

Opinion

Opinion: Small business owners face inequality during coronavirus

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With growing income inequality and wealth disparities it is critical, now more than ever, for the government to get resources to the communities that need them most. As state treasurer and a member of Congress, we are sounding the alarm on the Payroll Protection Program (PPP) and the federal government's small business response to the COVID-19 pandemic. This has provided essential relief to many, but has altered the landscape for the worse of what our small business landscape looks like for the next generation.

Despite longstanding challenges, the face of American business ownership has changed. Where we once saw a lack of diversity, new small business start-ups from women, minority, and native-owned entrepreneurs outpace all other demographics in the last few years. What we're hearing is borne out by the facts. American Express's 2019 State of Women Owned Business reports that women owned business startups have increased at twice the rate of all new businesses. And half of those women owned businesses are also minority owned. Here in Connecticut, we've spent years building these small business ecosystems because they employ those in our communities and provide important services.

PPP is essential to the survival of small businesses and to ensuring our local economies can recover quickly from this crisis, but only if funds go to the people who truly need them and not just to the well-connected. We fear that many minority and women owned businesses will end up shut out of the Small Business Administration's PPP. We are hearing time and time again of underserved communities lacking access to these lending programs - partially because they didn't have access before this crisis.

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The original intent of the PPP was to quickly put funds in the hands of small business owners to keep employees on the payroll, but, just last week, Ruth's Chris Steak House and its 5,000 employees announced that they had received \$20M from the program. How is it possible that Ruth's Chris can receive these funds but a mom-and-pop restaurant on Main Street would be left to struggle?

Our small businesses in this country and in Connecticut face a disparity in how they are banked and treated daily. Many minority and women owned small businesses have never worked closely with an SBA bank lender and don't have traditional access to capital. Without proper protections, first-time borrowers are at the back of the line and shut out of PPP funds.

Now with the initial allocation of PPP funds exhausted, negotiations are underway to assist these under-resourced and unbanked communities in the next round. Connecticut leaders on the state and federal level must stand up now and demand fairness and smart economic policy.

In Congress, we must have a more focused program to get capital into the hands of community banks, non-bank lenders, and smaller institutions focused on lending to underserved communities. House Speaker Nancy Pelosi and Senate Minority Leader Chuck Schumer are right to call for leveling the playing field for women and minority owned businesses.

Here in Connecticut we must ensure our state programs provide equal access to underserved communities. We must ensure that our banks bring access to capital to Main Street. We're going to work directly with consumer banks to encourage the opening of more branches in underserved communities so we can begin to build vital relationships on the front lines.

The Paycheck Protection Program is leaving too many businesses behind in its current form. Putting more money into the program without essential reforms is not the most effective use of taxpayer dollars. Small business owners in this state and country face an inequality that has been exacerbated by this pandemic. Together, we need to do everything we can to make sure we don't lose these businesses, the backbone of our communities. We have a unique second chance here to make things right. Let's not squander the opportunity.

Jim Himes of Greenwich represents Connecticut's Fourth District in the U.S. House of Representatives and Shawn Wooden is Connecticut's state treasurer.