

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2561 Rayburn House Office Building
Washington, DC 20515-6515

MEMORANDUM

TO: Members, Subcommittee on Economic Growth, Tax, and Capital Access
FROM: Sharice Davids, Chairwoman
DATE: June 15, 2021
RE: Subcommittee Hybrid Hearing: “Reversing the Decline in Women Entrepreneurship: Opportunities for Rebuilding the Economy”

The Committee on Small Business Subcommittee on Economic Growth, Tax, and Capital Access will meet for a hybrid hearing entitled “Reversing the Decline in Women Entrepreneurship: Opportunities for Rebuilding the Economy.” This hearing is scheduled to begin at **10:00 A.M. on Tuesday, June 15, 2021, in person in Room 2360 of the Rayburn House Office Building, and virtually via the Zoom platform.**

Women-owned small businesses have been severely impacted by the coronavirus pandemic with many reporting a decline in sales and fear of permanent closure. Yet, as the nation begins to reopen, women entrepreneurship has the ability to become an economic engine of growth. To ensure a robust recovery, Congress will need to consider ways to support women entrepreneurs, workers, and small business owners. This hearing will give Members an opportunity to hear about how the pandemic has exacerbated perpetual challenges facing women entrepreneurs and how many women responded with innovative solutions.

Panel

- Ms. Sherry Turner, Executive Director, Kansas City Women’s Business Center, Fairway, KS.
- Ms. Tammy Williams, Founder and CEO, Envision2bWell, Inc., West Chester, PA.
- Ms. Ayris Scales, CEO, Walker’s Legacy Foundation, Washington, DC.
- Ms. Natalie Buford-Young, CEO, Springboard Enterprises, Vienna, VA.

Background

Women are at the center of the American economy, making up nearly half the workforce, and are increasingly the primary or solo breadwinners in households with children.¹ Black and Latina/Hispanic women are especially likely to be both breadwinners and caregivers for their

¹ Sarah Jane Glynn, *Breadwinning Mothers Are Critical to Families’ Economic Security*, Ctr. For Am. Progress (March 2021).

families.² Across the country, women control the vast majority of household spending decisions, wielding tremendous influence, and 83% of all consumption and household buying power.³

Prior to the pandemic, women-owned businesses were growing. From 2014 to 2019, the number of women-owned businesses increased 21%, and total employment by women-owned businesses rose 8%.⁴ Additionally, total revenue for women-owned businesses rose 21%.⁵ Before the pandemic, women-owned businesses representing an estimated 42% of all U.S. businesses, employed 9.4 million workers, and generated \$1.9 trillion in revenue,⁶ even though approximately 90% of women-owned firms were sole proprietors.⁷

Pandemic Impacts on Small Businesses

For more than a year, our nation's 30 million small businesses have suffered through a crisis of epic proportion. The pandemic closed more businesses in 2020 than any other year on record and left countless other small businesses teetering on the brink of closure. As of May 2021, more than 37% of small businesses have closed.⁸

Unfortunately, women-owned small businesses have been more heavily impacted by the coronavirus pandemic than male-owned small businesses. Female small business owners are more likely than male-owners to report a significant decline in the overall health of their business since the start of the pandemic. Women-owned small businesses lag behind male-owned small companies in three forward-looking measures: investment plans, revenue projections, and staffing expectations. This indicates that women small business owners do not anticipate recovering quickly from the economic impacts of the pandemic.

However, the rate of new entrepreneurs was substantially higher in 2020 than it has been in previous years, reflecting that many people are transitioning into entrepreneurial activity during the uncertainty of the pandemic.⁹ There are a myriad of reasons people become entrepreneurs, but the opportunity share of new entrepreneurs who created a business out of choice instead of necessity has decreased to the lowest share in 25 years.¹⁰ This reflects the massive job and economic losses during the pandemic. As non-essential businesses closed, reduced staff, and

² *Id.*

³ Morgan Stanley, *Beyond the VC Funding Gap: Why VCs Aren't Investing in Diverse Entrepreneurs, How It's Hurting Their Returns, and What to Do About It* (Oct. 23, 2019), <https://www.morganstanley.com/ideas/venture-capital-funding-gap>.

⁴ AM. EXPRESS, *The 2019 State of Women-Owned Businesses Report*, 2019.

⁵ *Id.*

⁶ NAT'L. WOMEN'S BUS. COUNCIL, *Annual Report 2020* (Dec. 2020), <https://www.nwbc.gov/2020/12/21/2020-annual-report/>.

⁷ U.S. CENSUS BUREAU, *Annual Business Survey Release Provides Data on Minority-Owned, Veteran-Owned and Women-Owned Businesses*, (Jan. 28, 2021), <https://www.census.gov/newsroom/press-releases/2021/annual-business-survey.html>

⁸ OPPORTUNITY INSIGHTS ECONOMIC TRACKER, *Percent Change in Number of Small Businesses Open*, <https://tracktherecovery.org/> (last viewed June 2, 2021).

⁹ Robert Fairlie and Sameeksha Desai, *National Report on Early-State Entrepreneurship in the United States: 2020*, Kauffman Indicators of Entrepreneurship, Ewing Marion Kauffman Foundation, Feb. 2021.

¹⁰ *Id.*

spending patterns changed, many new entrepreneurial endeavors are being taken by people with few other options.¹¹

Due to the turmoil and uncertainty caused by the pandemic, many women have had to become entrepreneurs out of necessity. Unfortunately, women continue to face day-to-day barriers which make it difficult to grow their businesses and bridge the equity gap.¹²

Overcoming Barriers to Women Entrepreneurship

Eliminating barriers and fostering the success of women-owned businesses is an economic imperative that can spur innovation, create jobs, build wealth, and grow the economy.

Access to Capital

Access to capital is an important tool for firms to help achieve business objectives and can be an obstacle for many small businesses. However, lack of access to capital is a major barrier for women, and especially women of color, diminishing their chances for growth. Bank loans are the main source of capital for small businesses, including those owned by women. However, only about 24% of small businesses loans go to women-owned businesses.¹³ Of those that did, the average size loan for women-owned businesses was 33% less than for male-owned businesses.¹⁴ Venture capital can be another important source of capital, but only about two percent of venture capital dollars go to companies with only female founders, and only 17% go to companies with at least one female founder.¹⁵

Access to capital and credit are important for any small business's success. Giving women entrepreneurs equal opportunities to access funding can deliver huge economic returns for investors and communities. Investing in women-entrepreneurs and bringing a diverse group of voices to the decision-making table is good for business and vital for our economy as we seek to recovery from the pandemic.

Resources and Support

There is a strong relationship between technical assistance and a positive success rate for small businesses. Inadequate resources for core support programs can hurt some women entrepreneurs who need technical assistance and create more hardships for those that are already struggling with gaining business funding. A lack of resources also means that programs cannot keep up with entrepreneurial demands, especially in an economy with more people engaging in entrepreneurial activity out of necessity.

Having resources and support, including mentorship, is especially important for women who have less confidence in their entrepreneurial abilities and may believe they lack the skills needed to be

¹¹ *Id.*

¹² AM. EXPRESS, "Number of Women-Owned Businesses Increased Nearly 3,000% since 1972, According to New Research." August 2018, <https://about.americanexpress.com/press-release/research-insights/number-women-owned-businesses-increased-nearly-3000-1972-according>.

¹³ Spencer Anopol, *Lendio Study Reveals Top 10 State for Women to Access Capital*, Lendio, Oct 2, 2019.

¹⁴ Biz2Credit, *Biz2Credit study finds credit scores and average earnings of Women-owned businesses rose, Yet loan approvals lagged in 2020*, March 26, 2021.

¹⁵ Gene Teare, *Q1 2019 Diversity Report: Female Founders Own 17 Percent of Venture Dollars*, Crunchbase News, April 29, 2019.

successful.¹⁶ Investing in female entrepreneurs can help them to grow skill sets and develop the tools necessary to unleash the ingenuity, creativity, and success that can lead to economic growth.¹⁷ With adequate support and resources, women-owned businesses can be poised to play a significant role in the economic recovery.¹⁸

Balancing Work and Life

Work-life balance is a goal of many entrepreneurs regardless of their gender, but mothers who start businesses often have to simultaneously run their families and their companies. While some entrepreneurs find that running their own business gives them the flexibility they require to manage different aspects of their lives, others find balancing a business with family difficult.

The pandemic has exposed the ways in which the U.S. economy relies on childcare, and the economic costs and burdens of a lack of childcare options. Even in the 21st century, women still shoulder the bulk of caregiving responsibilities and were disproportionately impacted by the effects of the pandemic.¹⁹ Millions of women have scaled back or were forced to reduce their hours to care for children and other family members.²⁰ Women in the workforce lost their jobs at rates 24 percent higher than men during the pandemic.²¹ This disruption has exposed the instability of our nation's care infrastructure and has placed an often-unsustainable burden on women, families, and the economy overall.

The COVID-19 pandemic brought unprecedented changes to our country, and the current crisis has laid bare deep gaps in our economic and social infrastructure that have disproportionately impacted women. For women small business owners to succeed, they must be equipped with the right tools to do so, including access to benefits that support a work-life balance such as affordable childcare and support during times of sickness, family planning, and retirement.

Small Business Administration Entrepreneurship Resources for Women

The Small Business Administration (SBA) has programs aimed at addressing the challenges facing women entrepreneurs. This includes increasing access to capital programs, providing support for small business management, and technical assistance training programs to assist business formation and expansion.

Access to Capital Programs

SBA operates loan programs that can be used by entrepreneurs seeking to start new businesses. These include the agency's 7(a) loan program, which provides traditional, variable rate loans that can be used for any purposes. The 504 program which is typically used for real estate and fixed

¹⁶ Dr. Susan Coleman and Dr. Alicia Robb, *Empowering Equality: 5 Challenges Faced by Women Entrepreneurs*, Third Way, April 26, 2017.

¹⁷ Paula Conway, *The Value of Mentorship in Running a Successful Business*, Forbes, Dec. 31, 2019.

¹⁸ Rieva Lesonsky, *Rescuing the "Shecession"*, SCORE, Dec. 22, 2020. <https://www.score.org/blog/rescuing-the-shecession>.

¹⁹ BUREAU OF LABOR STATISTICS, Economic News Release, *American Time Use Survey 2019 annual averages*, U.S. DEP'T OF LABOR, June 25, 2020.

²⁰ Luke Pardue, *How the Pandemic's Childcare Crisis Impacted Women-owned Businesses and Altered their Future*, Gusto, March 8, 2021.

²¹ Sarah Gustafson, *The Impact of the Quarantine Economy on Women in the Small Business Workforce*, Gusto, Oct. 2020.

asset purchases. Finally, the SBA operates a Microloan program, which provides small dollar loans to entrepreneurs, often combined with technical assistance.

In addition to these loan programs, SBA has programs that are designed to enhance small business access to capital. The Small Business Investment Company (SBIC) program was created to stimulate and supplement the flow of private equity capital and long term loans to small business concerns, thereby bridging the gap between traditional debt-based financing sources and entrepreneurs' needs for long-term equitable financing.

SBA Entrepreneurial Development Programs

The SBA offers a range of programs through its website, district offices, and its Resource Partners. SBA's core entrepreneurial development initiatives include the Small Business Development Center (SBDC), the Women's Business Center (WBC), and the SCORE programs. The programs provide training opportunities and counseling services to help business owners become educated about how to run a business and strategies for growing their business.

Women's Business Centers provide long-term training, individual and group counseling, and access to the SBA's program and services. Each center provides assistance and/or training in finance, management, marketing, procurement, and addresses specialized topics. All centers provide individual business counseling and access to the SBA's programs and services. Some centers are also intermediaries for the SBA's Microloan and loan prequalification programs.

Women-Owned Small Business (WOSB) Federal Contracting Program

As the largest purchaser of goods and services in the world, one way the federal government stays competitive is by utilizing the services and products of small businesses that participate in federal contracts.²² The WOSB program is intended to level the playing field by restricting competition for federal contracts to qualified women-owned small businesses in industries where women are substantially underrepresented.

National Women's Business Council

The National Women's Business Council is a nonpartisan federal advisory council. It serves as an independent advisor to the President, Congress and the SBA on economic issues that are important to women business owners. The members of the Council include women business owners and leaders of women's business organizations. The Council is committed to doing research on issues important to women business owners, communicating their findings, and providing a platform for change to expand and improve opportunities for women business owners.

Conclusion

Supporting women entrepreneurship and fostering programs and a society that supports their successes can bring immense economy opportunity. To fully realize the economic potential of women-owned businesses will require changes in business culture, practices, attitudes, and policies. Supporting women-entrepreneurs also requires understanding that women-owned businesses are not monolithic, and that other factors such as race, ethnicity, entrepreneurial motivation, age, and geographic location make meeting their needs more complex. As we recover and rebuild from the COVID-19 pandemic, the country has a real opportunity to embrace policies

²² SMALL BUS. ADMIN., *FY 2020 Congressional Justification and FY 2018 Annual Performance Report*, (2019).

that can support women entrepreneurs to create a more balanced, diverse, and resilient business culture and society.