



From Pandemic to Prosperity: Supporting Today's Small Businesses

Center Forward Basics

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Overview

Over the past two years, the COVID-19 pandemic has impacted small businesses across the nation in countless ways. It exacerbated pre-existing obstacles while also creating new challenges including lockdowns, supply chain disruptions, and inflation. The resumption of normal operations for small businesses is expected to take some time. In January 2022, almost 40% of small business owners expected recovery to take longer than six months. Additionally, 42% of small business owners have said they are struggling financially due to the continued impact of the pandemic. Throughout the pandemic, the federal government has supported small businesses through loans, grants, and tax credits. Goldman Sachs *10,000 Small Business Voices* (GS10KSBV), in partnership with the Bipartisan Policy Center, BPC Action, and Center Forward recently released a report titled "[From Pandemic to Prosperity: Bipartisan Solutions to Support Today's Small Businesses.](#)" The report outlines four areas where small businesses continue to face challenges that were magnified by the pandemic — access to capital, workforce and competitiveness, child care, and government contracting — and ways that Congress can address these challenges. The report also highlights the importance of Congress finding bipartisan agreement on reauthorization of the Small Business Administration (SBA) as a way to help modernize the policy infrastructure that supports small businesses.

Access to Capital

Access to capital is vital for small business owners, yet a consistent challenge. Capital comes in many forms, including Small Business Administration (SBA) loans, other lending sources, personal savings, crowdfunding, and grants. Small business owners continue to have difficulty accessing affordable and flexible sources of credit. Capital helps small businesses expand payrolls, pivot business models, grow their business, and navigate inflation and supply chain disruptions. During the pandemic, the federal government introduced and implemented a variety of programs to help small business owners access capital, such as the Paycheck Protection Program (PPP) and COVID Economic Injury Disaster Loan (EIDL) program. In total these two programs disbursed roughly \$1 trillion. Yet, gaps have persisted for many, especially small businesses owned by people of color. For example, only 19% of Black small business owners say they are "very confident" in their businesses' ability to access capital.

Policy solutions include:

- Renewing the COVID-19 EIDL loan program, which expired at the end of 2021, to provide access to capital for small businesses still struggling from the pandemic's impacts.
- Streamlining and clarifying loan application processes for small businesses.

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Center Forward brings together members of Congress, not-for profits, academic experts, trade associations, corporations and unions to find common ground. Our mission: to give centrist allies the information they need to craft common sense solutions, and provide those allies the support they need to turn those ideas into results.

In order to meet our challenges we need to put aside the partisan bickering that has gridlocked Washington and come together to find common sense solutions.

For more information, please visit www.center-forward.org

Small Business Key Facts:

- Small businesses employ a lot of Americans—nearly half of the private-sector workforce.
- A subset of small businesses—those younger than 10 years old—accounts for the lion's share of net job creation each year.
- Another subset of small businesses—those growing rapidly—drives a disproportionate share of productivity and innovation.
- Small businesses are a key labor market entry point— including for young workers, those on the margins of the labor force, and others.
- Small businesses help support competition and dynamism, which contribute to overall economic growth and productivity.

- Continuing to extend, or make permanent, the Community Advantage program, which helps increase access to capital for small businesses in underserved markets.

Workforce and Competitiveness

Small businesses face substantial hiring and retention challenges. According to the 10KSBV April 2022 national survey, 74% of small business owners are currently hiring – yet almost 90% of those hiring say it is difficult. Rising costs, and challenges competing with larger businesses on pay and benefits are playing a major role in these hiring difficulties. Many small business owners would like to offer retirement benefits, paid leave, employee training, and emergency savings programs, but these programs are costly and complex for small businesses to offer to employees. Only 41% of small business owners offer retirement benefits. That number drops to 23% among Black small business owners. As highlighted by the COVID-19 pandemic, small businesses owners feel the current federal program and incentives in these areas too often do not work for them. Many small businesses believe that workplace benefits should be enhanced by restructuring existing programs, creating new incentives, and making changes to existing policies that make adoption of the programs easier for the small businesses.

Policy solutions include:

- Increasing awareness of paid leave options for small businesses and collecting more data on effects.
- Supporting the ability of small businesses to offer retirement plans and leverage student debt repayments for retirement contributions.
- Subsidizing the costs of workforce-related training and certification for small business owners.
- Creating a clear and concise resource guide for small businesses to navigate the tax credits available to them for workplace benefits.

Child Care

Child care is a challenge for both child care providers and small businesses whose employees rely on child care. 95% of child care providers in the U.S. are small businesses. The COVID-19 pandemic exacerbated the restrictions, uncertainties, and economic challenges faced by small business child care providers. Additionally, small business employees continue to struggle to find consistent, affordable, and high quality child care. Oftentimes, current policies and programs intended to help small businesses and their employers with child care costs aren't used by small businesses because of insufficient awareness, high costs, and market gaps.

Policy solutions include:

- Creating a clearinghouse of resources for small businesses, easily accessible on the SBA website, that highlights and explains what tax benefits and resources related to child care are available to them.
- Incentivizing and supporting pooling among small businesses to contract with child care providers, which would improve affordability and access to quality child care.
- Decoupling Dependent Care Assistance Plans and the Child and Dependent Care Tax Credit to improve small business employees' ability to pay for high quality child care.
- Enhancing existing tax credits for small businesses to access and sponsor child care, and creating a new tax credit for child care providers that offer extended or flexible hours which better suit small businesses' needs.

Procurement / Government Contracting

Small businesses play a crucial role in the federal procurement process. By law, the federal government must direct 23% of annual prime contract dollars to small businesses. Expanding small businesses opportunities in federal contracting would advance small businesses growth, promote local job creation, support diverse business owners, and create a more robust industrial base. From 2010 to 2019, the number of small businesses providing common products and services to the federal government shrank by 38%. During that time period, the number of new small business entrants into the federal procurement marketplace fell by 79%. And women-owned small businesses often have a particularly challenging time when it comes to

government procurement. The women-owned small businesses federal contracting goal has been met just twice since it was established in 1994. Small business contractors report that federal procurement processes are often overly burdensome and that there should be a more level playing field for small businesses engaged in government contracting.

Policy solutions include:

- Improving training and technical assistance for contracting officers and small business contractors.
- Enforcing prompt pay for small business contractors across agencies and encouraging prime contractors to promptly pay small business subcontractors as they often struggle with costs and payroll due to delayed payments.
- Improving information collected in the Electronic Subcontracting Reporting System and Contractor Performance Assessment System, which play a key role in providing data and giving small business contractors a voice.
- Raising the simplified acquisition threshold, and increasing sole-source thresholds for 8(a) awards, which would widen the scope of procurement opportunities for many small businesses.

Conclusion

When it comes to supporting America's small businesses, increasing access to capital, addressing workforce challenges such as hiring and retention, improving child care costs and accessibility, and enhancing government contracting opportunities all have a crucial role to play. The report highlights some of these challenges and outlines several policy solutions for the federal government to consider. Additionally, the report discusses the importance of finding a bipartisan path for reauthorizing the SBA. The SBA has not been reauthorized by Congress for over two decades. Congress almost reauthorized the SBA in 2019 with bipartisan support, but the reauthorization ultimately failed. Reauthorizing the SBA could help improve and modernize the policy infrastructure that supports small businesses. Another overarching suggestion is for the SBA to establish a general resource hotline to assist small businesses owners when they have questions about a government resource, regulation, or process, which could increase awareness and use of existing government resources while strengthening America's small businesses.