

Testimony of attorney Rodney K. Strong, Griffin & Strong, P.C. before the United States Senate, Committee on Small Business & Entrepreneurship
Thursday, September 11, 2008

Mr. Chairman and Members of the Committee, my name is Rodney K. Strong and I am the C.E.O. of Griffin & Strong, P.C. which is a law firm and public policy consulting firm based in Atlanta, Georgia. For the past 16 years, our firm has conducted studies of the availability and utilization of minority, women and disadvantaged business enterprises. We have completed engagements in over 25 local jurisdictions in the United States. The focus of my testimony today is on continuing discriminatory barriers faced by minority, women and disadvantaged business enterprises in the market place and problems faced by these firms in obtaining access to capital.

Over the past two years, our firm has completed disparity studies which analyzed the availability, utilization and barriers to access for minority, women and disadvantaged business enterprises in four (4) different jurisdictions and for five (5) separate entities. Specifically in chronological order, we have completed studies for: the City of Atlanta, GA; Durham County, NC; the Metropolitan Government of Nashville & Davidson County, TN; the Metropolitan Nashville (TN) Airport Authority; and the City of Jackson, MS. In each of these jurisdictions, we found that minority, women and disadvantaged business enterprises continue to suffer from current discriminatory barriers and the present effects of past discrimination.

In my testimony today, I am focusing on the results of our private sector analyses. I am entering into the record, copies of the executive summary of Griffin & Strong's City of Atlanta disparity study and Griffin & Strong's examination of private sector discrimination conducted for the Metropolitan Government of Nashville & Davidson County. These analyses are representative of our findings in several jurisdictions. In the City of Atlanta report we found that disparities in entry into self-employment exist between non-minority males and minorities and females. Minorities and women continue to show disparities in entry into self employment, after

controlling for age, wealth, and other variables. In the construction category, non-minority males were twice as likely to be self employed as African Americans and Asian Americans.

In the service category, non-minority males were three times as likely to be self employed as African Americans and Asian Americans, and almost four times as likely to be self employed as white women. More than half of the disparity in self employment income between non-minority males and African Americans was attributable to race. When minorities and women are self employed, they earn significantly less than non-minority males. Across all industries, after controlling for other factors, African Americans earned 30 percent less and white women earned 38 percent less than non-minority males from self employment.

We also found based on a summary of findings on loan denials from the national survey of small business finance that the higher rates of loan denials by African American firms, reported in survey data, was supported by econometric evidence. African American, Hispanic American, and female owned businesses reported loan denial rates of 47 percent, 39 percent, and 26 percent, respectively, in contrast to the rate of 21 percent for non-minority male owned firms after controlling for creditworthiness and other related variables.

There is evidence that minority firms won less than 1 percent of private sector commercial subcontracts and less than 2 percent of private sector commercial prime contracts in the Atlanta Metropolitan Statistical Area (MSA), figures that were dramatically below their utilization by the City of Atlanta and below reasonable measures of business availability. Moreover, only a small fraction of women and minority subcontractors used on City projects were found to be used on private sector commercial projects. Substantial numbers of minorities reported experiencing discrimination as prime contractors and subcontractors in the private marketplace. There is evidence that lack of business capacity and experience is not a sufficient explanation for the low levels of utilization in the private sector. Low levels of utilization were found not only in subcontracting, but also on small contracts. Moreover, a private sector regression analysis, after controlling for the effects of variables related to company capacity, years in the business and education of the owner, determined that race and gender were significant factors in explaining the significantly lower earnings of minority and female firms.

We concluded that the evidence in this study, taken as a whole, gives rise to an inference of continued discrimination and/or the continuing effect of past discrimination against minorities and women in business transactions in the Atlanta MSA.

The findings for the City of Atlanta are similar, with some variation, to our findings in a number of jurisdictions. There is a very great need for both business development assistance and greater access to capital for minority women and disadvantaged business enterprises. The federal government could assist these firms by providing tax credits and incentives which encourage more entrepreneurship and add to the economic growth of our nation.