

# THE ECONOMIC IMPACT OF WORKFORCE DIVERSITY

## EXECUTIVE SUMMARY

Workforce diversity has become an economic imperative. Despite high unemployment among minorities, jobs are going unfilled in metropolitan Milwaukee because the region has not yet figured out how to match people who want to work with the means for them to become productive. Moreover, workforce diversity is an important economic opportunity. Businesses -- indeed, entire metro areas -- that embrace the new realities of the workforce will gain competitive advantages over those that miss out on the opportunity to fully utilize the labor pool.

There is an economic impact of workforce diversity, and it can be measured -- just as an economist can measure the economic impact of a new sports stadium, manufacturing plant or convention center. This study documents that increasing job diversity to reflect the population of metropolitan Milwaukee would mean a minimum of **\$300 million** in economic benefit here *annually* as of the year 2002.

There are two critical factors about the metro Milwaukee workforce of 2002 that will influence the competitiveness of each business and of the economy in general:

1. The Milwaukee metro area is becoming more diverse. In 2002, white males will represent 41% of the workforce compared to 48% as recently as 1990. There will be a corresponding increase in the percentage of women and minorities available for work.
2. The majority of future jobs available are

those that do not require advanced education or training but rather “soft skills” such as interpersonal communication and reliability. Among the occupations with the greatest projected growth: secretaries, food and beverage service workers, retail sales persons, cleaning and building service workers, nursing aides, health technicians and cosmetologists.

Why isn't the workforce more diverse? Many studies have used statistical methods to explain much of the disparity between race and employment by accounting for differences in age, education and experience. But these studies typically have found that, even after accounting for demographic differences, a racial gap still remains. This study focuses on this gap -- which researchers refer to as the “unexplained residual” -- through a survey of local business owners and a review of other research that has been done on the subject of workforce diversity. For the survey, 244 Metropolitan Milwaukee Association of Commerce member firms responded to questionnaires that were mailed to them. In addition, 15 of the respondents participated in face-to-face interviews. The survey focused on small and medium-sized businesses (250 workers or less) for two reasons: because new job openings of the future are expected to be concentrated in smaller businesses and because studies show that smaller businesses tend to have the greatest difficulty diversifying their workforces. The survey found that:

- Soft skills and a high school diploma rank as the most important among 12 factors employers look for in making hiring decisions. College education is considerably lower in importance to employers, presumably because most available jobs do not require higher education.
- Employers believe that *women* are under-represented in management positions be-

cause they are less likely than their male counterparts to have extensive work experience and/or needed technical skills.

- Employers believe *minorities* are underrepresented in the workplace primarily because they are less likely than whites to possess a high school education, work experience and soft skills.
- To fill jobs, employers rely on classified ads in the largest local newspaper and personal connections (employees, friends, business contacts and neighbors). Businesses are much less likely to advertise in community newspapers or contact organizations that are positioned to send them minority candidates.

These findings, along with a search of the literature and interviews with Milwaukee area employers, led to an array of suggestions to promote workforce diversity. These ideas focus on education, soft skills, transportation, child care, job-advertising, employee retention, company image, management of diversity and the roles of other institutions such as schools, local government and the media.

Because *education* is primarily an issue of basic computing and communication skills, businesses may want to train employees in the skills necessary to do the job as well as participate in public school partnerships, internships and presentations at local schools.

Because *soft skills* underlie the work ethic of a capable employee and embody the hope of minority workers to get ahead, businesses may need to change the way they think about skill development and realize they are selling hope for hard work. They may need to look at soft skills from a shared perspective, avoid generalizing about minority workers and adjust their incentives so they help workers see the value, for instance, in show-

ing up for work every day.

Because *transportation* needs can be a critical barrier that separates potential workers from jobs, businesses may need to develop in-house transportation or shuttle service in cooperation with their corporate neighbors, and some businesses may want to consider relocating closer to the workforce.

Because *child care* matters to minorities and women just as it does to white men, businesses may need to consider subsidizing employees' child care, share costs of nearby child care facilities and find ways to accommodate the scheduling needs of parents -- such as flexible vacation, sick leave and work schedules.

Because *minorities can't apply* for job openings unless they know about them, businesses may need to include a broader pool of candidates for openings -- by advertising in media that reach minorities and by making connections with community groups and job-training programs.

Because the *image* of a business -- or the word on the street -- will likely determine whether a minority worker wants to be associated with it, businesses may need to make sure the phrase "women and minorities encouraged to apply" is sincere and backed up by a plan to manage diversity with sensitivity and respect.

Because *job retention* is a greater challenge among minority workers than among others, businesses may need to make special efforts to keep their workers on the job, through in-house mentoring, employee assistance programs, hiring more than token numbers of minorities and providing leadership inside the business.

And because the entire metropolitan area and its *future economic well-being* depend on a diverse and employed workforce, municipal govern-

ments, schools and the media have important roles to play to insure that it happens.

Overall, this study concluded that three kinds of events need to happen in order to take advantage of the opportunity to diversify the workforce of the Milwaukee area:

1. A concerted, community-wide effort to keep minorities in high school and help them learn the discipline and fundamentals necessary to succeed in the long run;
2. An effective method to connect available jobs with minorities willing and able to fill them. This must address the cultural as well as the physical distance between jobs and workers.
3. A genuine realization by businesses that their productivity is linked to tapping into a labor pool that will continue to have more women and minorities.

## **INTRODUCTION**

The Workforce Development Institute of the Metropolitan Milwaukee Association of Commerce, The Milwaukee Urban League and the Private Industry Council, in conjunction with the Public Policy Forum, undertook a study beginning in January 1998 to examine the economic impact of a diverse workforce in the metro area. This study examined the employment picture in the Milwaukee area, analyzed the likely impact on the economy of greater workforce diversity and considered ways of helping businesses more fully diversify their workforces.

The ability to deal with competition will make or break a business. The competition for workers is currently very strong and is likely to intensify if the regional economy remains strong. The company that does not remain competitive in the labor

market may face chronic job openings, serious productivity problems and sharply rising labor costs. As the total labor pool changes, the share of the workforce held by white males will shrink. Companies will face a dilemma: Either compete for the ever smaller number of white males or expand the labor pool by recruiting women and minorities.

One of the difficulties in conducting a study on workforce diversity in 1998 is the limitations in data. The information that is systematically collected on this subject tends to be either comprehensive or current -- but not both. For example, the most comprehensive data are from the 1990 census, which is now more than eight years old. The most current data are from the Wisconsin Department of Workforce Development, which does not break down current employment statistics by industry, occupation, race and gender. Therefore, in order to accurately describe today's population and workforce by race and gender for the Milwaukee metro area, data had to be assembled from a variety of sources. Many of the numbers used in the tables in this report are calculated estimates based on 1990-1991 and 1996-1997 Affirmative Action Data produced by the Wisconsin Department of Workforce Development, 1990 Census of Population and Housing data, 1990 and 1996 EEO-1 Census data and 1997 EEO-4 personnel data on public employment by the Ozaukee, Washington, Waukesha and Milwaukee County governments.

Combining these data sources made it possible to estimate today's workforce population based on changes in the workforce from 1990-1996, the latest year for which data are available. Other data used to calculate wages and job projections include 1990 Census Public Use Microdata Samples, 1997 Wisconsin Wage Survey for the Milwaukee Metropolitan Statistical Area produced by the Wisconsin Department of Workforce Development and Wisconsin Labor Force Projections

1992-2005 also produced by the Wisconsin Department of Workforce Development.

Five racial and ethnic categories are used in this analysis. However, it is important to note that within each of these categories there are several racial and ethnic sub-categories. For this reason, although these numbers are accurate in the aggregate, the findings cannot be generalized to racial or ethnic subgroups, much less to individuals. Occupation classifications were taken from the job classification guide produced by the US Equal Employment Opportunity Commission.<sup>1</sup> The study also included a survey completed by the owners (or their representatives) of 244 small and medium sized businesses (over 4, but less than 250 employees) who are members of the Metropolitan Milwaukee Association of Commerce. Face-to-face interviews were also conducted with 15 employers in the Milwaukee metro area.

The objectives of this study were to quantify an important opportunity available to small and medium-sized businesses and to suggest ways these businesses and the metropolitan area as a whole can take advantage of this opportunity. This report is organized in five sections, as follows:

1. A snapshot of the current workforce in the four-county Milwaukee metro area (Milwaukee, Ozaukee, Washington and Waukesha Counties).
2. A look at what a diversified workforce in the metro area would look like in economic terms.
3. Examination of changes that can be expected in the makeup of the metropolitan area workforce through the year 2002.
4. Exploration of reasons the workforce is not more diverse.
5. Suggestions for businesses -- and for the community at large -- to promote

diversity in the workplace.

## **I. A SNAPSHOT OF OUR WORKFORCE BY RACE AND GENDER**

A clear picture of today's metropolitan workforce begins with a snapshot of the total population. Table 1 gives a general look at the estimated population of Milwaukee, Washington, Ozaukee and Waukesha counties as of 1996. The metro area is 78% white and 22% minority. Of this minority population, the largest group is African American females (7.7% of the total), followed by African American males (6.9%). Hispanics total nearly 5%. Asian, American Indian and other minorities together make up less than 3% of the total.

The workforce population for the four county area is presented in Table 2, which makes it evident that the workforce distribution and population distribution are not the same. For example, African American males represent 6.9% of population (Table 1) and only 5.3% of the workforce (Table 2). There are at least two explanations for this. One is that the age distribution of the population is not equal. The minority population is on average younger and therefore not a part of the workforce. The major reason for this is the differential in birthrates for white and minority women. For example, in the United States the average white female is 33 years old and has (or will have) 1.7 children. Corresponding figures for African Americans are 28 and 2.4, and for Hispanics, 26 and 2.9.<sup>2</sup> Another reason that proportionately fewer minorities are represented in the workforce than in the general population may be that measurement of the workforce underestimates the number of individuals available for work. The measure of the workforce only includes those individuals currently working or actively looking for work. It does not include individuals who are too discouraged to look for work or who are involved in the underground economy.

**Table 1. 1996: Four County Population by Race and Gender**

	1996	Percent
White male	555,550	37.9%
African American male	101,699	6.9%
Hispanic male	33,002	2.2%
American Indian male	4,715	0.3%
Asian/Other male	12,820	0.9%
White female	592,717	40.4%
African American female	112,806	7.7%
Hispanic female	35,168	2.4%
American Indian female	5,069	0.3%
Asian/Other female	13,730	0.9%
<b>Total</b>	<b>1,467,276</b>	

Source: Affirmative Action Data for Wisconsin 1996.  
Department of Workforce Development.

**Table 2. Labor Force 1996**

	1996	Percent
White male	349,169	44.4%
African American male	41,477	5.3%
Hispanic male	14,059	1.8%
Asian/Other male	5,006	0.6%
American Indian male	2,376	0.3%
White female	316,809	40.3%
African American female	41,889	5.3%
Hispanic female	9,620	1.2%
Asian/Other female	4,457	0.6%
American Indian female	1,938	0.2%
<b>Total</b>	<b>786,800</b>	

Source: Affirmative Action Data for Wisconsin 1996.  
Department of Workforce Development.

Tables 3 through 5 present the distribution of occupations by race and gender. These tables are computed from 1990 Census data along with 1990 and 1996 EEO-1 data.<sup>3</sup> As depicted in Table 3, the category with the most jobs is administrative support, 128,613, followed by professional positions, 113,716, and semi-skilled positions, 105,048. The total number of jobs in the four county area is estimated at 765,780.

Table 4 depicts the percentage breakdown of each job category by race and gender. White males hold more than half of the managerial positions, skilled trades positions, semi-skilled positions

and laborer positions. African American males hold more than 10% of the semi-skilled and unskilled positions. White females hold 64% of the administrative support positions and more than 40% of professional, technical, sales and service occupations. African American females hold 11% of the service jobs, but only 2.3% of the skilled positions and 2.5% of managerial positions.

Table 5 depicts the same data from a different perspective. Whereas Table 4 breaks down each job category by race and gender (so that the total for each job category adds to 100%), Table 5 breaks down each race and gender by job category (so that the total for each race and gender adds to 100%). This illustrates the occupations in which each ethnic subgroup are most likely to be employed. For example, the largest number of white males (19%) are employed in the skilled trades -- such as precision production, craft and repair occupations. The next most common occupation for white males is semi-skilled occupations -- operators and fabricators (17%), followed by managerial positions (14%).

The distribution of jobs for African American males is quite different. Thirty percent hold semi-skilled jobs, 18% service occupations followed by 13% who hold unskilled, laborer positions. White females are most likely to be employed in administrative support positions, 28% hold these jobs. The next most common occupations are professional jobs, 16%, followed by 15% who hold service jobs. Minority women are also most likely to hold administrative service positions. The exception is Asian females who are more commonly found in professional jobs. The next most common position for minority females is in service occupations.

	Executive, Administrative and Managerial	Professional	Technicians and Related Support Occupations	Sales Occupations	Admin. Support	Service Occupations	Skilled Trades (Skilled)	Operators, Fabricators (Semiskilled)	Laborers (Unskilled)	Total
White male	47,193	51,061	11,616	36,716	24,444	24,937	64,122	57,777	19,348	337,214
African American male	2,389	2,597	581	2,074	3,381	6,932	4,258	11,793	5,198	39,203
Hispanic male	959	1,402	372	559	1,291	3,376	3,283	7,055	3,539	21,838
Asian/Other male	417	2,258	467	548	596	743	708	1,395	491	7,623
American Indian male	131	111	62	179	528	358	428	347	281	2,425
White female	35,726	47,961	11,565	39,231	82,854	43,318	7,744	17,907	5,421	291,727
African American female	2,257	5,486	1,157	5,409	11,003	10,531	1,931	5,659	1,469	44,903
Hispanic female	554	1,431	190	1,425	2,965	2,747	402	2,118	1,224	13,055
Asian/Other female	371	1,232	179	444	947	759	500	741	304	5,477
American Indian female	101	178	30	298	604	714	76	255	60	2,315
<b>Total</b>	<b>90,098</b>	<b>113,716</b>	<b>26,217</b>	<b>86,883</b>	<b>128,613</b>	<b>94,416</b>	<b>83,452</b>	<b>105,048</b>	<b>37,335</b>	<b>765,780</b>

Source: Public Policy Forum assembled data based on 1990 Census of Population and Housing and 1990 and 1996 EEO-1 Data.

	Executive, Administrative and Managerial	Professional	Technicians and Related Support Occupations	Sales Occupations	Admin. Support	Service Occupations	Skilled Trades (Skilled)	Operators, Fabricators (Semiskilled)	Laborers (Unskilled)
White male	52.38%	44.90%	44.31%	42.26%	19.01%	26.41%	76.84%	55.00%	51.82%
African American male	2.65%	2.28%	2.21%	2.39%	2.63%	7.34%	5.10%	11.23%	13.92%
Hispanic male	1.06%	1.23%	1.42%	0.64%	1.00%	3.58%	3.93%	6.72%	9.48%
Asian/Other male	0.46%	1.99%	1.78%	0.63%	0.46%	0.79%	0.85%	1.33%	1.31%
American Indian male	0.15%	0.10%	0.24%	0.21%	0.41%	0.38%	0.51%	0.33%	0.75%
White female	39.65%	42.18%	44.11%	45.15%	64.42%	45.88%	9.28%	17.05%	14.52%
African American female	2.50%	4.82%	4.41%	6.23%	8.56%	11.15%	2.31%	5.39%	3.93%
Hispanic female	0.61%	1.26%	0.72%	1.64%	2.31%	2.91%	0.48%	2.02%	3.28%
Asian/Other female	0.41%	1.08%	0.68%	0.51%	0.74%	0.80%	0.60%	0.71%	0.81%
American Indian female	0.11%	0.16%	0.11%	0.34%	0.47%	0.76%	0.09%	0.24%	0.16%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Public Policy Forum assembled data based on 1990 Census of Population and Housing and 1990 and 1996 EEO-1 Data.

This analysis highlights the distribution of occupations in two ways:

- (1) a comparison of the distribution of *occupations* with the distribution of the *total labor force* by race and gender, and
- (2) a comparison of *private* sector employment with *public* sector employment by race and gender.

The first method employs a scenario in which the distribution of jobs by occupation would mirror the distribution of the workforce. If job distribution mirrored workforce distribution for the four county area, 44% of all jobs in each occupational category would be filled by white males, 5.1%

filled by African American males and so on. This would result in a major shift in occupations as depicted in Table 6. For example, 4,613 managerial positions would be held by African American males, instead of 2,389. In addition, there would be 2,569 managerial positions for Hispanic males instead of 959 and 39,675 managerial positions for white males, a decrease of 7,518 from their current number. This pattern would be repeated for females. The most dramatic shifts would occur in moving male minorities from semi-skilled and unskilled occupations to professional, managerial and skilled trades occupations. For females the most dramatic shift would occur in moving minority females from service and administrative suprt positions to managerial and skilled trades

	Executive, Administrative and Managerial	Professional	Technicians and Related Support Occupations	Sales Occupations	Admin. Support	Service Occupations	Skilled Trades (Skilled)	Operators, Fabricators (Semiskilled)	Laborers (Unskilled)	Total
White male	14.0%	15.1%	3.4%	10.9%	7.2%	7.4%	19.0%	17.1%	5.7%	100.0%
African American male	6.1%	6.6%	1.5%	5.3%	8.6%	17.7%	10.9%	30.1%	13.3%	100.0%
Hispanic male	4.4%	6.4%	1.7%	2.6%	5.9%	15.5%	15.0%	32.3%	16.2%	100.0%
Asian/Other male	5.5%	29.6%	6.1%	7.2%	7.8%	9.7%	9.3%	18.3%	6.4%	100.0%
American Indian male	5.4%	4.6%	2.6%	7.4%	21.8%	14.8%	17.7%	14.3%	11.6%	100.0%
White female	12.2%	16.4%	4.0%	13.4%	28.4%	14.8%	2.7%	6.1%	1.9%	100.0%
African American female	5.0%	12.2%	2.6%	12.0%	24.5%	23.5%	4.3%	12.6%	3.3%	100.0%
Hispanic female	4.2%	11.0%	1.5%	10.9%	22.7%	21.0%	3.1%	16.2%	9.4%	100.0%
Asian/Other female	6.8%	22.5%	3.3%	8.1%	17.3%	13.9%	9.1%	13.5%	5.5%	100.0%
American Indian female	4.4%	7.7%	1.3%	12.9%	26.1%	30.8%	3.3%	11.0%	2.6%	100.0%

Source: Public Policy Forum assembled data based on 1990 Census of Population and Housing and 1990 and 1996 EEO-1 Data.

**Table 6. Change in Distribution of Occupations if Distribution Matched the Workforce Population**

	Executive, Administrative and Managerial	Professional	Technicians and Related Support Occupations	Sales Occupations	Admin. Support	Service Occupations	Skilled Trades (Skilled)	Operators, Fabricators (Semiskilled)	Laborers (Unskilled)
White male	-7518	-986	-71	1544	32191	16640	-27373	-11519	-2908
African American male	2224	3225	762	2374	3203	-2099	14	-6416	-3287
Hispanic male	1610	1841	375	1918	2376	-684	-904	-4059	-2475
Asian/Other male	479	-1126	-206	316	684	197	123	-349	-119
American Indian male	155	249	21	96	-121	-59	-164	-15	-163
White female	-1403	-4640	-1577	-6132	-33858	-7350	24047	22111	8802
African American female	3027	1182	380	-315	-3462	-4995	2962	501	720
Hispanic female	982	508	257	56	-772	-1138	1021	-327	-587
Asian/Other female	273	-419	9	178	-27	-84	97	10	-37
American Indian female	171	166	50	-36	-215	-429	177	63	53

Source: Public Policy Forum assembled data based on 1990 Census of Population and Housing and 1990 and 1996 EEO-1 Data.

**Table 7. Public Employees, Milwaukee, Waukesha, Ozaukee and Washington Counties**

	Officials and Administrators	Professionals	Technicians	Protective Services	Para Professionals	Administrative Services	Skilled Craft	Service and Maintenance	Total
White male	184	661	104	774	63	109	200	669	2764
African American male	26	78	13	156	69	25	21	162	550
Hispanic male	4	33	0	38	9	8	9	32	133
Asian/Other male	2	8	3	10	8	1	0	1	33
American Indian male	2	0	1	13	2	2	2	10	32
White female	71	994	124	205	375	1220	6	158	3153
African American female	15	234	30	119	265	368	0	92	1123
Hispanic female	5	29	2	13	32	60	0	8	149
American Indian female	0	12	0	2	7	6	0	2	29
Asian/Other female	0	5	0	4	4	13	0	2	28
<b>Total</b>	<b>309</b>	<b>2054</b>	<b>277</b>	<b>1334</b>	<b>834</b>	<b>1812</b>	<b>238</b>	<b>1136</b>	<b>7994</b>

Source: 1997 County EEO-4 Report

positions.

A second way to look at the distribution of occupations in the private sector is to compare private sector and public sector employment. Table 7 presents the distribution of public employment for county government in the four-county area. The public sector employment totals 7,994. The distribution of public sector employment may be more representative of the population because policies encouraging hiring of disadvantaged groups have been prominent in public sector hiring.

It appears that the county employment picture generally reflects the workforce population. For example, as depicted in Table 8, African American males, who represent 5.3% of the total workforce (Table 2), hold 8.4% of managerial positions, 11.7% of protective service positions, 8% of paraprofessional and skilled positions and 14%

of unskilled positions in the four county governments taken together. African American males are under-represented in professional, technical and administrative service positions. Hispanic males represent 1.8% of the total workforce and are well represented in the county protective service, skilled positions and unskilled positions. However, Hispanic males are not as well represented in the other county job categories.

African American females represent 5.3% of the total workforce and are over-represented in all county occupation groups with the exception of managerial positions and skilled trades positions. Hispanic females represent 1.2% of the workforce and are equally represented in four fields including managers, but under-represented in all other occupational groups.

What would the workforce picture look like if private sector employment matched the distribu-

	Officials and Administrators	Professionals	Technicians	Protective Services	Para Professionals	Administrative Services	Skilled Craft	Service and Maintenance	Total
White male	59.5%	32.2%	37.5%	58.0%	7.6%	6.0%	84.0%	58.9%	34.6%
African American male	8.4%	3.8%	4.7%	11.7%	8.3%	1.4%	8.8%	14.3%	6.9%
Hispanic male	1.3%	1.6%	0.0%	2.8%	1.1%	0.4%	3.8%	2.8%	1.7%
Asian/Other male	0.6%	0.4%	1.1%	0.7%	1.0%	0.1%	0.0%	0.1%	0.4%
American Indian male	0.6%	0.0%	0.4%	1.0%	0.2%	0.1%	0.8%	0.9%	0.4%
White female	23.0%	48.4%	44.8%	15.4%	45.0%	67.3%	2.5%	13.9%	39.4%
African American female	4.9%	11.4%	10.8%	8.9%	31.8%	20.3%	0.0%	8.1%	14.0%
Hispanic female	1.6%	1.4%	0.7%	1.0%	3.8%	3.3%	0.0%	0.7%	1.9%
American Indian female	0.0%	0.6%	0.0%	0.1%	0.8%	0.3%	0.0%	0.2%	0.4%
Asian/Other female	0.0%	0.2%	0.0%	0.3%	0.5%	0.7%	0.0%	0.2%	0.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: 1997 County EEO-4 Report

tion of employment of the public sector? Overall, minorities make up a larger share of the public employment (i.e., county government) workforce. For this reason, if the private sector employment matched the distribution of occupations in the public sector, there would be dramatic shifts in professional and managerial occupations. The largest gains, as shown in Table 9, would be made by African American female professionals and African American male managers. African American female professionals would total 12,952 an increase of 7,469 over their current representation as private sector professionals. African American males would number 7,577 as private sector managers instead of their current number of 2,389. The largest loss would occur with white male professionals, (14,466) and white female managers, (15,024).

Overall, as seen from the tables in this section, women and minorities make up 62% of the total

population, 56% of the total workforce, 56% of the private sector employment and 65% of the public sector employment as reflected in county government jobs. That would seem to suggest that the workforce is well diversified. However, when wages are linked with occupational distribution by race and gender, it becomes clear that not all jobs are equal.

The mismatch between the workforce and the distribution of racial and gender groupings across occupations is reflected in wage disparities across racial and gender groups. One method for calculating this disparity is to attach wages to the various occupational categories. The wages presented in Table 10 are computed by taking the average of all of the wages for the specific job titles that make up each particular occupation grouping.<sup>4</sup> It should be noted that these average wages mask the extreme highs and lows within each occupa-

**Table 9. Change in Distribution of Occupations if Private Workforce Distribution Matched Four County Public Employment.**

	Officials and Administrators	Professionals	Technicians	Administrative Services	Service and Maintenance	Skilled Craft
White male	6,457	-14,466	-1,772	-16,708	30,665	6,006
African American male	5,192	1,722	650	-1,607	6,532	3,105
Hispanic male	207	425	-372	-724	-717	-128
Asian/Other male	166	-1,815	-183	-525	-659	-708
American Indian male	452	-111	33	-386	473	273
White female	-15,024	7,070	171	3,740	-30,186	-5,641
African American female	2,117	7,469	1,682	15,117	-2,885	-1,931
Hispanic female	904	175	0	1,294	-2,082	-402
American Indian female	-371	-568	-179	-521	-593	-500
Asian/Other female	-101	99	-30	319	-548	-76

Source: Public Policy Forum assembled data based on 1990 Census of Population and Housing and 1990 and 1996 EEO-1 Data. Public Data from Four County EEO-5 reports.

tional grouping. In addition, the assumption is that the average wage across each occupational category is the same regardless of race or gender. In some cases these wages appear to be much lower than what may be anticipated. For example, one may expect that most individuals in executive, administrative and managerial positions would make more than \$30,571 annually. However, it should be noted that the wage reported is the average for these positions, not the average for only CEO's, but all employees in managerial positions.

The salaries for managerial and professional positions are much higher than for positions as unskilled laborers, service workers and administrative support. Because minorities and women are more likely to be found in the latter positions, this has consequences for the distribution of wages across racial and gender groups. To illustrate this point, a hypothetical redistribution of wages is presented using the scenario of equal representation across occupational groups discussed earlier. If jobs are shuffled so that all occupational categories were distributed based solely on the repre-

sentation by race and gender in the workforce, the end result is a redistribution of wages in a manner that is reflected in Table 11.

For example, 48% of managerial positions are held by women and minorities. However the hypothetical redistribution of jobs would assign 56% of managerial positions to women and minorities. That would result in a shift of \$229 million in wages to women and minorities from white males who currently hold those positions. The largest gain in the managerial occupations would be made by African American females, \$92 million; followed by African American males, \$67 million.

Hypothetical redistribution of jobs in the professional occupations would result in somewhat different shifts. White females are over-represented in professional occupations as a percent of their total workforce population. Therefore, the change in the distribution of employees would mean a shift of \$149 million from white females to minority groups. The largest gain would be made by African American males -- \$103 million.

	Average Hourly Wage	Median Hourly Wage	Annual Salary Based on Mean Wage	Annual Salary Range
Executive, Administrative and Managerial	\$20.38	\$19.25	\$30,571.12	(\$21,203-\$39,940)
Professional	\$21.45	\$20.58	\$32,181.58	(\$12,426-\$51,937)
Technicians and Related Support Occupations	\$14.69	\$14.52	\$22,035.67	(\$17,037-\$27,034)
Sales Occupations	\$12.27	\$11.07	\$18,400.83	(\$10,479-\$26,323)
Administrative Support	\$11.47	\$11.15	\$17,208.13	(\$12,702-\$21,715)
Service Occupations	\$10.46	\$10.15	\$15,683.77	(\$7,427-\$23,940)
Precision Production, Craft and Repair (Skilled)	\$15.63	\$15.51	\$23,438.14	(\$17,584-\$29,292)
Operators, Fabricators (Semiskilled)	\$11.65	\$11.69	\$17,469.52	(\$12,724-\$22,215)
Laborers (Unskilled)	\$10.08	\$9.91	\$15,125.16	(\$11,395-\$18,855)

Source: 1997 Wisconsin Wage Survey for Milwaukee Metropolitan Statistical Area: Department of Workforce Development

It is easy to see the over-representation of females in the administrative support occupations. In all cases an equal representation by workforce population would mean that both white and minority females would shift wages to males. This scenario is almost completely reversed for skilled occupations. In this case one would see a shift of \$641 million from white males and a gain of \$563 million by white females.

The final column in Table 11 illustrates the results of the completion of this hypothetical redistribution of all occupational groupings to make each of them reflective of the workforce by both race and gender. The end result would be the transfer of \$306 million in wages earned by white males and \$10 million earned by Hispanic males to women and other minority groups. The largest gains would be by African American males: \$92 million.

The above exercise works as an analytical device for understanding how the distribution of occupations affects the distribution of wages across the gender and racial categories. One of the major assumptions of this analysis is that the average wage across occupations is the same regardless of

race and gender. However, further analysis of wage data indicates that this assumption is not realistic.

On the 1990 census long form, individuals were asked their occupation and their salary for the previous year. The long form was completed by a sample of residents of the Milwaukee metro area, but it can be used as a representative sample of wages and occupations for this area. Using the same occupational groupings and the job titles that make up the job categories used in the previous analysis, this study recreated the average salaries and wages for individuals by race and gender. The results presented in Table 12 indicate that the average wages differ. For example, the reported income for technicians ranges from a high of \$15.44 per hour for white males to a low of \$6.08 for American Indian females. The average technician hourly wage is \$10.13.

This does not mean that a woman or minority working the same job as a white male is being paid less. What it does mean is that within the same occupational grouping some jobs pay more than others. Thus, for example, in sales occupations some individuals may be working as cash-

**Table 11. Difference in Total Wages if Percent in Occupation Equalled Workforce Distribution (in Thousands)**

	Executive, Administrative and Managerial	Professional	Technicians and Related Support Occupations	Sales Occupations	Administrative Support	Service Occupations	Precision Production, Craft and Repair (Skilled)	Operators, Fabricators (Semiskilled)	Laborers (Unskilled)	Total
White male	-\$229,830	-\$31,709	-\$1,557	\$28,410	\$553,845	\$261,076	-\$641,768	-\$201,293	-\$43,963	-\$306,790
Black male	\$67,978	\$103,762	\$16,780	\$43,688	\$55,107	-\$32,932	\$325	-\$112,114	-\$49,694	\$92,903
Hispanic male	\$49,229	\$59,224	\$8,273	\$35,307	\$40,885	-\$10,731	-\$21,182	-\$70,929	-\$37,417	\$52,657
Asian/Other male	\$14,655	-\$36,227	-\$4,541	\$5,824	\$11,767	\$3,096	\$2,885	-\$6,105	-\$1,800	-\$10,444
American Indian male	\$4,726	\$8,023	\$465	\$1,774	-\$2,075	-\$928	-\$3,843	-\$257	-\$2,463	\$5,421
White female	-\$42,881	-\$149,296	-\$34,754	-	-\$582,524	-\$115,318	\$563,782	\$386	\$133,085	\$45,618
Black female	\$92,521	\$38,026	\$8,379	\$112,863	-\$59,560	-\$78,370	\$69,447	\$8,750	\$10,889	\$84,294
Hispanic female	\$30,017	\$16,335	\$5,670	\$1,035	-\$13,285	-\$17,850	\$23,941	-\$6,105	-\$8,882	\$31,260
Asian/Other female	\$8,358	-\$13,483	\$190	\$3,268	-\$460	-\$1,315	\$180	\$180	-\$555	-\$1,547
American Indian female	\$5,223	\$5,345	\$1,093	-\$657	-\$3,699	-\$6,724	\$4,144	\$1,099	\$804	\$6,628

Source: 1997 Wisconsin Wage Survey for Milwaukee Metropolitan Statistical Area: Department of Workforce Development.

	Executive, Administrative and Managerial	Professional	Technicians and Related Support Occupations	Sales Occupations	Administrative Support	Service Occupations	Precision Production, Craft and Repair (Skilled)	Operators and Laborers (Semi-Skilled and Unskilled)	Average Wage
White male	\$22.26	\$19.40	\$15.44	\$15.56	\$11.69	\$8.18	\$13.51	\$11.01	\$14.63
African American male	\$11.83	\$12.41	\$11.92	\$6.66	\$8.33	\$5.79	\$8.43	\$7.95	\$9.17
Hispanic male	\$17.48	\$12.96	\$8.89	\$12.19	\$8.81	\$5.62	\$12.87	\$9.24	\$11.01
Asian/Other male	\$14.90	\$21.67	\$11.27	\$14.30	\$6.69	\$6.25	\$10.02	\$6.86	\$11.49
American Indian male	\$11.52	\$6.85	\$8.48	\$2.94	\$9.65	\$8.28	\$10.00	\$7.19	\$8.11
White female	\$12.01	\$11.69	\$11.64	\$6.24	\$8.09	\$4.95	\$8.94	\$7.48	\$8.88
African American female	\$11.01	\$13.65	\$8.35	\$4.17	\$7.51	\$3.98	\$7.37	\$5.97	\$7.75
Hispanic female	\$10.55	\$13.23	\$7.85	\$4.21	\$7.46	\$5.05	\$5.94	\$5.44	\$7.47
American Indian female	\$7.56	\$11.78	\$6.08	\$3.47	\$6.47	\$4.70	\$7.93	\$4.28	\$6.53
Asian/Other female	\$14.43	\$8.02	\$11.39	\$4.51	\$7.07	\$2.94	\$13.98	\$3.79	\$8.27

Source: Census 1990 Public Use Microdata Samples

iers while other individuals work as sales representatives for large companies. The difference in average wages indicates that these specific jobs are not held equally by all racial and gender groupings. The result is that the disparity highlighted in the previous analysis would be greater if the analysis had taken into account the wage differentials that exist across race and gender groupings.

## II. THE ECONOMIC IMPACT OF A DIVERSIFIED WORKFORCE

The analysis in the previous section of disparity in occupations and wages assumed a zero-sum game in employment. In other words, the number of jobs available in each occupational category was assumed to be static as of 1996. The net result is a shifting of wages, but no real addition of wages to the economy. This assumption does not hold validity for the future because of the changing nature of the economy. Because the 1996 workforce is not a reliable predictor of the

workforce of the future, a more useful exercise is to look at the workforce in terms of full and equal employment; that is, after accounting for a tolerable level of unemployment (below 4%), a job for everyone who wants to work regardless of race and gender.

Can the impact of reducing the inequality among women, minorities and white males in the workforce be measured in economic terms? Economic impact studies have accompanied almost all large scale capital projects. Researchers have developed sophisticated programs to analyze the impact of the location of a new factory, the building of a new sports stadium or a new convention center.<sup>5</sup>

By using this same logic, it is possible to add to this discussion the possibility of measuring the economic impact to the Milwaukee metro community of hiring minority workers at the same rate as non-minority workers. One possible means for doing this is to examine the economic impact of full employment (that is, low unem-

**Table 13. 1996 Unemployment Rate by Race and Gender**

	Unemployed	Labor Force	Unemployment Rate
White male	8,840	349,169	2.5%
African American male	4,904	41,477	11.8%
Hispanic male	1,367	14,059	9.7%
Asian/Other male	253	5,006	5.1%
American Indian male	268	2,376	11.3%
White female	8,099	316,809	2.6%
African American female	3,822	41,889	9.1%
Hispanic female	977	8,620	11.3%
Asian/Other female	406	4,457	9.1%
American Indian female	124	1,938	6.4%
<b>Total</b>	<b>29,060</b>	<b>785,800</b>	<b>7.9%</b>

Source: 1996-1997 Affirmative Action Data Department of Workforce Development

ployment) for all groups. This is done by assuming unemployment levels were the same across all racial and gender groups. Table 13 illustrates the unemployment levels for the Milwaukee metropolitan area for 1997.<sup>6</sup> It is clear that unemployment across the racial and gender groupings varies widely, from a low of 2.5% for white males to a high of 11.8% for African American males.

In its latest survey of job openings conducted during the week of October 20, 1997, the Employment and Training Institute of UW-Milwaukee estimated that 31,874 full and part-time jobs were open for immediate hire in the four-county Milwaukee metropolitan area.<sup>7</sup> With relatively low unemployment, competition to fill these jobs is quite high. Indeed if all individuals currently unemployed, a total of 29,060, were working, there would still be a labor shortage in the Milwaukee area. Seventy percent of those unemployed are minorities and women. Unless these sectors of the population are fully brought into the labor pool, companies will be forced to bid up the wages of the relatively smaller numbers of white entrants into the workforce.

What additional income would be added into the economy if those individuals actively seeking

work were employed so that all racial and gender groups had unemployment levels equal to that of white males? Table 14 presents additional wages that would have been earned in 1996 -- and projections of what would be earned in the year 2002 -- if the unemployment levels for all other racial and gender groups were equal to 2.5%, the unemployment levels of white males. For example, if the unemployment level for white women was the same as for white males, there would be an additional 179 white women on the job in 1996 and an additional 192 in 2002.<sup>8</sup> In 1996, there would have been an additional 3,867 African American male employees, 1,015 Hispanic male employees, 337 Asian and American Indian male employees, 2,775 African American female employees, 762 Hispanic female employees and 371 Asian and American Indian female employees. In total we would have added an additional 9,306 employees in 1996 and 12,113 in 2002.

If these individuals worked at jobs that paid the average wage for their racial and gender groups computed from the 1990 census long form, the total additional wages added in 1996 would have equaled \$122 million in 1996 dollars. This would increase to \$194 million in 2002, assuming an inflation rate of 3% through that year.

<b>Table 14. Added Income with Changes in Unemployment</b>							
	<b>Unemployment Rate</b>	<b>1996: Added Employment if all groups had 2.5% Unemployment Rate</b>	<b>1996: Increase in Wage if New Workers Received Av. Hourly Wage for White males</b>	<b>1996: Increase in Wage if New Workers Received Av. Hourly Wage for Race and Gender</b>	<b>2002: Added Employment if all groups had 2.5% Unemployment Rate</b>	<b>2002: Increase in Wage if New Workers Received Av. Hourly Wage for White males</b>	<b>2002: Increase in Wage if New Workers Received Av. Hourly Wage for Race and Gender</b>
White male	2.53%						
African American male	11.82%	3,867	\$84,861,315	\$53,167,746	5,600	\$149,949,975	\$93,940,058
Hispanic male	9.70%	1,015	\$22,274,175	\$16,759,918	1,074	\$28,756,350	\$21,635,650
Asian/Other male	5.05%	128	\$2,808,960	\$2,206,764	270	\$7,227,523	\$5,677,613
American Indian male	11.28%	209	\$4,586,505	\$2,543,288	313	\$8,383,190	\$4,648,245
White female	2.56%	179	\$3,928,155	\$2,383,793	192	\$5,144,482	\$3,121,674
African American female	9.12%	2,775	\$60,897,375	\$32,264,318	2,994	\$80,170,188	\$42,472,004
Hispanic female	11.33%	762	\$16,722,090	\$8,534,067	1,085	\$29,054,717	\$14,826,821
Asian/Other female	9.11%	295	\$6,473,775	\$2,890,548	497	\$13,305,622	\$5,940,510
American Indian female	6.40%	76	\$1,667,820	\$942,288	87	\$2,339,073	\$1,321,430
<b>Total</b>		<b>9,306</b>	<b>\$204,220,170</b>	<b>\$121,692,730</b>	<b>12,113</b>	<b>\$324,331,120</b>	<b>\$193,584,006</b>

Source: Public Policy Forum assembled data based on 1990 Census of Population and Housing and 1990 Census Public Use Microdata Samples.

African American males provide an example of how this number is computed. Reducing the unemployment rate for African American males in 1996 from 11.8% to 2.5% would add an additional 3,867 African American male employees into the economy. On average, African American males report an hourly wage of \$9.17. Each additional African American male worker employed full time, the equivalent of 1,500 hours a year, would make an annual salary of \$13,749, or an aggregate total of \$53 million.

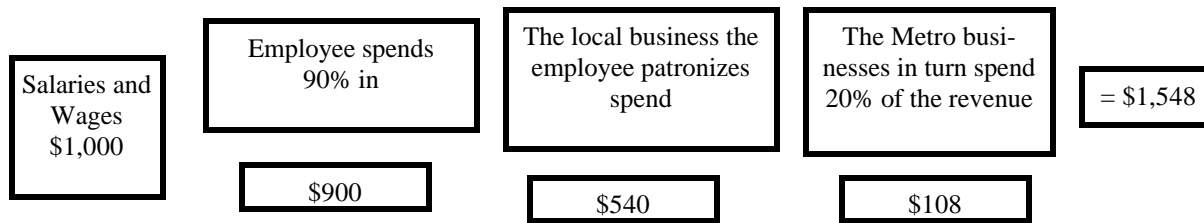
The \$53 million estimate is based on conservative assumptions. It assumes no change in wage disparity and less than a 30- hour work week. Table 14 also shows the results of a more liberal wage estimate that would result from assuming that these individuals worked at jobs that paid the average wage for the highest racial and gender grouping. If they assumed the average wages of white males, they would earn an average wage of \$14.63 an hour. In this scenario, the total wages added in 1996 would have equaled \$204 million -

- and project to new earnings of \$324 million in 2002, as reflected in Table 14.

Economic impact reports often begin with the premise that some goods generate unintended costs or benefits that spill over and affect those who are not direct consumers. For example, investments in sports facilities have the potential for generating local spending on shopping, gas, hotels, food and drink. In a similar way, economic benefits of a fully employed workforce have spillover benefits. One can anticipate that not only is there the direct impact of \$121 million in new wages but, as these wages trickle through the economy, there are indirect benefits.

The wages paid to these employees directly and indirectly contribute to the Milwaukee metro economy. Employees pay taxes to support public services as well as spend their wages on food, housing, clothing and entertainment. These wages now represent revenue to these local businesses and the government. The measure of the extent to which an initial direct expenditure -

**Chart 1. Workforce Diversity: An Example of the Economic Impact of Reducing the Unemployment Level of Minorities and Women, 1996**



wages -produces additional rounds of spending is called a *multiplier effect*. The magnitude of the multiplier effect for the Milwaukee metro economy is contingent on how much is spent in this area versus how much is spent outside the region.

For example, an employee receiving a paycheck of \$1,000 may hypothetically spend his or her money in the following manner, as illustrated in Chart 1. The employee spends \$900 in the metro area on housing, utilities, food, clothing, miscellaneous items and taxes. The remainder is spent outside of the metro area. The local businesses the employee patronizes spend 60% in the metro area, and those local businesses and governments, in turn, spend 20% of these funds in the metro area. The multiplier in this scenario is found by dividing the total economic impact of \$1,548 by the original wage of \$1,000, or 1.55.

Thus the total annual economic impact of a fully diversified workforce -- depending on the average wage used in the calculations -- would range from \$189 million to \$316 million as of 1996. This would increase to between \$300 million and \$502 million in 2002 on an annual basis. This economic impact data is based on the hypothetical spending patterns of workers and the businesses they patronize. While this analysis is a good representation of how spending occurs in the metro area, it is only an estimate of the economic impact that would be gained by taking advantage of the opportunity to fully diversify the workforce of the

metropolitan Milwaukee area.

Economic impact studies of structures and institutions often cite intangible benefits along with the tangible economic impacts. For example, economic impact studies on new sports arenas typically cite such factors as civic pride, reputation and image of being a major league city. These reasons often are seen as warranting the investment of public resources in order to keep or attract professional sports teams.

In the same fashion, there are intangible benefits of having a fully diversified workforce. These include the self-esteem, pride and increased quality of life resulting in a lower crime rate, decreased drug use, reduced vandalism and alcoholism for individuals moving from the ranks of the unemployed to the employed. Businesses benefit by fully tapping into the available workforce and improving their ability to meet production demands. Just as a community may be improved from having a professional, high-profile sports team, the metro Milwaukee community can be improved by having a diverse workforce in which all ethnic groups and both genders are fully employed after allowing for a minimal level of unemployment.

### III. THE FUTURE WORKFORCE

The Milwaukee metro area is becoming more diverse. Table 15 highlights the changing distribution in population between 1990 and 2002. The

	1990	Percent	1996	Percent	2002	Percent
White male	549,599	38.8%	555,550	37.9%	561,565	36.8%
Black male	93,389	6.6%	101,699	6.9%	110,748	7.3%
Hispanic male	25,339	1.8%	33,002	2.2%	42,982	2.8%
American Indian male	3,576	0.3%	4,715	0.3%	6,217	0.4%
Asian/Other male	9,698	0.7%	12,820	0.9%	16,947	1.1%
White female	588,539	41.6%	592,717	40.4%	596,925	39.1%
Black female	103,371	7.3%	112,806	7.7%	123,102	8.1%
Hispanic female	27,668	2.0%	35,168	2.4%	44,701	2.9%
American Indian female	3,918	0.3%	5,069	0.3%	6,558	0.4%
Asian/Other female	10,584	0.7%	13,730	0.9%	17,811	1.2%
<b>Total</b>	<b>1,415,681</b>		<b>1,467,276</b>		<b>1,527,557</b>	

Source: Public Policy Forum assembled data based on 1990 -1991 and 1996-1997 Affirmative Action Data.

projected non-white population increase is 4.5 percentage points from 19.7% to 24.2% of the total population. As illustrated in Table 16, by the year 2002 white males will represent 41% of the workforce. This is a decrease of nearly seven percentage points since 1990. There will be a corresponding increase in the percentage of minorities. During the decade of the 1980s the largest additions to the workforce were women and minorities. This trend is anticipated to continue in the Milwaukee metro area and nationally. Between 1996 and the year 2000, 85% of the net additions to the US workforce are projected to be women and non-white men.<sup>9</sup>

Because the majority of new entrants into the

workforce will be women and minorities, a business that unintentionally limits its search for employees will be at a competitive disadvantage. Many businesses are aware of this. A 1992 survey showed that only 5% of 1,405 companies thought they were doing a very good job of managing the diversity of their workforces.<sup>10</sup> Small firms are experiencing less success than large firms at hiring minorities. This is noteworthy because most of the job growth will be occurring in small and medium-sized businesses.<sup>11</sup> A study examining the hiring of African Americans in Atlanta, Boston, Detroit and Los Angeles found that the smallest businesses hire considerably smaller percentages of blacks than found in the popula-

	1990	Percent	1996	Percent	2002	Percent
White male	353,920	47.5%	349,169	44.4%	344,482	40.9%
Black male	28,640	3.8%	41,477	5.3%	60,068	7.1%
Hispanic male	13,239	1.8%	14,059	1.8%	14,930	1.8%
Asian/Other male	2,371	0.3%	5,006	0.6%	10,569	1.3%
American Indian male	1,583	0.2%	2,376	0.3%	3,566	0.4%
White female	294,776	39.6%	316,809	40.3%	340,489	40.5%
Black female	38,819	5.2%	41,889	5.3%	45,202	5.4%
Hispanic female	7,534	1.0%	9,620	1.2%	12,284	1.5%
Asian/Other female	2,642	0.4%	4,457	0.6%	7,519	0.9%
American Indian female	1,676	0.2%	1,938	0.2%	2,241	0.3%
<b>Total</b>	<b>745,200</b>		<b>786,800</b>		<b>841,349</b>	

Source: Public Policy Forum assembled data based on 1990 -1991 and 1996-1997 Affirmative Action Data.

tion of these four metropolitan areas, while the largest firms hire somewhat more.<sup>12</sup>

In this study's survey of medium and small companies in the Milwaukee metro area, 72% reported that they were not satisfied with the number and quality of minority applicants (See Section IV). From an employers' perspective, these findings suggest that unless minorities develop the qualifications sought by employers, they will continue to be under-represented in the workplace. But from a worker's perspective, these findings also indicate that unless smaller companies successfully deal with workforce diversity, they will be struggling to compete for employees. This struggle is likely to have a negative impact on productivity and therefore could have an adverse impact on the economy of the metropolitan area as a whole.

Table 17 lists the 15 occupations with the greatest growth projected by the Department of Workforce Development through 2005. Together, the 15 categories account for nearly two-thirds of all openings anticipated in metropolitan

Milwaukee. The majority of those occupations -- 12,906 secretarial and general office positions, 9,117 food and beverage service workers, 7,687 retail sales persons, 5,545 cleaning and building service jobs as well as many positions for nursing aides, health technicians and cosmetologists -- do not require training beyond a high school diploma.

As the percentage of white males entering the labor pool continues to shrink, businesses will increasingly turn to women and minorities to fill the gap. What a company does today to recruit minorities and women will affect its competitiveness tomorrow. The projections suggest that it will become increasingly evident to the business community in the metropolitan Milwaukee area that the economy will benefit from a workforce working at its full potential (allowing for a modest unemployment rate) and will suffer otherwise.

#### IV. Why the Workforce is Not More Diverse

<b>Table 17. Occupations With the Most Future Openings</b>				
	<b>1992</b>	<b>2005</b>	<b>Total</b>	<b>Percent Change</b>
Secretarial & General Office	80,326	93,232	12,906	16.07%
Teachers & Instructors	26,525	36,353	9,828	37.05%
Food & Beverage Service	52,505	61,622	9,117	17.36%
Retail Sales Workers	72,717	80,404	7,687	10.57%
Cleaning & Building Service Workers	24,755	30,300	5,545	22.40%
Operators, Fabricators & Laborers	140,779	146,306	5,527	3.93%
Other Managers & Administrators	33,521	38,504	4,983	14.87%
Registered Nurses	13,567	17,193	3,626	26.73%
Nursing Aides and Orderlies	12,143	15,004	2,861	23.56%
Protective Service Occupations	11,811	14,249	2,438	20.64%
Health Technicians & Technologists	8,502	10,828	2,326	27.36%
Sales Occupations, Service	10,264	12,187	1,923	18.74%
Line & Middle Management	11,175	13,085	1,910	17.09%
Hairdressers And Cosmetologists	8,066	9,819	1,753	21.73%
Administrative Specialty Managers	16,104	17,848	1,744	10.83%
<b>Total</b>	<b>524,752</b>	<b>598,939</b>	<b>74,174</b>	
<b>Percent of Total Openings</b>	<b>64%</b>	<b>64%</b>	<b>65%</b>	

Data from Department of Workforce Development

In order to understand what needs to happen for metropolitan Milwaukee to fully utilize its workforce, it is important to know why today's women and minorities remain underemployed. The answer to the question -- Why isn't the workforce more diverse? -- comes from a survey and interviews with Metropolitan Milwaukee Association of Commerce members (Please see Appendix A for the survey questionnaire and Appendix B for the interview questionnaire<sup>13</sup>). An examination of the literature on workforce diversity was also undertaken.

For the survey, questionnaires were mailed in February, 1998 to 1,045 MMAC member firms in the four-county Milwaukee area with more than 4 and fewer than 250 employees. As of the return deadline late in March, 244 completed survey forms had been returned (a response rate of 23%). Follow-up, face-to-face interviews were also conducted with 15 of the respondents.

The survey found that:

- **Women Applicants** -- The majority of small business employers are satisfied with the number and quality of women who apply for positions at their firms. However, employers believe that women are underrepresented in management positions because they are less likely than their male counterparts to have extensive work experience and/or needed technical skills (Table 18).
- **Minority Applicants** -- The vast majority are not satisfied with the number and quality of minority applicants. Employers believe that minorities are underrepresented in the workplace not because of high level educational or technical deficiencies but instead because they are less likely than whites to possess the high school education, work experience and

soft skills deemed to be critical in today's workplaces such as reliability and communication skills (Table 18).

- **Qualifications most valued** -- Soft skills and a high school diploma rank as the most important among 12 factors employers look for in making hiring decisions. Also considered important: communication/language skills, appearance, previous work experience and technical skills. Employers were much less likely to rate college education highly, presumably because there are far more openings in jobs that do not require higher education (Table 19).
- **Hiring Methods** -- The most common methods of finding job applicants are advertising in the *Milwaukee Journal Sentinel* and use of connections with existing employees. Friends, business contacts, local colleges and temporary help services also are widely used. Much less common: advertisements in community newspapers, contact with community organizations and radio ads (Table 20).

Amplifying on these findings, other studies on workforce diversity offer several reasons why disparity may exist in employment. Much of the inquiry has focused on statistical estimation of regression equations in which wages, earnings or occupations have been treated as the dependent variable and various workforce characteristics (such as education, experience and age) have been used as the independent variables.<sup>14</sup> Statistical models make it possible to measure how much of the racial and gender disparity in the workforce is due to these factors.<sup>15</sup>

The consistent finding with US data has been that, after accounting for such factors as age, education and experience, a significant differential remains between races. Studies refer to this

**Table 18. Relative Importance of Various Factors in Hiring Decisions.**

	Mean score (1=not at all important/ 6=extremely important)	Percent rating factor extremely important (5 or 6)
Soft Skills (reliability, attitude)	5.57	95%
High School Diploma	5.35	83%
Communication/Language Skills	5.06	75%
Previous Work Experience	4.75	64%
Appearance (grooming, dress)	4.60	54%
Previous Work References	4.59	59%
Technical Skills	4.41	50%
Wage/Salary Expectations	4.12	30%
Personal Recommendations	3.92	35%
Transportation Issues	3.66	29%
College Education	3.29	27%
Affirmative Action Compliance	3.22	20%

Source: Public Policy Forum survey of 244 MMAC members, 1998,

**Table 19. Perceived Reasons Women, Minorities are Under-represented in Jobs**

	Percent Citing Factor With Respect to Minorities	Percent Citing Factor With Respect to Women
Educational Background	80%	23%
Technical Skills	74%	44%
Lack of Work Experience	65%	50%
Reliability	64%	18%
Language Skills	62%	7%
Transportation Concerns	47%	13%
Lack of Awareness of Job Availability	43%	34%

Source: Public Policy Forum survey of 244 MMAC members, 1998, N=244

**Table 20. Use of Various Methods to Identify Job Applicants**

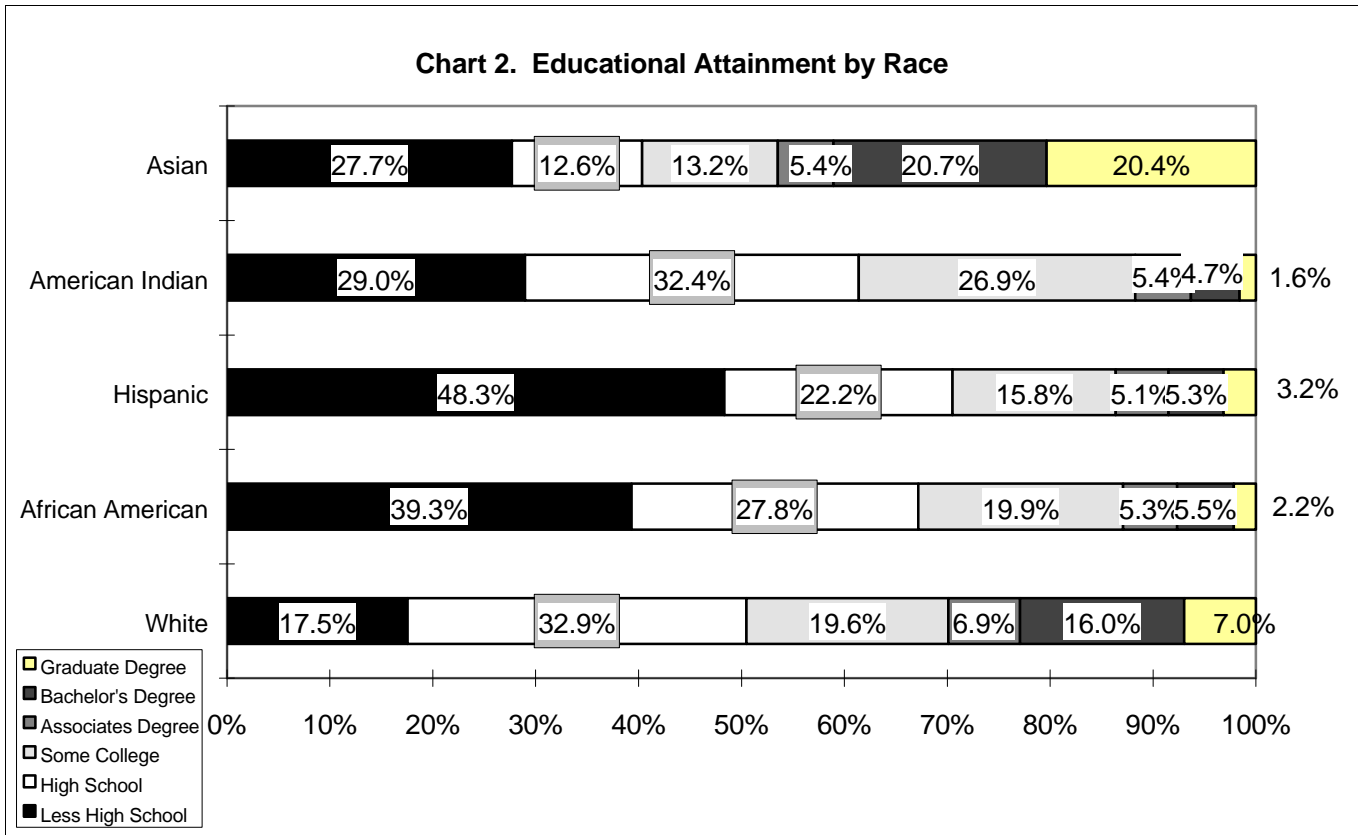
	Percent Who Use the Method...		
	Always	Sometimes	Never
Journal Sentinel Classified Ad	36%	56%	8%
Employee Connections	28%	63%	4%
Business Contacts	19%	68%	9%
Friends	18%	62%	13%
Temporary Help Services	13%	63%	20%
Local Colleges	10%	66%	17%
Other Newspapers	7%	61%	26%
Community Organizations	7%	49%	33%
Radio Ads	1%	8%	80%

Source: Public Policy Forum survey of 244 MMAC members, 1998 N=244

differential as the unexplained residual.<sup>16</sup> As one author stated, “Although technically elegant, these analyses are intellectually unsatisfying because they fail to come to grips with the ultimately important questions, such as why should economic outcomes for minorities deviate so much from those in the mainstream, after individual-level characteristics are controlled for” (Portes 1986, 730-731).

For example, one of the commonly cited reasons for disparity in the workforce is the difference in educational qualifications of women, minorities and white males. As indicated in Chart 2, the educational attainment by race in the Milwaukee metro area is quite varied.<sup>17</sup> For example the percent of the population that has less than a high school degree varies from a low of 17.5% of whites to a high of 48.3% for Hispanics.

The result of this educational gap is that the pool of minority and female employees with the necessary skills in certain jobs is too small. This results in disparity for smaller companies especially because these companies tend to receive proportionately fewer minority applicants than do large businesses.<sup>18</sup> Several of the representatives of the companies interviewed for this study cited the lack of minority and women applicants for their positions. As one president of a small communication’s technology company lo-



cated in Milwaukee stated, “We recently had an opening and did not receive any applications from minorities or women.” This individual went on to comment, “Historically women and minorities have not been directed to the computer technology field.”

Nonetheless, education accounts for only some of the disparity. In his analysis of 1990 census data for the Milwaukee metro area, John Pawasarat found that minorities with the same educational attainment as whites were more likely to be unemployed. For example, of white males who completed high school, 91% were employed, compared to 63% of African American male high school graduates and 74% of Hispanic male graduates. The employment rate for white female high school graduates was 80%, compared to a 47% rate for African American female graduates and 58% for Hispanic female graduates.<sup>19</sup>

In other work, researchers have found that minorities are not able to fully utilize their qualifications.<sup>20</sup> In some cases, minorities with college degrees cannot find suitable jobs. The 1990 census data shows that this relationship exists in Milwaukee, where minority college graduates were more likely than white college graduates to be in jobs not requiring a college degree.<sup>21</sup>

In any case, higher education is not at issue in filling job openings in metro Milwaukee. Projections by the Wisconsin State Department for Workforce Development indicate that the basic skills individuals can obtain with a high school education are in high demand. This is apparent in Table 17, which shows that the majority of the 15 occupations in the Milwaukee metro area with the largest number of future openings do not require education beyond high school. This observation is strongly supported by employers surveyed in metropolitan Milwaukee, who ranked soft skills

and a high school diploma as the most important among 12 factors employers look for in making hiring decisions. The greatest competition for employees will be for individuals possessing strong basic skills and those individuals possessing certification, licensing or an associate's degree. The current job demand in metropolitan Milwaukee for individuals with a four-year college degree is below 2,000. Jobs requiring a high school degree or less total 6,000. The highest demand is for individuals with some education, training or occupation-specific experience beyond high school; this demand totals 10,578.<sup>22</sup>

Because age, experience and education account for only a portion of the variation in the workforce, several authors conclude that the unexplained variance is due to discrimination in the workplace (Bergmann, 1996). This explanation does little to help businesses address the concerns about workforce diversity. For that reason, it is important to highlight other important reasons for disparity in employment. These were identified in the survey and interviews conducted for this study.

One reason for the disparity is the physical isolation of minorities. Essentially, many jobs are located in the suburbs, and minorities live in the central city. Companies that are not situated on public transit routes typically need employees who possess cars. The interviews indicated that companies located in the suburbs were much more likely to indicate that transportation concerns were an issue in employing minorities. The president of a mid-sized company stated that, "We never had trouble in downtown Milwaukee hiring minorities. There is no bus route that serves this industrial park (in Waukesha county), and we have only a handful of minority employees."

Another reason for lack of workforce diversity is directed toward the standard procedures compa-

nies use to hire employees. Individuals receive employment primarily through networks that include fellow employees, friends, neighbors and contacts made through church and community organizations.<sup>23</sup> Essentially, who people know and who they meet have a lot to do with their employment prospects. The survey found that the number one method for finding job applicants was to use business contacts -- 87% employed this method. The result is that a business will predominantly employ people who are in the social or business network of their current employees. The survey findings indicated that smaller companies, those employing less than 100 individuals, were more likely than larger ones to use employee connections, friends or business contacts. This may account for some of the difficulty smaller businesses have in hiring minorities. Indeed, a comprehensive study of hiring in the US manufacturing sector found that managers and their subordinates tend to be of the same sex.<sup>24</sup> One manager of a small communications company in Waukesha County believed this factor limited his company's ability to hire minorities. He commented that he recently hired a minority manager of human relations to see if they could find alternative ways to recruit minorities.

These findings suggest that -- even though some of the workforce disparity can be explained away by accounting for differences in age, experience and education -- two critical events are necessary to improve workforce diversity among small businesses:

1. A concerted, community-wide effort to keep minorities in high school and help them learn the soft skills, discipline and education fundamentals necessary to succeed at work and in a career in the long run;
2. An effective connection between available jobs and minorities willing and able to fill them that addresses the

physical distance between jobs and workers as well as broadens the methods of advertising job openings that would expand the pool of qualified applicants for each job.

## V. How to Make a More Diverse Workplace

What needs to happen for businesses to employ and promote more women and minorities? Material gathered for this research through face-to-face interviews and from other studies points to many suggestions for small and medium-sized businesses tackling this issue and for the metropolitan community as a whole. These ideas fall under the headings of education, soft skills, transportation, child care, advertising of jobs, employee retention, company image, diversity management and the roles of other institutions such as schools, local government and the media.

### **Education, basic skills, reading, writing and computing**

The survey for this study found that 25% of employers were satisfied with the number and quality of minority applicants. Two of the major factors cited for the low satisfaction rate with minority applicants were lack of work skills, such as reliability, and the lack of simple math, reading and communication skills. How can businesses combat the skills gap between what they need from applicants and what they are getting?

The most effective -- though costly -- method of preparing workers is to *train employees* in the skills necessary to do a job. Many large companies have been training workers for specific duties, and this training has expanded to cover basic reading and math. The cost of these efforts often means that they are only an option for the biggest companies; however, there are solutions for smaller companies. As the president of a small staffing company in the metro area stated, "If the

applicants are not qualified, we will send them to a community organization that can help train them." By using this method, the company does not have to provide in-house training. The company can work with local community organizations that are already established to train and educate workers.

*Public school partnerships* are another way to influence the training of potential workers. If the schools are not producing workers with the skills needed by local employers, the businesses may need to lend a hand. As one human resources director of a Milwaukee manufacturing firm said, "We started a welding school in collaboration with a local high school. We set this program up two month ago and are hoping that it will grow welders for our company." He also hopes that by working with the high school, the company can encourage more teachers to introduce these technical skills to their students. "Students need to know that these job possibilities are there."

*Making presentations* at colleges and *establishing internships* are two other ways to influence the training of workers. A President of a small computer technology company told an interviewer for this project, "People will say I would like to hire a minority or woman, but there are none who are qualified. What I say to them is that they must stop complaining and start doing something about it, by encouraging training for people of color and women in these (technology) fields. I visit schools and colleges and encourage people to go into this field and hire on interns." Another employer noted that the firm goes into schools to groom possible applicants. She works with the departments in her company to help supervisors understand that they need to take on interns and train them. Still another employer had set up a training program at a local college. "We are working with a college to train workers for the future," this employer said. "Once an individual has been accepted to the program, he or she

works half time for the company and half time at school.”

Still another suggestion for increasing the skill level of employees is to offer *tuition reimbursement* for job training courses. This can include both technical and college level courses. As one employer at a larger company commented, “We offer 100% tuition reimbursement to help workers advance within the company.” This may be difficult for small companies, but may work for companies trying to build on the skill base of their current employees. In a successful tuition reimbursement program, the positive results of having a better trained or educated employee outweigh the costs.

### Soft Skills

The term “soft skills” means different things to different people. From an employer’s perspective, soft skills can be the primary tools of a capable worker. From a worker’s perspective, soft skills can be the embodiment of hope, a desire to work hard and get ahead. In some cases, “soft skills” can be a cop out, an excuse for avoiding cultural differences -- and thus maintaining a homogeneous workforce or avoiding undesirable work. A common statement made by employers interviewed for this study was that even if an individual had technical skills, they would not succeed on the job unless they had soft skills. Some said soft skills are the *only* critical factor in hiring workers; employers with that view tended to believe that anybody could be trained to be a good worker who possessed basic life skills.

What do employers mean by soft skills? They indicated that soft skills include: the ability to show up for work every day, interpersonal skills, punctuality, hygiene, loyalty and work ethic. For example one employer noted, “My major concern with the workforce, and it is probably an overused term, is the lack of work ethic. If employees are

late for work, they need to understand that the employer is not always able to excuse this. A worker must understand that there are rules and regulations that need to be followed.” For example, the president of a Milwaukee area manufacturing company commented, “I have one minority worker who has been here for four months. In this time he has not shown up for work four times and has not called in. I needed to explain to the employee that he has to call, what ever the reason, when he will not be coming in.”

A company may need to change the way it thinks about skill development. As one human resources director stated, “I am not an urban psychologist, but I believe that if you never see someone get up and go to work every day, how do you know that you have to do this?” A different employer summed it up this way, “Soft skills are a reflection of how you feel about yourself, how you see yourself. Many minorities have low self-esteem and don’t see themselves in a healthy light.”

What can be done? First, employers must *avoid generalizing* about the skill levels of minorities. Many employers tend to view all minorities with a broad brush stroke. As one employer stated, “If a minority in the past hasn’t shown up to work, the employer may get fed up and not want to hire anymore minorities. Of course, the one minority not showing up is not reflective of the entire applicant pool, but they get fed up.”

Second, employers need to look at the development of soft skills from a *shared perspective*. As one employer commented, “It’s a combination of things that involve shared responsibilities for employees and employers as well.” Put differently by another employer, “Companies may need to change the way they think. They need to have a tolerance level that is more open. This does not mean they lower their expectations, but they may need to work on their own management style.”

One employer gave the example of her experience with hiring a minority, W2 participant. “We had some problems in the beginning. At first, I put most of the blame on the employee. Then I took some of the blame myself. I needed to rethink our methods for training. After working on this from both a management and an employee perspective, we have worked it out and the employee is doing very well.”

Employers also may need to *look at their incentive package* from the perspective of whether the incentives they offer can help workers to see the value in showing up to work every day. This is not easy. As one employer commented, “I have a minority worker who I told that as soon as he worked for six months without missing a day he would be promoted. I am still waiting.” One employer commented that the firm spends an inordinate amount of time trying to fill positions. He said that he is trying to fill positions that are a little over minimum wage. He estimated that the firm tried out about 30 employees before they could get 10 who would stay. Since these are lower-paying jobs, this employer may benefit from taking a look at the total incentive package that he has to offer employees. For example, a week-long paid vacation that is treasured by a traditional employee may mean less to a single parent than the flexible work schedule. As one employer noted, “We had a salary, vacation and sick leave package that we thought fit the needs of the employees. We surveyed the employees and found out that what we were thinking was important to them, in terms of being satisfied for the job, wasn’t what they wanted. We had to accommodate this group of employees because we want them to stay around.” Another employer in Waukesha county was perturbed by a low retention rate of employees. He was perplexed by this because even though the wages are low, the company offered excellent tuition benefits. He commented that less than 5% of the low-wage employees ever take advantage of this tuition bene-

fit. The reality is that this employer might need to restructure the benefits he is offering.

In some cases, soft skills development may be much more basic than ensuring reliability and interpersonal communication. Some employers told us that they may need to *adjust their expectations* and training programs to accommodate the reality that some potential workers have had little exposure to the workaday world.

Moreover, employers need to be aware that, in seeking employees, they are often competing with the underground economy, where the wages can be higher, the hours more flexible and the taxes non-existent. Said the president of a minority-owned Milwaukee employment service: “People don’t see the traditional means to success. Success means underground economy: things like drugs. There’s an inability to grasp the hope of success on the traditional side of the tracks. The business community has to throw out preconceived notions and start from scratch. We have to be creative enough to make some new rules and courageous enough to break some old rules.” He said the business community needs to find a way to *connect families to business* and suggested: “We could initiate a grid system where you get employers to carve out a portion of the city and say, ‘That’s our turf,’ and establish a relationship with families.”

Another employer, who heads a large provider of transportation services, said the successful employers of the future are going to have parental qualities: “As the economy grows, we will be working with people who have fewer and fewer soft skills. We now have 60 hours of training before a person gets on the job. In the future, we’re going to have *trial jobs*. People will work with a senior driver and prove they can show up for work, show good hygiene and acceptable language skills before they actually start the job. Also, we’re going to have to deal with more per-

sonal problems. Instead of firing people after three days of absence without calling in, we need to look at interventions. You have to be an extended family, an educator; you have to care about the employees. You have to be firm but fair -- tell them what the rules are and call them on it when they break them.”

Employers will benefit from looking at the development of soft skills from the perspective of the employee. An employer needs employees who desire to work and will show up when scheduled. Such desire arises from a sense of hope, a sense that one can rise. In order to sell hope for hard work, employers need to create an environment in which employees are appreciated. Such an atmosphere fosters soft skill development.

### **Transportation**

One of the main problems in recruiting minorities for employment is location. While many businesses have opened in the growing suburbs around metropolitan areas, minorities continue to be concentrated in the city. A business can depend upon the mass transit provided by the municipality, but this is often insufficient for certain businesses that either are not situated on an accessible line or have shifts that are not convenient for mass transit users. As the president of a metropolitan staffing agency stated, “It is difficult to place minorities in companies that are not located on a bus line. Many of the workers do not have a reliable vehicle. In my opinion, the CEO likes to locate the company within a short drive of where they live, unintentionally placing these jobs many miles away from their workers.”

One option for companies is to *move closer* to the workforce. One of the employers interviewed was planning on making such a move. Another option is to bring minorities to the jobs. As one individual stated, “We have an *in-house transportation system* to help get employees to the job.”

Still another option is to help employees with financing of car loans.

A final option is for employers to collaborate with other businesses in their area that have similar transportation problems. Businesses located in an industrial park may benefit from creating a *shuttle system* that can help with the transportation needs of their employees. The reality is that businesses not situated on a bus line and unable to provide transportation are limiting their pool of minority applicants. The president of a staffing agency stated, “When employees come in, we assess their qualifications and ask them if they have a car. If they have a car, then we search the entire database for positions. If they don’t have a car, we must limit the search to companies located on a bus line.” According to the 1990 census data, less than half (44%) of unemployed workers from Milwaukee’s central city had a car in their households.<sup>25</sup> For this reason, companies that are not situated on a convenient bus route or do not provide transportation are severely limiting the number of available applicants.

### **Child Care**

One of the major concerns for female employees with children is child care. The family has always been a concern for minorities and women in the workplace, just as it is for white men. For businesses to be successful in attracting women and minorities, they need to understand the issues that accompany home and family. In one study, turnover and absenteeism rates for working mothers using a company-sponsored child development center were compared to those who either had no children or had no company assistance. Absenteeism for the day care users was 38% lower than for others. Turnover for day care users was 2%, compared to more than 6% for the non-benefit group.<sup>26</sup> Most small companies cannot afford to provide in-house child care. However, these companies may be able to help employees with

children find suitable care. One way is to *subsidize the employees' child care* through vouchers or direct reimbursement. By offering subsidized child care, companies are able to provide a needed benefit while maintaining freedom of choice for the parents -- and without incurring additional liability for the company. Another option is to join a cooperative effort with other businesses *and share the costs of operating a near site child care facility*.

For these companies, there are other options available to help employees juggle the responsibilities of parenthood and work. These include the use of *flexible scheduling, flexible vacation, flexible sick leave* and a *compressed work week*. Flexible scheduling has been popular with employees. Flex-time is a matter of establishing the number of hours an employee is to work and then allowing them to set up how they want to work those hours. It can be as simple as letting the employee choose when they want to begin and end their day. One of the first companies to use flex time in the US was Northwestern Mutual Life of Milwaukee in 1973. Other companies followed, and it is now used throughout the country by a wide range of businesses. If the nature of one company's work calls for a team effort, the company can allow the team as a whole to decide what their schedule will be.

Another scheduling approach is to allow workers to compress their work weeks. This may help with day care when it is easier to find a sitter for a longer period of time but fewer days. It also can be used for parents to split the duties of child care and still both work full time. Flexible vacation time and sick leave have also been used to ease working situations and to accommodate the growing number of women in the workforce. These innovations help employers avoid unwanted absenteeism, which is typically a paid sick day. One of employers interviewed believed that the firm's attention to family matters gives the firm

more flexibility in hiring. This employer stated, "The number of female applicants we receive often equals the male applicants. I believe this is because we offer flexible options for families. In the future, we hope to be able to offer in-house day care."

### **Standard Procedure for Filling Job Openings**

Barriers to workforce diversity can be built into the hiring process. As one employer said, "We just don't seem to be able to reach out to minorities. It's hard to find them." After further discussion, this employer revealed that the business predominantly uses personal contacts to fill positions. By using this method, which often includes bonuses for employees who recruit acquaintances for job openings, the company almost guarantees that it receive applications from a small subset of the labor pool.

Employers will need to make changes if they want to draw from a larger labor pool. Businesses need to expand their recruiting efforts lest they find themselves competing for a shrinking supply of labor while overlooking other potential workers who may be readily available and well qualified. How might they do this? There are a number of resources. Among them: advertisements in media (radio and community newspapers) that predominantly serve minority communities; community organizations that promote minority advancement; several neighborhood strategic planning organizations in the City of Milwaukee that have established training programs; and local schools, colleges and training programs that serve large numbers of minorities.

Examples of such efforts can be found in many companies in Milwaukee. One individual whose business is situated on the North Side of the city stated, "You have to go to where the potential workers live to find your workforce, and that is why we are here." Another employer com-

mented, “We try to reach a different demographic sector of the population by using alternative papers to advertise employment opportunities.”

Still another employer mentioned that the company was trying to reach a new potential labor pool by establishing a relationship with a community-based organization in Milwaukee.

### **Image of the Company**

Many businesses know that in order to be successful in the next century, they will have to promote a positive image among women and minorities. One way of recruiting is through reputation. If a company has a reputation of dealing with women and minorities fairly and offering advancements, they have a better chance of finding the best talent.

As one employer noted, “The phrase ‘women and minorities encouraged to apply’ is an important one. However, if a company does not support this, the word gets out on the street. If a company has a reputation for not being open to women or minorities this gets around. This reputation can supersede any advertising that they do.” Another employer commented, “This company has an image of an unfriendly atmosphere. This hurts the company and keeps women and minorities from applying.” Whether through formal networks or word of mouth, any company can let it be known that it wants talented women and minorities. Still another individual commented, “The mind set of the board and CEO of this company is such that a woman will never advance into the executive level.”

The reality is that a company has to pay more than lip service to the idea of workforce diversity. As one employer stated, “I can say until I am blue in the face that the workforce is changing and that we need to actively plan for hiring more women and minorities. Unless the company is really committed to this, nothing will happen.”

### **Job Retention**

Aggressive recruitment is the best way to find talented minorities and women, but once they are working for a business, how does the employer keep its workers? One study found that the turnover rate for blacks in the US is 40% higher than the rate for whites, and turnover among women is twice as high as for men.<sup>27</sup> An employer commented, “We have a lot of employees who work for a short period of time, and then they quit. In a company with approximately 250 employees, we had approximately 222 leave positions last year.” His main question is how to keep and retain these employees.

Every business must anticipate there will be some failure. Many employees will not work out. This is especially true for low-wage jobs. As one employer who was filling low-wage positions stated, “We want the best employee we can afford. This work is not difficult, and often this means that we do not get the cream-of-the-crop employee. We get the best employee who will work for these wages.” However, this is just as true for high skill jobs. One president of a technology firm commented, “We try and hire minority and female interns. When they finish school, they are in such high demand that we cannot afford to keep them. I recently had one employee leave who would be making \$30,000 more working for a company in another city. We can compete at some level, but not when the salary offered is so much higher.”

The retention of minority and female employees is difficult without effort by the employer. One suggestion for job retention is to have an *in-house mentoring* program to highlight the advancement possibilities in the company. This may be especially true for high skill positions. A mentoring program can be especially beneficial in removing any promotional barriers that women and minori-

ties feel exist. For years, men working in business or government organizations have used informal and voluntary systems of mentoring to advise younger men in the organization who they feel are worthy of career advancement. Studies have shown that most successful managers have had the benefit of such mentoring systems.

Other suggestions: an *employee assistance* program for those employees who are having difficulties on the job with attendance or cooperation; and recruiting several minorities at once. One employer noted, "It is important that minorities do not feel like a token. A company needs to recruit several minorities so that each individual can have someone else to support them."

Often women and minorities are not made to feel comfortable. They see problems in finding advancement and are often occupants of lower paying jobs while white males dominate management and executive positions. Businesses must strive to make employees comfortable, not as a matter of social justice but as a matter of competitive necessity. In order to take advantage of the expanded labor pool, businesses that want to retain employees will make everyone at the table feel welcome. Companies that succeed in integrating women and minorities into their workforce in a way that allows them to be judged as individuals will expand their human capital.

### **Managing Diversity**

Even if recruiting and retention efforts are successful, many businesses need to take a good look at how they will succeed at managing this diverse workforce. This means more than assimilating people into the workforce. It means an evolution of corporate culture to be more accepting of differences. People are unlikely to change fundamentally in order to fit into a corporate structure. More likely, the corporate culture needs to adapt to multi-culturalism.

This means diversity training for those members of the workforce who for so long have been part of the dominant culture. Resistance will have to be overcome as businesses consider such questions as: Is a person's hair style something that needs to be changed, or should it be accepted as a cultural difference? Is a certain style of dress too casual? Or is it a legitimate cultural statement? How businesses react to such issues may represent how well they will deal with diversity. If a workplace rule isn't connected to some plausible aspect of the job function, it may be an unintentional form of bias. It may undercut the firm's efforts to be competitive in the labor force. Therefore, it may cut into profits.

### **Institutional Roles**

Local governments, the media, community based organizations and other institutions benefit from a regional economy that fully employs its labor pool. Therefore, those institutions have a role in promoting workforce diversity.

Municipal governments tend to be willing to do a lot to attract new firms. Some of the incentives offered to influence the location decisions of firms include, tax abatements, low interest loans, job training, and facility and infrastructure development.<sup>28</sup> However, most research indicates that in today's competitive and ever changing environment, companies are locating where they feel assured of securing a quality workforce.<sup>29</sup> Research in 1997 by the Public Policy Forum found that the quality of the workforce is the number one decision made by a company in the fast-growing business services sector in deciding where to locate.

What does government in the Milwaukee area need to do to help achieve a more diverse and qualified workforce? Aside from the most obvious and important public investments -- in urban

schools and transportation -- one suggestion is for the City of Milwaukee to facilitate a collaborative effort among metro area businesses and community organizations to train and place workers. Under the auspices of the Community Development Block Grant (CDBG) program, the city has already established 17 neighborhood strategic planning organizations for the distribution of federal funds for city development. Most of these organizations are establishing or have established the types of training programs that businesses can use. They also have placement programs for community members that are looking for work.

What these community organizations often lack is the input of the businesses themselves. They need the guidance of business organizations such as MMAC to help them connect with what businesses want. The CDBG office could facilitate the development of a relationship between these two sectors of the community. By organizing a partnership between the metro area business sector and the community sector, the government can help direct businesses in need of employees to the community organizations that have available resources.

Businesses that are committed to a fully diversified workforce will benefit from establishing connections with community organizations. However, community organizations must also make a concerted effort to aggressively recruit businesses to become involved in their training programs. The mutually beneficial relationship that develops between community organizations and businesses can help to create a fully diversified workforce.

The local media also has an important part to play in the success of any effort to diversify the workforce. As one employer commented, "The media could help by highlighting companies with a diverse workforce, especially minority and women owned companies. This would be good not because it advertises the business, but because

it shows kids that they can be computer programmers or business owners. You need to put a face in front of the kids."

## **Conclusion**

The companies that will be most competitive and profitable in the next century are likely to be those that embrace diversity and learn to cultivate the growing parts of the labor pool. From the perspective of an employer, the best ways to utilize women and minority workers are to invest in training, provide a supportive workplace and remove barriers that prevent individuals from participating to their maximum potential. From the perspective of the unemployed worker, the most important factor is acquiring the job skills that convince an employer of the person's desire to work. For the metropolitan community as a whole, the path to making our region more competitive globally includes low unemployment for minorities and women. That will be the reward for a labor force infrastructure whose elements are sensitive to the education, training, transportation and personal needs of tomorrow's workers. This report highlights the economic benefits of workforce diversity. Much remains to be done in order for the region to take advantage of that opportunity. For members of the business community, this report offers a number of areas in which their leadership is crucial. Businesses that are actively looking for ways to increase their labor pool and thus diversify their workforce could benefit from an established connection between their place of work and community organizations that are more directly connected to the unemployed worker. A resource guide that would contain training programs, job centers and transportation providers could be useful to businesses searching for employees. Moreover, the leaders of the business community could help to advertise successful workforce diversity programs in companies by highlighting these efforts and helping companies that would like to adapt these pro-

grams to their own needs.

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## ENDNOTES

<sup>1</sup> These job categories contain nine broad categories. For example the professional category contains over 100 job titles. A sample of professional occupations includes, accountants, actors, actuaries, authors, clergy, teachers, dentists, librarians, photographers, registered nurses, technical writers and surveyors.

<sup>2</sup> See William B. Johnston, *Global Work Force 2000*, *Harvard Business Review*, March-April, 1991.

<sup>3</sup> It is necessary to compute figures for 1996 because no single data source exists for 1996 to examine the occupational distribution of employees by race and gender.

<sup>4</sup> This wage data is reported in Wisconsin's Department of Workforce Development for the four county area, 1997.

<sup>5</sup> See David Swindell and Mark S. Rosentraub 1998, "Who Benefits from the Presence of Professional Sports Teams? The Implications for Public Funding of Stadiums and Arenas." *Public Administration Review*. 58:11-20, for a discussion of the economic impacts of stadiums and arenas.

<sup>6</sup> This measure of unemployment is taken from the 1996-1997 Affirmative Action Data for Milwaukee metro area produced by the Department of Workforce Development.

Unemployment is measured as those individuals actively seeking work who are not employed. It does not include individuals who may not be working and are no longer seeking work.

<sup>7</sup> See John Pawasarat, Lois M. Quinn and Ann H. Hendrix. 1997. "Job Openings in the Milwaukee Metropolitan Area: Week of October 20, 1997." The Institute for Employment and Training.

<sup>8</sup> Figures for the year 2002 were computed using changes in population and accounted for an inflationary increase in wages.

<sup>9</sup> See Peter Wright, Stephen Ferris, Janine Hiller and Mark Kroll. 1995. "Competitiveness Through Management of Diversity," in *Academy of Management Journal* 1:272-285.

<sup>10</sup> See F. Rice. 1994. "How to Make Diversity Pay." *Fortune*, August 8, 79-86.

<sup>11</sup> See Kevin Hopkins and William Johnson eds. 1988.

<sup>12</sup> See F. Rice. 1994

<sup>13</sup> These surveys were to be filled out by the person in charge of hiring practices for that business. These businesses ranged in number of employees from 4 to 250 and are located in the four county Milwaukee MSA. Of the 1045 surveys sent out 244 were returned, over 23 percent, and of the 244 returned 45 agreed to a personal interview.

<sup>14</sup> See William Darity 1996 in *The Question of Discrimination*, p. 335.

<sup>15</sup> See Barbara R. Bergmann, 1996.

<sup>16</sup> See Williams 1984 and 1987 and Shulman 1984.

<sup>17</sup> The racial categories used in the this chart are taken from the 1990 census of population and housing. Each racial grouping is made up of several sub-categories. For this reason, while the data accurately portray the educational attainment for an aggregated racial category it is incorrect to generalize from the aggregate to the individual level. For example, the Asian category contains several sub-categories including some of the recent immigrants to the metro Milwaukee area, the Southeast Asians, primarily the Hmong. The educational attainment for the Hmong population is on average, much lower than the Asian category as a whole.

<sup>18</sup> See Harry J. Holzer January, 1997. *Why Do Small Establishments Hire Fewer Blacks than Large Ones?* Institute for Research on Poverty Discussion Papers, University of Wisconsin.

<sup>19</sup> See John Pawasarat. 1992. *Toward Full Utilization of the Milwaukee Area Labor Force: A Planning Guide for Employers*. Employment and Training Institute, University of Wisconsin-Milwaukee.

<sup>20</sup> See Andrew Brimmer 1995 *The Economic Cost of Discrimination Against Black Americans*, in *Economic Perspectives on Affirmative Action* pp. 9-25.

<sup>21</sup> Data from 1992 Census of the Population and Housing, 1990: Public Use Microdata Five Percent Samples Milwaukee Statistical Area.

<sup>22</sup> Ibid. John Pawasarat. 1997

<sup>23</sup> See Howard Wial. 1991. *Getting a Job: Mobility in a Segmented Labor Market*, *Industrial Relations* 30 (Fall): 396-416.

<sup>24</sup> See William J. Carrington and Kenneth R. Troske. 1996. *Sex Segregation in US Manufacturing*. Center for Economic Studies US Bureau of the Census.

<sup>25</sup> See John Pawasarat, 1992. P.41.

<sup>26</sup> See Taylor Cox and Stacy Blake. 1991. "Managing Cultural Diversity; Implications for Organizational Competitiveness." *The Academy of Management Executives*. 5:45-56.

<sup>27</sup> See Gail Robinson and Kathleen Dechant, 1997. "Building a Business Case for Diversity," *The Academy of Management Executives*. 11:21-31.

<sup>28</sup> See Paul Kantor 1995. *The Dependent City Revisited*. Boulder, CO: Westview Press.

<sup>29</sup> See Mark S. Rosentraub. 1997. *Major League Loser: The Real Costs of Sports and Who's Paying For It*. Princeton: Princeton University Press.

## APPENDIX A.

Metropolitan Milwaukee Association of Commerce/ Public Policy Forum

### Business Survey on Work Force Diversity

Thank you for helping us collect this information. Your opinions are critically important to our understanding of work force diversity. Please **circle the number** that corresponds to your answer

1. Are you satisfied with the number and quality of the women that apply for positions at your work place?

Yes 57.3                  No 40.6

2. Are you satisfied with the number and quality of the minorities that apply for positions at your work place?

Yes 25.2                  No 70.9

3. How important is each of these factors in deciding who to hire? Please use a scale from 1 to 6, with 1 being not at all important and 6 being extremely important?

Not at all Important

Extremely Important

	1	2	3	4	5	6
a. College Education	15.4	15.0	19.2	19.2	13.7	13.2
b. High School Diploma	.4	.9	4.7	10.3	17.1	65.4
c. Previous Work Experience	.9	.9	9.0	25.2	36.8	26.9
d. Technical Skills	3.4	2.6	11.1	32.5	29.1	20.5
e. Communication/ Language Skills	0	.4	3.4	20.5	38.0	37.2
f. Appearance (grooming, dress)	0	3.4	9.4	32.5	29.9	24.4
g. Soft Skills (punctuality, reliability, attitude)	0	0	1.7	4.3	26.9	66.7
h. Affirmative Action Compliance	15.8	9.4	24.8	26.5	9.8	9.8
i. Wage /Salary Expectations	.4	1.7	15.4	52.1	21.8	7.7
j. Transportation Issues (travel time, car or bus)	6.8	11.1	25.6	26.5	16.7	12.0
k. Previous Work References	1.7	2.1	10.3	26.0	37.6	21.8
l. Personal Recommendations	3.8	7.3	21.8	31.6	25.6	9.9

4. Based on your experience, please indicate whether each of the following factors helps explain why minorities are under-represented in some types of jobs in the Milwaukee area.

	YES	NO
Educational Background	79.9	15.8
Technical Skills	74.4	20.9
Language Skills	62.0	33.3
Lack of Awareness of Job Availability	42.7	50.4
Transportation Concerns	46.6	48.9
Reliability	63.7	31.2
Lack of Work Experience	65.4	28.2

5. Based on your experience, please indicate whether each of the following factors helps explain why women are under-represented in some types of jobs in the Milwaukee area.

	YES	NO
Educational Background	22.6	70.1
Technical Skills	44.0	47.9
Language Skills	7.3	84.2
Lack of Awareness of Job Availability	33.8	56.4
Transportation Concerns	13.2	77.4
Reliability	18.4	73.1
Lack of Work Experience	50.4	41.5

6. Please Indicate Type of Business:

Construction	7.3
Manufacturing	20.1
Transportation/ Communication	6.8
Wholesale or Retail Trade	12.
Finance, Insurance, Real Estate	11.1
Personal Services	2.6
Professional Service	19.7

7. Please indicate where your business is located

City of Milwaukee	55.1
Milwaukee Co. Suburb	18.4
Waukesha Co.	19.7
Ozaukee Co.	3.0
Washington Co.	2.1

8. How many people does your firm employ?

0-24	22.2
25-49	26.5
50-99	24.4
100-250	25.6

9. How often do you use the following methods to find job applicants?

	1, Always	2, Sometimes	3, Never
Milwaukee Journal/ Sentinel	35.5	55.6	7.7
Other Newspapers	7.3	60.7	26.1
Community Organizations	6.8	49.1	32.9
Radio Ads	1.3	7.7	79.9
Temporary Help Services	12.8	62.8	20.1
Local Colleges	9.8	65.8	16.7
Employee Connections	27.8	63.2	4.3
Friends	18.4	62.0	12.8
Business Contacts	18.8	67.9	9.4

## APPENDIX B.

### Questions For Employers

1. In order for me to better understand the types of companies of the employers we are interviewing can you explain to me a little about what your company firm does?

My interest in meeting with you stems from the MMAC's interest and the Forum's interest in understanding some issues dealing with workforce diversity. I would like to begin by asking you to elaborate on a few answers you gave to the survey you returned.

2. In the survey you returned, you told us you were not satisfied with the number and quality of female applicants you receive. In your experience why aren't you satisfied with the number and quality of female applicants?  
In the survey you returned, you told us you were satisfied with the number and quality of female applicants you receive. Some people would think this is a surprising answer. Why is it that you are satisfied when others are not?
3. In the survey you returned, you told us you were not satisfied with the number and quality of minority applicants you receive. In your experience why aren't you satisfied with the number and quality of minority applicants?  
In the survey you returned, you told us you were satisfied with the number and quality of minority applicants you receive. Some people would think this is a surprising answer. Why is it that you are satisfied when others are not?
4. Employers told us that soft skills and high school education are key to the under-representation of minorities in the workforce. Can you give me any examples from your experience that illustrates why our survey found that?
5. If they are not satisfied with women applicants: What needs to happen for your type of business to employ and promote more women?  
If they are satisfied with women applicants: Do you think your business needs to do anything more to employ and promote more women? Why or Why not?
6. If they are not satisfied with minority applicants: What needs to happen for your type of business to employ and promote more minority?  
If they are satisfied with minority applicants: Do you think your business needs to do anything more to employ and promote more minority? Why or Why not?
7. What is your standard procedure for filling job openings?
8. If you had a job opening, and you wanted to get as strong and diverse a pool of candidates for the job as you could, how would you go about it?
9. What concerns do you have about your workforce over the next few years?
10. You indicated on your survey that you would be willing to be interviewed on the subject of workforce diversity issues. Is there anything about this issue that I have left out in this discussion that you would like to share with me regarding the issue of workforce diversity?

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