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Class waivers to the non-manufacturer rule: Effects on small business utilization in public procurement

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ABSTRACT

Public procurement officials frequently purchase through indirect marketing and distribution channels, separating buyers from manufacturers. Normally to fulfill small business set-aside requirements, product manufacturers must also be a small business. When no small business manufacturers exist for a product, class waivers to the non-manufacturer rule (NMR) allow small business distributors and wholesalers to provide products that are not made by small businesses. This study models the effectiveness of class NMR waivers for increasing small business utilization. A time series panel found that NMR waivers increased small business utilization in industries characterized by low levels of firm concentration and price inflation.

KEYWORDS:

Notes

[1] U.S. Census Bureau economic surveys page on concentration ratios, available at https://www.census.gov/econ/concentration.html.

[2] An alternative source, Compustat data is a common alternative to the US Census Bureau's concentration measure. However, it accounts for only public firms and correlates at a mere 13 percent with the Census Bureau's data, which is considered highly reliable (Ali, Klasa, & Yeung, 2009).

[3] This follows how industry-level data on firm size is reported by the US Census Bureau. The U.S. Small Business Administration (SBA) assigns various size standards to industries to classify businesses as "small" under its programs in accordance with 13 C.F.R. § 121.102, and SBA standards may be based on revenues or number of employees, the latter of which may differ from 500 (although a threshold of 500 employees is common).

[4] https://www.census.gov/programs-surveys/susb.html.

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