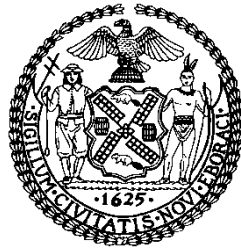


Economic Development Committee:

Alex Paulenoff, *Counsel*
Malaika Jabali, *Counsel*
Rachel Harris, *Policy Analyst*
Davis Winslow, *Finance Analyst*

Small Business Committee:

Jeffrey Campagna, *Counsel*
Michael Kurtz, *Policy Analyst*
William Kyeremanteng, *Finance Analyst*



THE COUNCIL OF THE CITY OF NEW YORK

**BRIEFING PAPER OF THE INFRASTRUCTURE and
HUMAN SERVICES DIVISIONS**

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COMMITTEE ON ECONOMIC DEVELOPMENT

Hon. Daniel R. Garodnick, Chairperson

COMMITTEE ON SMALL BUSINESS

Hon. Robert E. Cornegy, Jr. Chairperson

April 21, 2016

**OVERSIGHT: EVALUATING OPPORTUNITIES FOR WOMEN ENTREPRENEURS IN
NEW YORK CITY**

I. INTRODUCTION

On April 21, 2016, the Committee on Economic Development, chaired by Council Member Daniel R. Garodnick, together with the Committee on Small Business, chaired by Council Member Robert E. Cornegy Jr., will hold a hearing entitled: *Oversight: Evaluating Opportunities for Women Entrepreneurs in New York City*. Invited to testify are the Deputy Mayor for Housing and Economic Development, the Economic Development Corporation, the Department of Small Business Services, the Commission on Gender Equity, other City agencies, numerous chambers of commerce and business groups, advocates and other interested parties.

II. BACKGROUND

Over the past five years female entrepreneurs have increased their presence in every sector of the City's economy, including in construction, manufacturing, health care, education, real estate, transportation and warehousing, information, retail and wholesale trade.¹ Yet, despite these historical gains women-owned businesses face multiple challenges. They are often in low-revenue industries and many are home-based, and they lack the capital, training and access to networks and connections to grow their companies in significant ways.² For these reasons they tend to stay small, and experience stagnant growth.

To address some of these challenges, the City launched the Women Entrepreneurs in NYC (WE NYC) in 2015 and released an analysis of the state of women's entrepreneurship in the fall of the same year.³ Following the recommendations of the report, the Deputy Mayor of Housing and Economic Development and the Department of Small Business Services created a set of new services to address the particular needs of women entrepreneurs in NYC. This hearing

¹ See CENTER FOR AN URBAN FUTURE, *Breaking Through: Harnessing the Economic Potential of Women Entrepreneurs*, 3 (Mar. 2016) available at <https://nycfuture.org/pdf/Breaking-Through.pdf>.

² See *id.*

³ See WOMEN ENTREPRENEURS NYC (WE NYC), *Unlocking the Power of Women Entrepreneurs in New York City*, (Nov. 2016) available at <http://www1.nyc.gov/site/wenyc/research/research.page>.

will discuss the state of women's entrepreneurship in New York City, the challenges women-owned businesses face, and what the city has done and can do to ensure the sustainability and growth of women-owned businesses. The Council will invite testimony from Deputy Mayor Alicia Glen, SBS, NYCEDC, the Commission on Gender Equity and other relevant advocates and stakeholders.

III. STATE OF WOMEN'S ENTREPRENEURSHIP IN NEW YORK CITY

Over the past 20 years, women-owned businesses have grown exponentially in the United States. According to the 2015 State of Women-Owned Business report,⁴ women-owned businesses constitute 30% of the 9.4 million firms in the country. The revenue from these businesses is almost \$1.5 trillion, up 79% since 1997. In addition these firms employ over 7.9 million workers.⁵

The women entrepreneurs in New York City have made a significant contribution to this national trend. A 2016 report by the Center for an Urban Future⁶ found that between 2002 and 2012 women entrepreneurs in New York City grew 65% and added more than 56,000 jobs and \$3 billion to the city's economy. Over 2/3rds of that growth took place from 2007 – 2012 during which time male entrepreneurs grew by only 8%.⁷

Several different factors contributed to this rise in women-owned businesses. Slow growth in wages, which includes the gender wage gap,⁸ has led to low- and middle-income women starting their own businesses to improve their self-sufficiency. Many people who lost

⁴ See WOMENABLE, *Women-Owned Businesses Continue to Flourish*, <http://www.womenable.com/66/the-state-of-women-owned-businesses-in-the-u.s.-2015> (last visited Apr. 19, 2016).

⁵ See *id.*

⁶ See Breaking Through *supra* note 1.

⁷ See *id.* at 3.

⁸ On average, women in the U.S. make 79 cents to the dollar of what men earn. In New York State the wage gap is slightly less where women earn an average of 87 cents to every dollar men earn. (See <http://www.aauw.org/resource/gender-pay-gap-by-state-and-congressional-district/>).

their jobs after the financial crises opted to start their own companies.⁹ Additionally, technology has decreased barriers to entry on the market-place. Finally, an increase in microloans in New York City, along with other cities in the U.S., has opened the door for minority and immigrant women in particular to start businesses.¹⁰

In 2012, women-owned businesses represented 40% (413,899) of privately owned businesses in the city, far outpacing Los Angeles (192,358) and San Francisco (40,135).¹¹ However, the revenue per women-owned business in New York City ranks 13 places behind San Francisco at \$128,268 vs. \$175,766.¹² Currently, in NYC 90% of the women-owned businesses are solopreneurs (only the owner is employed by the business) and have annual sales of \$29,000, compared to men solopreneurs, which have annual sales averaging \$54,000.¹³ Men-owned businesses with employees also have annual revenues more than twice that of women-owned businesses.

There are various reasons for the revenue disparities between women-owned businesses and men-owned businesses. Women entrepreneurs primarily own low revenue businesses, including healthcare and social services, education, the arts, and personal care. Many of their businesses are home-based, limiting opportunities for growth.¹⁴ Women entrepreneurs face a number of other factors entrepreneurs in New York City generally encounter including high rents, taxes and labor costs and significant competition. However, in addition to those, there are unique challenges for women entrepreneurs, including having less money to invest because they

⁹ See FORBES, *The Rise of Women Entrepreneurs is Good Economic News for New York*, (Mar 2016), available at <http://www.forbes.com/sites/susanprice/2016/03/31/the-rise-of-women-entrepreneurs-is-good-economic-news-for-new-york-and-other-cities/#3b9283aa1cdc>.

¹⁰ See *id.*

¹¹ See *Breaking Through* *supra* note 1 at 6.

¹² See *id.*

¹³ See *id.* at 10.

¹⁴ See *id.* at 11.

attract less capital.¹⁵ This may happen because women are seeking smaller amounts of credit because their businesses are smaller while traditional lenders make larger loans. In addition to lack of capital, women entrepreneurs also lack connections to help navigate business networks and many women entrepreneurs, especially low-income and immigrant women, often lack business and financial skills needed to succeed in the New York City business economy.¹⁶

Gender discrimination also plays a role as women entrepreneurs may have to work harder to be taken seriously and to combat perceptions that they are less capable than male entrepreneurs.¹⁷ Many business experts also suggest that women entrepreneurs lack confidence and are more risk adverse than men, which can limit their opportunities for exposure. Despite some steps taken by Mayor de Blasio's administration to increase minority and women-owned businesses (M/WBE), only very small numbers of women entrepreneurs are applying for and winning city government contracts. In FY 15 only 1.5% of city spending went to women-owned businesses and just under 1500 businesses are certified as Women Business Enterprises (WBEs).¹⁸

IV. WHAT NEW YORK CITY IS DOING TO SUPPORT WOMEN ENTREPRENEURS

In March 2015, Deputy Mayor Alicia Glenn launched Women Entrepreneurs New York City (WE NYC) with Citi Community Development “to expand the economic potential of women entrepreneurs and small businesses across the five boroughs, with a specific focus on the needs of women in underserved communities.”¹⁹ WE NYC also has a 22-member advisory board consisting of heads of public, private, nonprofit and philanthropic organizations, which provides

¹⁵ *See id.*

¹⁶ *See id.*

¹⁷ *See id.* at 12.

¹⁸ *See id.*

¹⁹ *See WOMEN ENTREPRENEURS NYC (WE NYC), Unlocking the Power of Women Entrepreneurs in New York City*, (Nov. 2016) available at <http://www1.nyc.gov/site/wenyc/research/research.page>.

advice on WE NYC's programs.²⁰ Citi Community Development funded a study – *Unlocking the Power of Women Entrepreneurs in New York City* – which was published in November 2016 to understand the state of women entrepreneurs, highlight the available services that support women entrepreneurs and identify the needs of women entrepreneurs.²¹ One of the most stunning findings of the WE NYC report is that, despite incredible gains that women entrepreneurs have made in New York City, men still own 1.5 times more businesses than women, employ 3.5 times more people and make 4.5 times more revenue than women business owners.²²

The WE NYC report is based on data from surveys of 1500 women-owned businesses in New York City. Through this survey, the report not only gathered information about the state of the businesses but also about what the women entrepreneur identified as what they need to succeed and combat some of the challenges mentioned previously.²³ WE NYC found that whether a company had revenue less than \$25,000 or more than \$100,000, access to capital was a major issue for roughly 66% of the businesses surveyed.²⁴ Additionally, access to customers was also a major challenge for more than half of the women-owned businesses across revenue streams.²⁵ Therefore, the report suggests needs for women entrepreneurs specifically in the areas of funding, acquiring customers, accessing networks, and building business skills.

The research and advice from the advisory board informed WE NYC's suite of services,²⁶ which include:

²⁰ See WOMEN ENTREPRENEURS NYC (WE NYC), *We NYC Partners* <http://www1.nyc.gov/site/wenyc/partners/partners.page> (last visited Apr. 19, 2016).

²¹ WE NYC at page 6, Unlike the CUF report, the WE NYC report looks at numbers of women entrepreneurs in New York City up to 2015, which may account for the slight variation in statistics of women entrepreneurs between the two reports.

²² *Id*

²³ *Id*

²⁴ WE NYC at page 35

²⁵ *Id*

²⁶ See “Deputy Mayor Glen and Department of Small Business Services Announce New Services to Address Needs of Women Entrepreneurs in New York City,” (Feb 2016) *available at* <http://www1.nyc.gov/office-of-the-mayor/news/860-15/deputy-mayor-glen-department-small-business-services-new-services-address-needs>.

- Master Courses for women entrepreneurs
- Networking events
- Mentorship opportunities
- An online portal with information on business courses, networking opportunities, funding and mentorship programs

These services are housed in the Department of Small Business Services, which has added a page to its website on tips for women entrepreneurs, which has information on how to access many of these services.²⁷ In February 2016 Deputy Mayor Glen and the Department of Small Business announced the first class of 17 mentors that will be supporting women entrepreneurs in New York City.²⁸ The mentors selected are women who have extensive business expertise and entrepreneurial experience and are representing all five boroughs.

In addition to what the administration is doing, other organizations are also supporting women entrepreneurs in New York City. Project Entrepreneur is an organization that aims to increase the percentage of women entrepreneurs running companies with revenues higher than \$500,000/year.²⁹ Currently only 4% of women entrepreneurs do so.³⁰ The Women's Venture Fund (WVF), in operation since 1996, provides assistance to women entrepreneurs in New York and New Jersey. Over the years WVF has launch over 3200 businesses, supported 17,000 firms

²⁷ See N.Y.C. DEP'T OF SMALL BUSINESS SERVICES, *Tips for Women Entrepreneurs*, <http://www.nyc.gov/html/sbs/html/business/womenbiztips.shtml> (last visited Apr. 19, 2016).

²⁸ See "Deputy Mayor Glen and Department of Small Business Services Announce Inaugural Class of Mentors to Support Underserved Women Entrepreneurs in New York City," <http://www1.nyc.gov/office-of-the-mayor/news/198-16/deputy-mayor-glen-department-small-business-services-inaugural-class-mentors-to> (last visited Apr. 19, 2016).

²⁹ See PROJECT ENTREPRENEUR, *About*, <http://projectentrepreneur.org/about/> (last visited Apr. 19, 2016).

³⁰ See NY BUSINESS JOURNAL, *Rent the Runway took off by dropping 'B' word with investors and hijacking a photo shoot*, (April 2016), available at <http://www.bizjournals.com/newyork/news/2016/04/11/rent-the-runway-took-off-by-dropping-b-word-with.html>

and helped 1700 business owners with loan services.³¹ Other organizations in New York City also provide services and trainings for women entrepreneurs and employers in various industries.

V. CONCLUSION

The Committee looks forward to hearing testimony from representatives from the Administration, women entrepreneurs, and other stakeholders on additional opportunities to increase the breadth and capacity of women entrepreneurs in New York City.

³¹ See WOMEN'S VENTURE FUND, *About us* <http://womensventurefund.org/about-us/> (last visited Apr. 19, 2016).