

The Importance of Small Business and Entrepreneurship as Strategies to Alleviate Poverty in Philadelphia

By Charlotte Merrick, Digital Communications Manager for Philadelphia Parks and Recreation and Sylvie Gallier Howard, Acting Commerce Director, City of Philadelphia

Small businesses are the backbone of communities all across the United States, and this is especially true in Philadelphia. They account for the vast majority of jobs for residents, supporting the livelihoods of tens of thousands of households in neighborhoods throughout Philadelphia.

The Philadelphia Department of Commerce works to ensure that small businesses in Philadelphia succeed so that jobs are created and retained and poverty levels in the City decrease. Now more than ever, Philadelphia's small businesses need targeted, accessible supports during the COVID-19 pandemic to maintain jobs and bring long-term economic health.

Small businesses with fewer than 500 employees make up 99.7% of Philadelphia companies, creating the majority of jobs for our residents. Supporting small businesses and fostering job growth is one of the best means of preventing residents from falling into poverty. Studies in other countries during the pandemic have shown that individuals are less likely to fall into poverty when they maintain connection to an employer as opposed to being unemployed. Preserving the vitality of businesses means preserving jobs. Further, businesses are vital to the economic health of Philadelphia, as 60% of the City's general fund revenue comes from business and wage taxes. One of the core priorities for the City's Department of Commerce is to make it easier for small business owners to operate in Philadelphia, thereby making jobs available to more residents and, in turn, fueling our local economy.

During the past several months, small businesses everywhere have been confronted with an unprecedented crisis. The impact of COVID-19 has been devastating for our economy, and small businesses have faced the brunt of that devastation. The City of Philadelphia -- in collaboration with our economic development partners -- responded immediately by setting up a small business relief fund.

The Philadelphia COVID-19 Small Business Relief Fund, launched in March 2020, was a \$13.3 million grant and loan program designed to support the city's small businesses, help maintain payroll obligations, and preserve jobs impacted by the COVID-19 pandemic. Intended to provide fast, critical financial assistance to support the health and sustainability of our neighborhood small businesses and the many workers whose livelihoods depend on them, the Relief Fund has provided assistance to more than 2,000 businesses across various industries.

Businesses that received awards stretch across Philadelphia, with 57% located in low-to-moderate income census tracts. Zip codes with the highest approval rate (greater than 50%) all have poverty rates greater than the City's average of 25%. According to self-reported demographic information, 66% of awards went to minority business owners, while 32% went to woman-owned businesses. Awards were given to businesses from a diverse set of industries including food and hospitality, personal services, retail, and many more.

Entrepreneurs and businesses throughout the City continue to need overwhelming support at this time, even as local government resources everywhere face more constraints due to reduced revenue. That's why the City of Philadelphia is committed to collaborating with our community and economic development partners to determine the most critical needs, identify innovative solutions and target our resources to ensure that our most vulnerable populations are prioritized. This is a time to pivot existing programming and focus on the needs of the most vulnerable communities. It is also an opportunity -- a time to think differently and test bold new ideas.

Philadelphia has more than 16,000 occupied storefront businesses in dozens of neighborhoods across the city, giving Philadelphia its vibrancy and distinct character. This figure includes all commercial areas in the city, including places like Center City, Delaware Avenue, City Avenue, and the airport. These businesses create jobs and support families, but the city's small neighborhood businesses are most likely to be left out of state and federal programs that are only accessible to larger businesses with more capacity.

Philadelphia had experienced a decade of growth prior to the COVID-19 pandemic, a feat not achieved in a half century. Local economic development investment -- along with direction from the City's Department of Commerce -- became increasingly targeted to support our most vulnerable business owners and entrepreneurs as the city experienced this newfound growth. Philadelphia is a city that supports minority-, woman- and immigrant-owned businesses, invests in diverse entrepreneurs, fosters innovation and advances in the life sciences and other industries, and attracts young talent. As Philadelphia recovers from the effects of the pandemic, the Department of Commerce will be a key player in guiding the City's inclusive economic recovery and development efforts.

Without question, small businesses face certain financial vulnerabilities during this time. Their insurance policies and payouts -- when they exist -- are often insufficient to cover the loss of revenue. Cash flow is frequently limited. Barriers are even higher for business owners and entrepreneurs from socially or economically disadvantaged backgrounds. People of color, women and immigrants disproportionately have limited access to financing and capital to start and sustain a new business.

The industries hit hardest by the COVID-19 crisis tend to employ low-income and less educated workers who are more prone to financial instability, health issues and difficulty in finding new employment opportunities.

With nearly 1.6 million residents, Philadelphia is the sixth largest city in the United States and the cultural and economic center of the region. The City overall has approximately 27,000 small businesses that employ the

overwhelming majority of the city's workers. More than 3,000 small businesses are on the City's certified registry of minority-, women- and disable-owned businesses (M/W/DSBEs).

Immigrant-owned businesses are another critical part of Philadelphia's economy, and have contributed to a revitalization of many commercial corridors across the city. Local figures indicate that an increase in immigrants has been one of the main factors driving the city's population growth in recent years, and they are an increasingly critical sector of the local workforce. Further, non-citizen immigrant businesses are restricted from COVID-related federal funding, making them especially at risk of economic devastation.

To further contextualize the entire Philadelphia region's financial vulnerability, recent data indicates about one million people employed may see reduced income and layoffs; 77% of vulnerable jobs in Philadelphia pay less than \$40,000 a year; and 40% of vulnerable private-sector jobs are in small firms with fewer than 100 workers.

Federal and state governments have put together relief funds and other mechanisms to soften the blow of the COVID-19 crisis on businesses. However, these programs will not be enough to rescue the extraordinary financial losses that businesses are experiencing. These programs also can't be counted on to spur growth for new businesses or for those that survive the pandemic. In fact, many of the loans and grants extended by the federal Paycheck Protection Program were awarded to larger publicly traded companies rather than the small businesses the program was designed to serve.

Small independent businesses are the lifeblood of communities and neighborhoods across Philadelphia. With a quarter of the state's workforce filing for unemployment, many businesses still temporarily shuttered due to business activity restrictions, and an inadequate and disjointed federal response to the COVID-19 pandemic, it is more important than ever for local governments to step up with innovative solutions equal to the magnitude of this moment.

By creating more targeted opportunities for economic mobility and wellbeing, fostering the creation of quality jobs, supporting and enhancing vibrant neighborhood commercial corridors and capitalizing on our natural assets and strengths, Philadelphia has the potential to emerge in a post-COVID-19 world with a more inclusive and robust economy that will help ensure long-term prosperity for all.

Author bio

Charlotte Merrick serves as the Digital Communications Manager for Philadelphia Parks and Recreation. Previously, she was the Digital Communications Manager for the Philadelphia Department of Commerce. Her previous experience includes 10 years in higher education including roles at George Washington University and University of Pennsylvania.

Sylvie Gallier Howard is Acting Director for the City of Philadelphia’s Department of Commerce. She has been a member of Commerce’s leadership team since 2012. She played a lead role in developing Philadelphia’s Inclusive Growth strategy as well as the city’s Workforce Strategy. Sylvie played a lead role in developing the city’s bid to Amazon for the HQ2 search and spearheaded the development of a public-private partnership to develop the region’s global identity and elevate Philadelphia’s international brand. She has also spearheaded several priority initiatives, such as the launch of Kiva City Philadelphia, a zero-interest micro-business loan program, and the City’s successful effort to become the first World Heritage City in the U.S.

Prior to joining government, Sylvie spent her career in the non-profit sector and running her own small business. For six years, Sylvie was the Principal and Founder of Clementine Consulting, providing guidance to non-profits and social enterprises working in areas such as education, social justice, economic development and immigration. Sylvie has also served as the Executive Director of two community-based non-profits in Philadelphia: The Northwest Fund and The Empowerment Group. At the Empowerment Group, Sylvie started Philadelphia’s first bilingual Spanish-English entrepreneurship training program.

Sylvie serves on the board of directors of the Global Philadelphia Association and the Fund for the School District of Philadelphia. She has a B.A. in International relations from Barnard College of Columbia University and an M.A. in Sociology from Facultad Latinoamericana de Ciencias Sociales in Ecuador (a graduate school started by the United Nations Development Program to promote development in Latin America). Sylvie is fluent in Spanish and French and is the mother of four boys – including twins.