Small Businesses of Color:
Toward an Inclusive and Resilient Recovery

Federal Reserve Bank of Atlanta
Community & Economic Development
MISSION

Support the Central Bank’s mandate of stable prices and maximum employment by working to improve the economic mobility and resilience of people and places for a healthy economy.

To access our papers, data tools, and other resources visit the CED webpage.
Share of Firms that received all financing sought (% of all applicants)

- All firms: 37%
- Non-Hispanic Black or African American: 13%
- Hispanic: 20%
- Non-Hispanic Asian: 31%
- Non-Hispanic white: 40%

Source: Small Business Credit Survey, 2021 Report on Employer Firms
<table>
<thead>
<tr>
<th></th>
<th>Share of firms in fair or poor condition, at time of survey (% of employer firms)</th>
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<tbody>
<tr>
<td>Non-Hispanic Asian</td>
<td>79%</td>
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<tr>
<td>Non-Hispanic Black or African American</td>
<td>77%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>66%</td>
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<tr>
<td>Non-Hispanic white</td>
<td>54%</td>
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Source: Small Business Credit Survey, 2021 Report on Employer Firms
Looking Ahead: Expected challenges resulting from the pandemic, next 12 months

Demand for products/services is the top expected challenge among Asian-owned firms. Among Black-owned firms, credit availability is the primary concern.

Source: Small Business Credit Survey, 2021 Report on Employer Firms
2020 SMALL BUSINESSES OF COLOR RECOVERY GUIDE

For City Leaders and Community Groups

Federal Reserve Bank of Kansas City
Federal Reserve Bank of Atlanta
The Entrepreneurship Ecosystem

So, what is an ecosystem?

The individuals, organizations, support programs, investors, companies, relationships, policies, environments, spaces, and cultures that interactively work together in support of entrepreneurs as they start and grow...companies in local communities.
Your Community Is Unique

One program alone is not sufficient. Each strategy to support SBOCs must be tailored by your local community and must address multiple opportunities for improvement in your ecosystem.

However, focusing on specific areas of improvement, with a long-term view towards strengthening the whole ecosystem is a good way to start.
General Support Recommendations from the Field

- Capital and Credit
- Policy
- Provider
- Education and Training
- Community
“Even before the pandemic, founders of color were constrained by undercapitalization and relied on family loans to start and maintain their businesses... We believe that in order to move towards equitable recovery, equity and equity-like capital with flexible terms...” DEMETRIC DUCKETT, LIVING CITIES
Education and Training

- Scale up existing programs
- Increase technology training
- Ensure training is both available and accessible

“The greatest need that founders have is gaining the skill set to execute efficiently...The challenge that many of our founders face is that they do not have the same access to skill-building as certain more privileged groups.” SERGIO PALUCH, PARTNER, BETA BOOM
Policy

• Strengthen diverse government procurement policies.
• Improve the use of subsidies to support SBOCs
• Develop and improve place-based policies such as business improvement districts.
Most Frequently Cited Contracting Barriers Facing MBES

Prime Level Discriminatory Barriers
- Timely bid notification
- Explicit discrimination (stereotypes, higher and double standards)
- MBE/DBE stigma

Prime Level Non-Discriminatory Barriers
- Large project sizes
- Bonding/Insurance
- Timely payment

Subcontractor Level Discriminatory Barriers
- Timely bid notification
- Bid shopping
- Held bid
- Lack of good faith effort
- Only using an MBE if required
- Explicit discrimination (stereotypes, higher and double standards)
- MBE/DBE stigma

Pervasive Barriers
- Access to capital
- Network access
- Marketplace discrimination

MBE as Prime
Agency
Non-MBE Prime
MBE as Subcontractor
Community

• Create holistic buy-local campaigns with a focus on SBOCs
• Improve the local environment where SBOCs live and often start their businesses.
• Co-create with SBOCs clear COVID-19 recovery plans

“Community campaigns and pledges to eat at Black-owned restaurants, commitments to use technical services (web design, social media managers, event planners, etc.) provided by people in our communities. Churches can certainly promote the services owned by members in their congregation.” LEE KATHRYN MAXEY-GASH OF THE COLORADO BLACK CHAMBER OF COMMERCE
• Improve foundation, corporate, and government support for inclusive local support programs.
• Support providers in the creation of new local funding mechanisms for SBOCs using a combination of government, philanthropic, and bank support.

We need recoverable grants or forgivable loans to help us build a revenue model. There are no real capital sources for social enterprises to access startup capital. As a result, most for-profit entrepreneur support organizations can only bootstrap, which doesn’t allow us to scale in ways that meet the need. KELLY BURTON, FOUNDERS OF COLOR
Recovery Community Pilot
Small Businesses of Color: Toward an Inclusive and Resilient Recovery

Moderator

Janelle Williams
Community and Economic Development Senior Adviser
Federal Reserve Bank of Atlanta

Small Business Panelists

Sami Haiman-Merrero
President and CEO
Urbander

Lakeysha Hallmon
CEO and Founder
The Village Market

James Wahls
Portfolio Manager of Social Investments
Annie E. Casey Foundation
Focused on People:

**Unemployment Claims Monitor**: Data on initial and continued claims for unemployment insurance, including the Pandemic Emergency Unemployment Compensation and Unemployment Assistance, and claimants’ demographic data.

**Opportunity Occupations Monitor**: Get an estimate of the number and share of jobs accessible to workers without a bachelor’s degree that pay more than the national median wage.

**Advancing Careers**: Examines barriers to employment, safety net policies and systems, and career pathways to support efforts to improve economic security for families and meet the talent needs of businesses for a healthy economy.

Focused on Communities:

**Small Business Credit Survey: 2021 Report on Employer Firms**: The first publication out of the 2020 SBCS focuses on small employer firms and seeks to document the toll the COVID-19 pandemic took on small businesses in 2020.

**Small Businesses of Color Recovery Guide**: The Atlanta and Kansas City Feds have published this guide to assist communities throughout the nation in supporting SBOCs as they recover from the economic crisis caused by the COVID-19 pandemic.

**Renter Households Vulnerable to COVID-19 by Region**: The tool estimates the number of households susceptible to COVID-19-related job loss, at the intersection of income, cost-burdened status, dwelling unit type, and race.

For more resources, visit: frbatlanta.org/community-development
THANKS FOR JOINING US!
ANY QUESTIONS?

- For regular updates on all Community & Economic Development resources email AtlFedComDev@atl.frb.org and type SUBSCRIBE in the subject line.
- For weekly updates on all the news from the Atlanta Fed text FRBA to 33777.
- Follow us on @AtlFedComDev on Twitter
- You can reach us at Janelle.Williams@atl.frb.org