thirteen percent of the workforce and

Asians nearly seven percent. Meanwhile, the white labor force is projected to decline from 77 percent in 1990 to less than 60 percent by the end of 2024.

Few would argue against the premise that the makeup of a business’s workforce should reflect the makeup of the community it serves. Companies in all industries have begun to work actively to correct discriminatory practices, to recognize the business case for achieving a diverse workplace, and to embrace the tenets of inclusion.

In the construction industry, however, change has been slow in coming—slower than many other industries. Construction has long been a male-dominated industry and, in most cases, dominated by white men. According to recent statistical data, women make up only ten percent of the construction industry workforce, with

most of the positions held by women being sales, office, and management jobs. While Hispanics make up nearly thirty percent of the construction industry workforce, only six percent are African American and only two percent are Asian.

Diversity and inclusion are essential to the future success of the construction industry. While experts continue to project global workforce shortages, the construction industry is expected to continue its current rate of growth, at least for the near future. An aging workforce in the construction industry compounds this problem. The average age of a construction worker today is forty-two years old, which is one year older than the average age of a worker in the general work force. Moreover, according to U.S. Census data, the number of workers aged twenty-four years or younger entering the construction industry decreased by thirty percent between 2005 and 2016.

The inevitable result of the aging construction workforce is a marked decrease in the availability of skilled labor, yet the construction industry’s need for qualified workers is increasing. A recent sur-



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vey of construction businesses conducted by the Associated General Contractors of America and Sage Construction and Real Estate revealed that more than eighty percent are already having a difficult time filling skilled labor positions, and seventy-two percent indicated that workforce shortages are one of their biggest concerns. With a massive shortage of talent, there is an increasing need for construction and construction-related companies to attract new members to their workforces.

Certifications are one way to help create a level playing field in the construction industry for non-majority-owned businesses. Various federal, state, local, and private programs exist to promote these businesses and increase their participation in contracting opportunities. While not an exhaustive list, the following are some of the available certifications for construction companies.

Disadvantaged Business Enterprise Program

The Disadvantaged Business Enterprise (DBE) program is housed within the United States Department of Transportation

(DOT). In 1983, Congress enacted the first DBE statutory provision, which required the DOT to ensure that at least ten percent of the federal funds authorized for highway and transit projects be expended with businesses that qualified as DBEs. In 1987, Congress amended the statutory DBE program to add women to the groups presumed to be disadvantaged.

On the federal level, three major DOT administrations are involved in the DBE program: the Federal Highway Administration, the Federal Aviation Administration, and the Federal Transit Administration. On the state and local level, the DOT DBE program is carried out by state and local transportation agencies receiving federal funds for projects. Each agency is required to establish DBE subcontracting goals where needed to ensure nondiscrimination on federally funded projects.

To be certified as a DBE, a business must show: (1) a minimum 51 percent ownership and control by women, minorities, disabled people, or veterans (2) physical residence in the United States or a U.S. territory; and (3) economic disadvantage, which is shown

by the owner having a personal net worth below a certain level.

Women's Business Enterprise Certification

Many government and private entities set goals on construction projects for participation by Women's Business Enterprises (WBEs). To qualify as a WBE, a business must show a minimum 51 percent ownership and control by women who are United States citizens. The ownership must be real and substantial, as evidenced by control and decision-making roles within the company.

The Women's Business Enterprise National Council (WBENC) is the largest certifier of WBEs in the United States. WBE certification by WBENC is recognized by thousands of corporations and by state and local government entities throughout the United States. Several state and local agencies also offer WBE certification programs.

Minority Business Enterprise Certification

Many government and private entities set goals on construction projects for partic-

ipation by Minority Business Enterprises (MBEs). To qualify as an MBE, a business must show a minimum 51 percent ownership and control by members of an identified racial or ethnic minority group who is a United States citizen. The ownership must be real and substantial, as evidenced by control and decision-making roles within the company.

Since non-majority-owned businesses are usually small, they are more flexible and can readily respond to changing demands.

The National Minority Supplier Development Council (NMSDC) is one of the largest certifier of MBEs in the United States. NMSDC certification for MBEs is recognized by many corporations and by state and local government entities throughout the United States. Several state and local agencies also offer MBE certification programs.

Women-Owned Small Business Federal Contracting Program

The Women-Owned Small Business (WOSB) program is a United States Small Business Administration (SBA) program established by Section 8(m) of the Small Business Act, 15 U.S.C. §637(m). The program sets a goal for federal government agencies to award at least five percent of all contracting dollars each year to WOSBs. These set-aside contracts are for industries like construction where WOSBs are underrepresented. The SBA maintains a list of those eligible industries and their corresponding North American Industry Classification System (NAICS) codes. Some contracts are restricted further to businesses classified as economically disadvantaged women-owned small businesses (EDWOSB).

To qualify for the WOSB program, a business must: (1) be a small business; (2) be at least 51 percent owned and con-

trolled by women who are United States citizens; and (3) have women manage day-to-day operations and also make long-term decisions. To qualify as an EDWOSB, a business must also: (1) be owned and controlled by one or more women who each have a personal net worth less than \$750,000; (2) be owned and controlled by one or more women who each have an average adjusted gross income for three years of \$350,000 or less; and (3) have \$6 million or less in business assets.

The SBA has approved four organizations to provide WOSB certification: El Paso Hispanic Chamber of Commerce, the National Women Business Owners Corporation, the U.S. Women's Chamber of Commerce, and WBENC.

WOSBs can still compete for contract awards under other certification programs if they are qualified to do so.

HUB Zone Empowerment Contracting Program

The Historically Underutilized Business Zone Empowerment Contracting Program is an SBA certification program for small companies that operate and employ people in designated Historically Underutilized Business Zones ("HUB Zones"). To be certified under the HUB Zone program, a business must: (1) be a small business; (2) be at least 51 percent owned and controlled by United States citizens; (3) have its principal office located in a designated HUB Zone; and (4) have at least 35 percent of its employees living in a HUB Zone.

The HUB Zone program makes a business eligible to compete for certain set-aside contracts. Federal agencies are required by the HUB Zone Empowerment Act to contract with HUB Zone-certified businesses for at least three percent of their budget. In addition, HUB Zone-certified businesses get a ten percent price evaluation preference in full and open contract competition with federal agencies. This means that in a competitive bidding situation, a qualified HUB Zone-certified business can win a competitive procurement even if its bid is up to ten percent higher than the otherwise lowest responsive and responsible bidder.

HUB Zone-certified businesses can still compete for contract awards under other certification programs if they are qualified to do so.

Service-Disabled Veteran-Owned Business Certification

While there are no set-aside programs for veterans, the federal government limits competition for certain contracts to businesses that participate in the Service-Disabled Veteran-Owned Small Business (SDVOSB) program. All federal agencies are subject to a three percent prime contract goal and a three percent subcontracting goal that applies to SDVOSBs.

To qualify for the SDVOSB program, a business must: (1) be a small business; (2) be at least 51 percent owned and controlled by one or more service-disabled veterans; and (3) have one or more service-disabled veterans manage day-to-day operations and also make long-term decisions.

Like HUB Zone-certified businesses, SDVOSBs can still compete for contract awards under other certification programs if they are qualified to do so.

Parting Thoughts

The benefits of diversity are numerous. A supplier diversity program gives companies a broader base from which to select competent suppliers and contractors. Since non-majority-owned businesses are usually small, they are more flexible and can readily respond to changing demands. This makes them ideal candidates for outsourcing functions. An established supplier diversity program also reduces costs and provides entry into the fastest growing population segments in the United States.

Since non-majority-owned businesses tend to employ more minorities and women, they provide economic infusion in diverse communities. It is a cycle of economic growth and development for all concerned. In addition, it allows companies to establish and improve their own cultural competency.

Many larger construction companies have begun to develop workforce and supplier diversity programs. Progressive construction companies realize that incorporating diversity practices into their operation will increase their profit and market share. Diversity of ideas, talent, and competency add to a company's competitive advantage in a demanding economic climate.

