Will Older Small Business Owners Finally Get the Pandemic Help They Need?

Chris Farrell (PBS Next Avenue)

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While the coronavirus pandemic has pummeled the U.S. economy overall, it has been especially vicious to America's small business owners — including those over 50. And the initial rollout of the federal government's Paycheck Protection Program (PPP), designed to help keep entrepreneurs afloat, has been a depressing bust.

University of California, Santa Cruz economist Robert Fairlie estimates the number of active business owners in the U.S. plummeted by 22%, or 3.3 million, from February to April 2020. The pandemic drop was more precipitous for those age 50 to 64: 24%. And things have been even worse, Fairlie says, for minority and immigrant business owners: – 41% for African Americans, -36% for immigrants and -32% for Latinx owners.

The haunting question in coming months is how many of these small businesses will reopen and how many owners will decide to permanently shutter.

Rough Times for a Cleveland Cafe Owner

Entrepreneurs like Melissa Hirsch, 54, are planning on not only staying open, but growing.

She's the founder of Unbar Café in Cleveland, a community space for fun and connections that opened in January 2020 and celebrates a healthy lifestyle and doesn't serve alcohol. Think coffee shop by day and drinks like non-alcoholic beer and mocktails at night, along with an event space for weddings and other celebrations. It's operated and co-managed by her son Rorry Garrett II and her husband, Roderick Hirsch, Jr.

When the PPP program started, it was riddled with other problems for small business owners, too.

"This is my passion. This is my purpose," says Hirsch, a former banker and greeting card product development executive. "What I really want to do is grow my brand in the community."

She has sunk $200,000 of her money into Unbar Café, mostly retirement money. When COVID-19 hit, Hirsch closed down for a week and shifted toward takeout. She has since reopened; social distancing is easy since it's such a large space.

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The PPP funds she received haven't helped a lot because the café hadn't been open long enough for her to qualify for much assistance. Now, Hirsch hopes to borrow up to $35,000 at a steep 10.5% interest rate through a Honeycomb Credit COVID-19 relief crowdfunding loan program.

The Rocky Rollout of PPP for Small Business Owners

When PPP started, it was riddled with other problems for small business owners, too. "The rollout was poor," says Antoinette Schoar, the Stewart C. Myers-Horn Family Professor of Finance at the MIT Sloan School of Management.

The hastily constructed program that Congress and the Trump administration devised faltered on incomplete guidance, abrupt rule changes and onerous paperwork.

PPP was created for companies with 500 or fewer employees, yet numerous publicly traded companies and chains managed to borrow millions.

And the Small Business Administration (SBA) distributed loans through banks. As a result, funding frequently went to the banks' existing customers, who were typically owners of relatively big small businesses. Yet 83% of new entrepreneurs don't have access to bank loans or venture capital. Many microbusinesses are owned by minorities, women and entrepreneurs in the second half of life.

"We need a policy ecosystem that supports them along their entrepreneurial journey," says Jason Wiens, policy director for entrepreneurship at the Kauffman Foundation, which focuses on helping grow small business in America. "What people are seeing now with COVID is just how critical it is to the fabric of our community to have all these smaller businesses." (EIX — the Entrepreneurship & Innovation Exchange of the University of St Thomas — has a helpful collection of articles with advice on powering through the crisis (https://familybusiness.org/content/Our-best-advice-for-powering-through-the-crisis) ; EIX and the Richard M. Schulze Foundation help fund Next Avenue.)

Phil Lamer, CEO of Retail Merchandising Services headquartered in Brooklyn Park, Minn., describes PPP 1.0 this way. "PPP was not smooth. I'm giving Congress and the Small Business Administration a lot of leeway in its creation. Initially, I was very disappointed and frustrated."

Theoretically, the program offered them loans that could be forgiven if the borrowed money went to payroll costs, interest on mortgages, rent and utilities as long as the owners kept or quickly rehired employees. But many small business owners couldn't continue operating with the program's stiff rules.

What PPP 2.0 Looks Like

Congress and the administration have since made numerous changes to PPP, hoping the new version will keep more small businesses and their employees in business.

The new version, among other things, lowers the amount of the loan that must be spent on payroll from 75% to 60%; extends the time period to use the loans from eight weeks to 24; pushes back until December 31, 2020 the time frame to rehire workers so their salaries count towards loan forgiveness and eases repayment terms to five years at 1% interest. And now, the self-employed, freelancers and independent contractors who took the maximum loan amount have been assured that they qualify for full loan forgiveness.

PPP has been running better recently. An estimated $524 billion has been committed, with another $146 billion to go.

"The system is responding, but it's taken time," says Bruce Corrie, professor of economics at Concordia University in St. Paul, Minn.

But analysts including Corrie say PPP needs a serious overhaul to focus on genuinely small business — targeting companies with less than 50 employees. "You need a more systematic approach," notes Corrie. "Let's not reinvent the wheel next time and make the same mistakes all over again."

One thing many small businesses don't have with the COVID-19 recession: time.

A Second-Act Pizza Owner Slices Things Up

The night before the mandatory pandemic-induced closing of his Luna Pizza in Greenville, N.C., Richard Williams, 55, made only $400. "I was depressed and heavy-hearted when I closed the door," says the college professor turned Neapolitan restauranteur. "I got angrier and angrier." (His career change was highlighted in a 2018 Next Avenue profile (https://www.nextavenue.org/career-change-professor-pizza-shop-owner/) I wrote.)

Like Hirsch, he then embraced takeout. And Williams has adjusted his menu to meet customer needs by offering family-style meals, a pizza-making kit and other innovations. He kept up relationships with Luna's customers through Facebook Live sessions. "I wore my emotions on my sleeves," he says. "If we were having a

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tough day, I shared that. If we were excited about something, I shared that."

Williams received about $59,000 in PPP money but was terrified at first of spending it, fearful he'd use the funds in ways that wouldn't allow the loan to be forgiven. Once he understood the rules, Williams was able to keep his two dozen employees on payroll and pay his rent and utilities. The restaurant is now open to customers again.

"While it [the PPP money] was a nice boost, the main thing that kept us in business was the loyal patronage of our customers, he says. "We were continually moved by their support."

What Could Really Help

MIT's Schoar recommends that PPP money in the future be targeted toward genuinely small businesses, microbusinesses and sole owner businesses like Williams'. They're vital for community health and will need support during the next crisis.

"They provide goods and services. They hire locally," says Fairlie. "They have connections to the community."

Policymakers could start prioritizing and supporting truly small businesses, many of them owned by older people, by following the recommendations from the Kauffman Foundation (https://www.startusupnow.org/covid-19-response) : Strengthen private financing of new businesses; cut down on red tape; develop better connections and knowledge sharing in communities and design a safety net to encourage risk-taking.

"It's a more holistic, long-term approach that's needed to grow a more robust entrepreneurial community," says Wiens. "There is so much untapped energy out there."

Learn More

Our Best Advice for Powering Through the Crisis (https://familybusiness.org/content/Our-best-advice-for-powering-through-the-crisis)

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