Center for an Urban Future
Innovative Ideas. Independent Policy.



Testimony - April 2016

Opportunities for Women Entrepreneurs in New York City

In this testimony before NYC Council's Committee on Economic Development, CUF's Jonathan Bowles presents several recommendations from our Breaking Through report to support women entrepreneurs and the growth of women-owned businesses in New York City.

by Jonathan Bowles

My name is Jonathan Bowles, and I am executive director of the Center for an Urban Future, an independent think-tank based in Manhattan that publishes studies about how New York City can expand economic opportunity and grow its economy. We've published studies about the powerful impact of immigrant entrepreneurs, about the opportunity to increase the number of low-income entrepreneurs, about the growth potential of sectors from design to tech, and about how the city could help more of the city's great small businesses grow into medium-sized and large businesses.

This research was made possible through **Capital One's Future Edge** initiative, a $150 million, five-year effort to help more American workers and entrepreneurs succeed in the 21st century economy. Through Future Edge, Capital One works with hundreds of leading community and nonprofit organizations in NYC and beyond, including microfinance and micro-lending organizations empowering women entrepreneurs such as Grameen America, Accion, and the Business Outreach Center Network. Learn more at www.capitalone.com/investingforgood

or join the conversation on Twitter at @YourFutureEdge.

General operating support for the Center for an Urban Future has been provided by the Bernard F. and Alva B. Gimbel Foundation, the Lucius N. Littauer Foundation and the M&T Charitable Foundation.

Thank you for the opportunity to testify.

In today's entrepreneurial economy, new startup ventures in fields from tech to advertising are driving much of New York City's job growth, and low-income residents in all five boroughs are increasingly turning to entrepreneurship as one pathway to economic self-sufficiency.

As this entrepreneurial economy evolves and grows in importance, we need to make sure that New York is fully harnessing the enormous potential of women entrepreneurs.

The good news is that women entrepreneurs are already are a large and powerful force for New York City's economy.

Earlier this year, with support from Capital One's Future Edge initiative, the Center published Breaking Through: Harnessing the Economic Potential of Women Entrepreneurs. Our report documented the critical role that women entrepreneurs are playing in the city's economy. We found:

The number of women-owned businesses in NYC has increased dramatically in recent years.

- Over the last five years, the number of women-owned businesses increased by 36 percent, while the number of male-owned businesses increased by just eight percent during the same period.
- Women-owned businesses now make up more than 40 percent of private companies in New York City, up from 33 percent five years ago and 32 percent a decade ago.

New York City has more women-owned businesses, by far, than any other American city.

- With a total of 413,899 women-owned firms, New York has more than double the nearest competitor, Los Angeles (which has 192,358).
- Brooklyn alone has more women-owned businesses than all but three other U.S. cities (NYC, Los Angeles, and Chicago).

Women entrepreneurs are starting and growing businesses in every sector.

- Over the past five years, the number of women-owned firms increased by at least 20 percent in nearly every major industry sector, including: educational services (55 percent); transportation and warehousing (50 percent); accommodation and food services (45 percent); professional, scientific, and technical services (38 percent); construction (33 percent); retail trade (26 percent); health care and social assistance (26 percent); manufacturing (23 percent); information (21 percent); real estate (20 percent). and wholesale trade (20 percent).

The number of women-founded tech start-ups has exploded in recent years, and NYC is ahead of other leading tech hubs in creating a supportive environment for women tech entrepreneurs.

- In the third quarter of 2015, 16.9 percent of New York City companies receiving venture capital had a woman founder, compared to 14.8 percent in Boston and 12.1 percent in San Francisco.

Every borough experienced a major increase in women-owned businesses.

- The Bronx had the fastest growth in the number of women-owned businesses over the past five years, with a 53

percent increase. Queens had the second highest growth rate (40 percent), followed by Brooklyn (39 percent), Staten Island (27 percent), and Manhattan (22 percent).

- Brooklyn has the most women-owned businesses in the city (118,489), followed by Manhattan (114,896), Queens (97,982), the Bronx (68,705), and Staten Island (13,921).

But while women-owned businesses are already making a significant contribution to the city's economy, there is significant potential to increase the number of women entrepreneurs and to help more women-owned businesses grow to the next level.

Women make up 53 percent of New York City's population. This is a higher percentage than all but one of the nation's 10 largest cities.

Women also comprise 49 percent of the city's labor force.

Yet, women-run firms account for only 40 percent of all businesses in the city, only 21 percent of firms with paid employees, just 17.5 percent of all private sector employees and only 13 percent of annual private business revenues. Moreover, the number of women-run firms in New York is growing at a slower rate than many other large cities.

Perhaps the biggest challenge is that relatively few women-owned firms in New York scale up their businesses. For instance:

- Just 37,494 (9 percent) of the city's 413,899 women-owned businesses have paid employees.
- Among the 25 largest US cities, New York is near the bottom when it comes to average sales per women-owned business.
- Just 17 of the 150 largest private companies in the city are headed by or were founded by a woman.

Like all small businesses, many women entrepreneurs struggle to access capital. But the problems facing women seem togo further.

- In fiscal year 2014, women business owners received just 20 percent of all SBA loans in the New York metro areaand 12 percent of the dollars lent.
- While about 17 percent of New York City companies receiving VC funds in the third quarter of 2015 had a female founder, those firms accounted for just 9 percent of the total VC funds received that quarter.

In short, New York has only begun to harness the tremendous potential of women entrepreneurs.

This is not just about equity. It's about opportunity for NYC

If just one quarter of the existing 376,405 women-owned businesses in the city with no paid employees added a single employee in the next three years, it would result in more than 94,000 new jobs.

Fortunately, New York has an unparalleled group of organizations providing technical assistance, microloans and other support.

And the De Blasio administration has admirably make it a priority to support women entrepreneurs. While many of America's largest cities have launched initiatives to boost entrepreneurs in recent years, New York City is arguably ahead of its peers when it comes to embracing women entrepreneurs as a key pillar of its economic development strategy.

But more could be done, particularly around helping support the growth of women-owned businesses.

Our report includes more than 20 specific recommendations to support women entrepreneurs. They include:

- **Develop New Initiatives to Help Existing Women-Owned Businesses Grow**. In a city where 91 percent of all businesses owned by women—376,000 in all—do not have any employees, there's undoubtedly an opportunity to help scale up some of these enterprises. The de Blasio administration should refocus its toolkit of small business programs to include more initiatives that help existing businesses to grow. As part of this, it should also include some programs specifically focused on supporting the growth of women-owned businesses and make sure all programs are aggressively marketed to female entrepreneurs.

- **Expand awareness of existing programs that help women grow their business, like Strategic Steps for Growth** . One program that could benefit from additional marketing is Strategic Steps for Growth, a management training program developed by the Boston-based nonprofit Interise that provides minority and women business owners with the training, skills and support they need to grow their business. One of the few standout business assistance programs in the five boroughs that's specifically focused on helping small firms get to the next level, Strategic Steps for Growth now operates in roughly 70 cities across the country. But in New York, the program consistently operates at less than full capacity. The program, which is operated by SBS and the Berkley Center for Entrepreneurship & Innovation at the NYU Leonard N. Stern School of Business, can accommodate 18 business owners, but it averages between 15 and 16. The de Blasio administration should initiate an extensive marketing campaign for the program. At the same time, SBS ought to consider reducing or eliminating the $1,500 fee it charges for Strategic Steps for Growth as a way to increase interest in the program. Six other Interise programs—all focused in some way or another on helping small firms scale up their operations—now operate in the New York City area, including one led by NYC EDC, but none of these other programs charges a fee.

- **Launch a program focused on supporting—and scaling up—home-based businesses**. In a city where thousands of female entrepreneurs run home-based businesses, the de Blasio administration should create a suite of support services for these small-scale enterprises. This should include targeted advice and resources designed to strengthen home-based businesses across the five boroughs, and new efforts to help some of the city's many home-based entrepreneurs to increase their revenues and expand beyond their home. One model worth exploring is the Home-Based Transition Grant Program in York County, VA, which assists home-based businesses that are poised to expand into commercial space by providing $2,000 grants that could be used to cover some of the new costs in this growth period.

- **Expand export opportunities for New York's women-owned businesses**. According to research from the National Women's Business Council (NWBC), 99.5 percent of the nation's women small business owners do not have sales outside of the United States. It's likely that the numbers are similarly high for New York-based businesses. The de Blasio administration should seize on this untapped opportunity and create new programs designed to increase the number of New York-based businesses that export their goods and services. These programs should specifically target female entrepreneurs in fields such as fashion, architecture, food manufacturing and crafts making.

- **Expand the number of certified Women Business Enterprises**. Winning a government contract can be a springboard to growth for small businesses. But currently only 1,481 companies in the city are even certified as Women Business Enterprises (WBEs), a designation needed to apply for the city's Minority and Women Business Enterprise (M/WBE) contracting program. The de Blasio administration should set a goal of doubling the number of certified WBEs over the next five years, and take steps to identify more women owned businesses across the five boroughs that have the potential to become a government contractor. This should include extensive outreach, and partnerships with community-based organizations—including microfinance groups, local development corporations (LDCs), Small Business Development Corporations (SBDCs), Business Improvement Districts (BIDs) and chambers of commerce—that have more extensive relationships with businesses throughout the city. With just 78 registered WBEs in Staten Island, 125 in the Bronx, 259 in Queens and 309 in Brooklyn, city agencies should specifically look to increase outreach and recruitment efforts in communities outside of Manhattan.

- **Double the number of female contractors who get city contracts by 2020**. The de Blasio administration should set a goal of increasing the number of women owned businesses that win contracts with city agencies by 25 percent over the next five years, and put in place practices and programs that help them reach that target.

- **Ease restrictions that prevent successful child care businesses from expanding**. The number of home based child care businesses in New York City has been on the rise for several years, providing entrepreneurial opportunities for hundreds of female entrepreneurs, including many from immigrant and minority communities. But while some of these entrepreneurs are running highly successful businesses with large waiting lists, city and state officials recently adopted regulations that make it nearly impossible for anyone to open up a second or third child care establishment. While ensuring safety is paramount, city and state officials should re-examine the regulations and consider finding a middle ground that would allow some of these businesses to open more than one child care center.

- **Begin offering child care services at some of the city's small business centers, accelerators and incubators** Many women entrepreneurs who run a business while juggling family responsibilities may be discouraged from taking advantage of counseling services that are currently available to small business owners and aspiring entrepreneurs simply because child care services are not available. With this in mind, the de Blasio administration should create a competitive grant program that provides funding that enables a couple of the city's existing small business centers, accelerators or incubators to begin offering on site child care services.

- **Increase the number of women investors**. While the city's venture firms undoubtedly should make affirmative efforts to increase the number of women partners, it's also critical that more women become investors in the first place. As the ranks of women investors grow, it's likely that more women founders will get funded.

This testimony was given on April 21, 2016, before the New York City Council Committee on Economic Development.

Image not readable or empty /images/logo-blue.png *Image not readable or empty /images/capital-one-future-edge-logo.png*

This research was made possible through Capital One's Future Edge initiative.

General operating support for the Center for an Urban Future has been provided by the Bernard F. and Alva B. Gimbel Foundation, the Lucius N. Littauer Foundation and the M&T Charitable Foundation.

CAPITAL ONE'S FUTURE EDGE initiative is a $150 million, five-year effort to help more American workers and entrepreneurs succeed in the 21st century economy. Through Future Edge, Capital One works with hundreds of leading community and nonprofit organizations in NYC and beyond, including microfinance and micro-lending organizations empowering women entrepreneurs such as Grameen America, Accion, and the Business Outreach Center Network. Learn more at www.capitalone.com/investingforgood or join the conversation on Twitter at @YourFutureEdge.

CENTER FOR AN URBAN FUTURE (CUF) is a catalyst for smart and sustainable policies that reduce inequality, increase economic mobility and grow the economy in New York City. An independent, nonpartisan policy organization, CUF uses fact?based research to elevate important and often overlooked issues onto the radar of policymakers and advance practical solutions that strengthen New York and help all New Yorkers participate in the city's rising prosperity.

RELATED PRESS

How Dallas Is Fueling Success For Women Entrepreneurs

Forbes, by Jana Etheridge, May 26, 2016

Women in Business Q&A: Jennifer Gootman, VP Social Consciousness and Innovation, West Elm

HuffPost, by Laura Emily Dunn, November 03, 2017

Everything You Need to Know to Start and Grow Your Company in the Midwest

Inc., by Leigh Buchanan, March 26, 2020

New York and San Francisco Tech Industries Are Leaving Women Behind

Bloomberg, by Nikitha Sattiraju, February 14, 2020

CENTER FOR AN URBAN FUTURE
120 Wall Street, 20th Floor, New York, NY 10005

cuf@nycfuture.org © All Rights Reserved.