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How to help women-owned small businesses By Steve Preston

In 1994, Congress set a government-wide target that 5 percent of all federal contracts should go to women-owned small businesses (WOSBs). More recently, legislation was signed into law creating a set-aside for such businesses but requiring that the Small Business Administration study the issue to determine in which – if any – of the government's 313 contracting categories, many of which are defense-related, WOSBs were underrepresented.

Since then there has been an SBA study, a National Academy of Sciences review, a court case, and an external, independent study by the respected RAND Corporation on the issue. The RAND study concluded that WOSBs were underrepresented in four contracting categories, based on a review of dollars going to such firms.

Two weeks ago, based upon the RAND study, statutory law and constitutional precedent, SBA issued a proposed set-aside rule for women-owned small businesses. Our responsibility was to implement the statute in a constitutional manner, and that is what we've done.

Some critics have not been satisfied, pointing out that women are 52 percent of the population and own 28 percent of American businesses, yet in 2006 – the last year for which we have data – they received only 3.4 percent of federal contract dollars.

However, it is important to recognize this is an apples-to-oranges comparison. Women-owned businesses may be more than one-fourth of all businesses, but their gross receipts were only 4.2 percent of the economy, according to census data, because of the inclusion of large companies, many of which are led by women.

The census also indicates that women-owned businesses with fewer than 500 employees make up 3.4 percent of the economy. For the SBA rule, the pool was confined to the nearly 56,000 women-owned small businesses that were registered federal contractors at the time.

The data in fact reveal positive news for women: When WOSBs compete for contracts, they do well. In 136 of the 140 categories where RAND had sufficient survey samples to analyze, the data indicated that when women compete for federal contracts they succeed.

Actual contracting dollars to women-owned small businesses have increased dramatically under President Bush: Prime contract dollars to such companies increased from \$4.6 billion in 2000 to \$11.6 billion in 2006. The year-over-year increase from 2005 to 2006 was the largest ever, \$1.5 billion. Subcontracting dollars also increased, from \$3.6 billion in 2000 to more than \$10 billion in 2006.

Moreover, the share of federal contracting dollars that goes to WOSBs is growing as a percentage of the federal contracting universe. In 2000, these businesses received 2.3 percent of the federal government's contracts. That share has increased steadily each year of the administration and, as mentioned, reached 3.4 percent in 2006.

Federal agencies are working hard to reach the 5 percent WOSB target, but how do we get there the right way? We need to understand that the data do not show significant under-representation in the contracting arena, but rather, that too few qualified women-owned small businesses are choosing to enter that arena. A broad set-aside would be advantageous to women-owned small businesses already pursuing contracts, but again, the data indicate that as a group they're already doing comparatively well.

The better way to increase women-owned small businesses' share of federal contracts is to get more such firms "ready, willing and able" to perform federal contracts, and ensure they are registered in the Central Contractor Registration system.

Currently, there are some 63,000 women-owned small businesses in the registration system, receiving 3.4 percent of contracting dollars. It stands to reason that if we can get more ready, willing and able WOSBs into the system, we can increase their share of federal contracting dollars. Simple arithmetic suggests that to reach the target of 5 percent, there will need to be thousands more qualified women-owned small businesses in the system competing.

Therefore, a bipartisan agenda that should unite all parties and avoid constitutional hurdles is to increase the number of capable WOSBs competing for federal contracts.

On this, SBA has taken the lead:

Agency field staff is focused on contracting to businesses owned by targeted groups, including women.

We recently instituted a government-wide scorecard of federal agencies to rate their small business contracting efforts, including for women, bringing greatly enhanced transparency and accountability to the process.

And, on a smaller but still significant level, in 2007 SBA women-owned business procurements exceeded the government-wide statutory goal of 5 percent, reaching 24.7 percent.

In this age of partisanship, people want positive solutions. Helping more women-owned small businesses compete for government contracts, and doing it the right way, is a winner for all sides.

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