

Exchanges at Goldman Sachs

Perspectives From Small Businesses: How Owners Are Dealing With Worker Shortages, Inflation and Supply Chain Delays

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**Ruby Bugarin, co-owner, Margaritas and Pepe's Mexican
Restaurant**

Khari Parker, co-owner, Connie's Chicken and Waffles

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Allison Nathan: This is *Exchanges at Goldman Sachs*, and I'm Allison Nathan, a senior strategist in Goldman Sachs Research. As the pandemic has continued to evolve, so have the challenges faced by small business owners. For today's episode, we're speaking with three of these owners who are wrestling with the continuing disruptions ranging from worker shortages, supply chain delays and the rising cost of goods.

All three business owners -- Khari Parker, co-owner of Connie's Chicken and Waffles in Maryland; Rosemary Swierk, president of Direct Steel and Construction in Crystal Lake, Illinois; and Ruby Bugarin, co-owner of Margarita's and Pepe's Mexican Restaurants in the LA area

-- are graduates of the firm's *10,000 Small Businesses* program, which provides entrepreneurs with access to education, capital, and support.

For perspective on the specific challenges that small business owners are facing, we also spoke with Joe Wall from the firm's Office of Government Affairs. Joe, welcome to the program.

Joe Wall: Thank you for having me.

Allison Nathan: Joe, you and your team just released a new survey sponsored by the advocacy arm known as the *10,000 Small Business Voices* program. To start off, can you just give us a sense of some context behind the survey and the Voices initiative? What's the goal of the initiative? And what are some of the highlights of the survey?

Joe Wall: Sure. So we launched *10,000 Small Businesses Voices* in April of 2020, so just about a year and a half ago.

Over time, as we engaged with members of the *10,000 Small Businesses* community, we quickly learned that the small business community really wanted to be engaged in the policymaking debate, both at the federal level but also at the state and local level. But they really didn't feel like they had a seat at the table, and they really didn't feel like they had a voice in the process. In fact, we surveyed this data last year and only 9% of small business owners felt like they had a very strong voice in the policymaking process. And only 7% felt like the federal elected officials prioritized policy issues impacting small business over larger businesses.

And to put it into another scope, there were 14 presidential and obviously one vice-presidential debate during the 2020 election cycle that included, of course, the Democrat primary and the general election. And there were only two questions asked over the course of those 14 debates that referenced small business. So it was clear to us that there was an open space here to try to help the *10,000 Small Businesses* community have a real voice in the policymaking process and also make sure that they're at the room, whether it's at the US Capitol or in state capitols

or with their local city councils, wherever it may be. But it's very important that they have active engagement at all levels of government.

When it comes to our most recent survey, this is, just by way of background, the 10th survey that we've done dating back to the beginning of the pandemic. So we've had kind of real-time data every six to eight weeks or so through the roller coaster of the pandemic. So we, in our most recent survey, I would say the big takeaway vis-à-vis our prior survey, which occurred at the early part of June, is that we saw a significant sentiment shift among small business owners.

So we asked a very simple question that's asked in a lot of national surveys and a lot of state-based surveys. And that is: Do you think the United States is moving in the right direction? Or is the country on the wrong track? And we found in June there was a lot of positivity: 67% of small businesses thought the US was moving in the right

direction. That number dropped by 29 points to 38% in our survey in September. So I think that was kind of the big headline takeaway is that there's been a pretty dramatic drop in sentiment just in the last three months.

Allison Nathan: What do you think is behind that drop in sentiment?

Joe Wall: Well, I think there's three big buckets of issues. Not to state the obvious, but the delta variant is obviously having a dramatic impact across the country and particularly for a lot of small businesses, especially those that are obviously consumer facing.

We also found -- and this was a trend line that we've been watching closely since the springtime -- that inflation and workforce issues are only accelerating into more challenging times for small businesses. So on inflation, we found that 81% of small businesses say inflationary pressures have increased since June; 84% have seen an increase in operating costs; and about three quarters, 74%, say inflationary pressures have negatively impacted their business's financial health.

And when it comes to workforce issues, I would say the good news from the survey is that 73% of small businesses are hiring full-time and part-time employees. But of those hiring, 87% say they are finding it difficult to recruit qualified candidates; and 80% are saying that the difficulty with hiring is having a real impact on their bottom line.

And we also asked a question, vis-à-vis pre-COVID, have your workforce challenges gotten better? Have they gotten worse? Have they kind of stayed the same? And two thirds, 64%, say that their workforce challenges have worsened during the pandemic, which is not surprising given the data that we're seeing.

And I would say the final issue, which we'll talk about a little bit later I think that's also a significant burden for small businesses right now is access to capital. We found that only 31% of small business owners are very confident that they would be able to access capital if they need to. And 44% of small businesses say that they have less than

three months of cash reserves, in the case of whether it's an emergency or another pandemic-related, whether it's a full shutdown, a temporary shutdown, or a business disruption. But that's obviously an alarmingly high number that do not have a lot of cash set aside.

Allison Nathan: We spoke with Ruby Bugarin, a small business owner who runs two Mexican restaurants in the LA area. Her restaurants are back to in-person dining, but she's spending most of her time scrambling to find key ingredients and other products necessary in her business.

What are the biggest pain points that you're personally experiencing with your restaurants?

Ruby Bugarin: Well, I'll give you an example just from today. I was talking to an employee, and he was saying, "Oh, now we're having issues with our half-pint containers for our to-go orders." And we had to order this other weird amount. And then we're also having problems with our soup containers. And we had to order another kind that's more expensive. So we've run into those issues. And because our to-go orders and deliveries have been so much higher because of the pandemic, we really need access to

those materials. And sometimes they don't have them or they don't have the lids. They may only have the containers or vice versa. So it's very challenging because we really need access to those because people aren't going to say, "Oh, yes, just give me the bag," or bring your own Tupperware or whatever. It's our tools for our business. And when we don't have them, it really challenges us.

Allison Nathan: And do those shortages extend to your ingredients? Talk a little bit about the broader experience you're having in terms of operating right now and some of the issues you're facing.

Ruby Bugarin: Sure. Food items lately, crab meat has been scarce. So we generally have food distributors come to deliver to our businesses because it's really hard for me, I wouldn't be able to either hire someone or myself run around to the LA vegetable markets or each individual place. So we have a food distributor that comes and delivers to us. Well, we had to run around and find crab

meat at Restaurant Depot, at different stores, taking time away from our employees. And labor is already high enough for us. So that's been a challenge, a recent challenge.

And just overall, we've had sometimes the rib-eye is gone. And that's not an item we sell a lot of, but then we do have it as an option on our menu. And like you said, not only shortage it's also because of that it's been the increase of prices week to week. But recently the avocado prices have -- I mean, it's always kind of been fluctuating. You know, it's not pandemic related. Well, I mean, maybe it is at this moment. But it went from \$40 a case for avocados to \$85 in a matter of two or three weeks. It's gone to \$60. I mean, it's still higher than our \$40 a case, and that impacts our bottom line because we order 10 to 12 cases a week per restaurant because we serve avocado with everything pretty much, right? And we can't raise the prices. We can't say market rate or depending on what our food distributor charges we're going to charge you for that amount, right? We just can't do that. So that's been a challenge.

Allison Nathan: Have you ever experienced anything like

this before? Or is this uncertainty just entirely new?

Ruby Bugarin: Not at this level. I mean, yes, like I said, avocados sometimes go through these crazy fluctuations in price. Tomatoes, if there's something going on weather related or etc. But not all at the same time, you know? We haven't had issues with the avocados being so expensive and then shortage of to-go containers and labor shortages. It's just everything has been stacked upon the other at the same time. So that's been the challenge because we're used to pivoting and being flexible in many different cases because that's what happens. Sometimes you have employee issues or customer issues because we see the range of people of community in our restaurants, so we're used to being able to pivot and kind of adapt to different things. But now it's, like, "Oh, my gosh, I'm only on one toe because I'm trying to balance everything on my hands, on my legs," you know? It just makes it a little crazier to run. It's more challenging.

Allison Nathan: And here's Khari Parker, co-owner of Connie's Chicken and Waffles in Maryland.

Khari Parker: We've run into a lot of supply chain issues. And when we go to our distributors and say, “Hey, how come you're unable to get the products that we need?” we hear, “We have driver shortages and we're unable to get it.” So what happens is the price goes up because the demand is increasing through the roof. The supply is lower. So of course the price goes up.

So I'll give you one specific example. Plastic cups and chicken. For some reason plastic cups and chicken have been two of the hardest things for us to get at pre-pandemic pricing. The price of chicken has rose, I would say, probably two-fold. And it's just so difficult because, on one hand, as business owners we never want to raise the prices on our customers unless we absolutely have to. That's one way we provide value, by having affordable prices that are somewhat consistent. So not being able to access plastic cups has also hurt us tremendously because there's times we had to drive out farther to find somewhere that we may have heard from a business owner that may

have cups. So that limited our efficiency. But the fact that the price of chicken has increased, I would say that's put a tremendous impact on our business because you can run out of plastic cups and you just may not have the opportunity to serve drinks for an hour or two. But if you run out of chicken and you're Connie's Chicken and Waffles, you become Connie's Waffles and it just doesn't have the same ring to it.

Allison Nathan: It certainly doesn't. Rosemary Swierk is president of Direct Steel and Construction, which is a commercial general contractor in Crystal Lake, Illinois. For her, the supply chain delays are doubling the time it takes to deliver projects, which is forcing her to renegotiate terms with her suppliers and her customers.

So you mentioned supply chain issues as being one of the biggest obstacles you're facing right now. Talk to us a little bit more about what that looks like and how it's affecting you.

Rosemary Swierk: With regard to supply chain issues, working with our clients has been a big challenge in getting them to understand, despite best efforts, that getting some of the material on site was problematic. There have been clients that have -- because this has also created huge cost increases in materials and in labor -- they have opted to put their projects on hold. And so waiting until things settle down a bit. And that might be a year, and it might be two years.

And I'll give you a specific example. About half of our projects involve pre-engineered buildings. And these are buildings that are engineered in advance, and they show up at your job site like an erector set. And pre pandemic, fully engineered buildings, from the time we ordered them, could be on site in 12 to 15 weeks. Now, that same project is taking 25 to 52 weeks with not necessarily a guarantee that some manufactures will guarantee their price. We've got some that won't guarantee their deliveries. That is huge. So the question is: How has that happened? This is not unique to pre-engineered buildings.

And we looked back at the last recession and how did

manufacturers deal with that? Well, they reduced workforce. And a lot of manufacturers thought that when COVID happened that it was going to impact the economy, so they furloughed people. They laid people off. And yet when demand didn't lighten up, they weren't quick to bring these people back or these people went to other jobs. So now they have a deficiency in qualified workers. And you couple that with a supply chain. You add on that imports. So if you look at the ports right now, they are overloaded with barge after barge after barge with literally tens of thousands of containers that are sitting there, but they can't get to the distribution cycle.

For instance, the shortage of labor at the ports. The shortage of available containers. The shortage of available truckers. The shortage of available trucks. All of that has a rolling impact that impacts so many businesses. We're even hearing about toys for Christmas. If you don't get your purchases now and early, it's very likely the shelves will be empty before the holidays. That's unprecedented in

my lifetime.

Allison Nathan: Beyond the supply chain delays, staffing shortages are continuing to hamper the recovery for small businesses. Khari Parker of Connie's Chicken and Waffles says he spends up to three hours a day interviewing people or dealing with staffing issues.

Khari Parker: It all stems back to staffing. So whether it's our ability to get our products from our vendors, they have staffing issues. So they have issues with giving us our products when we need it. We spend a lot of time interviewing every day. And one thing we found is some team members, they understand there's a severe shortage, so, on one hand, we have some team members who will hop to a new job because they get paid more. You know, the economics of a small business don't allow us to pay but so much. And there's other team members who understand that there's a huge need for workers within the workforce, and they don't always do the best performance-wise.

Pre-pandemic, I would say we probably spend on average about 30, 40 minutes a day with staffing. I would say now

during the pandemic no less than two and a half to three hours a day on average we spend either first-round interviewing folks or second-round interviewing folks. So it's definitely a considerable amount of time that we're spending nowadays.

And prior to the pandemic, I think we had at any given time about 35 to 40 team members. Right now in present day today, I think we have about 30. But every week our numbers may go up or down by two or three here and there based on business needs and performance and things like that. But right now, I'd say we're probably at about 75 or 80% of where we used to be.

Allison Nathan: That's so interesting. Every week you've got a two- or three-employee swing out of 30 employees. That's not insignificant.

The staffing shortages are also resulting in sharply higher wages for small business owners. Here's Rosemary Swierk

of Direct Steel. Talk to us a little bit more about the worker issues you mentioned in terms of the wage increases. What have you had to do to attract workers during this period?

Rosemary Swierk: Yeah, so there's definitely wage inflation going on. And I think that the buzzword now is "labor migration." And I can definitely see a lot of people moving. There's a lot of moving parts. And that's challenging to navigate. I did have one team member who had worked years ago for another company, and they offered him a substantial amount more than I was paying him. And he was very happy with what he was being paid by Direct, but he said it was just too good that he couldn't pass it up. That was a 40% increase over what I was paying him. And I don't think that that situation is unique to me. The wage inflation is not just 5%. It's not 10%. It is substantial.

Allison Nathan: And here's Ruby Bugarin.

Ruby Bugarin: Right now we're okay, but we've had to adapt in the sense that we could use another cook at each restaurant because we're paying overtime to those who are

with us right now just to cover all the shifts. And it's been a challenge trying to find experienced cooks who want to work because we've had issues where one would work a week and then never come back. Or we had one guy just work one day and then leave. So that's why we've had to pay overtime to some cooks just to cover our shifts and keep them happy, too. And we've had to increase hourly rates two to three to four dollars an hour compared to a year or two ago. So that impacts our bottom line, too.

So like I said, especially in the kitchen. You know, dishwashers and cooks have been in short supply.

Allison Nathan: The problems are particularly acute for Black-owned small businesses according to the *10,000 Small Businesses Voices* survey, as Joe Wall explains.

Did the survey reveal any challenges that were particularly overlooked or underestimated for small businesses? You know, the hidden costs in all this?

Joe Wall: I would point out a couple of data points that we saw in the cross-tabs. First and foremost, one of which is something we've seen very clearly dating back to April of 2020. And that is we have consistently seen that there is a real uneven recovery for Black small business owners. So when we surveyed in early September, our overall sample median employee was 10. We also asked them obviously what their median employee was pre COVID, and it was 11. So the overall simple is close to back to being fully staffed.

But if you look at Black small business owners, their pre-COVID employee median number was 9. They're only at 6 today. And we've consistently tracked that over time, and that is sadly not surprising because we've seen that kind of lagging median employee number pretty much every six to eight weeks dating back to last year.

The other three areas in the survey where we saw a pretty big disparity for Black small business owners, only 20% of Black small business owners are very confident that they would be able to access capital if they need it versus 31% of the overall sample. 51% of Black small business owners have less than three months of cash reserves versus 44

overall. And 54% of Black small business owners expect to need to take out a loan or a line of credit for their business this fall or winter versus 29% of the overall population. That's a huge gap.

And then the other area which is more of a macro issue is mental health. And we've surveyed this a couple of times, first this past February and then most recently in September. And we found 49% of small business owners say they or their employees have been impacted by mental health-related issues stemming from the pandemic. I would point out if you look a layer deeper, women under the age of 45 who are small business owners, the number jumps to 70%, which obviously I think speaks to a multitude of issues that women small business owners are facing, whether it's dealing with their business from day-to-day, dealing with increased child care challenges as a result of the pandemic. Obviously most kids last year were learning from home. And depending on where you live right now, a lot of school districts are having disruptions

due to the delta variant. So there's just a lot of turbulence not only if you're a small business in your business's pathway to recovery but also at home, whether you're dealing with your kids or elderly parents who are struggling. It's just the multitude of mental health related issues is terribly overlooked and I think, sadly, is going to be one of the big negative implications of the pandemic.

Allison Nathan: Many small business owners say they lack the necessary resources that larger companies have to address issues such as mental health in the workplace.

Here's Rosemary Swierk. Do you feel like you've had the resources to be able to address the toll this is taking on mental health?

Rosemary Swierk: Well, I know larger businesses have counselors on staff. I know other large general contractors that say that they had unprecedented demand for their on-staff counselors. We don't have those same resources. We have created an atmosphere where people feel very comfortable. Our office is naturally very conducive to social distancing. The policies and procedures that we've

put in place very much align with OSHA and CDC requirements. And yet there was a comfort level of the staff where they felt very comfortable being in the office.

And so I think that created less of a disruption for our immediate team, but we see it with vendors. We see it with subcontractors. And it's not something that we have necessarily the skills and the tools with which to navigate it most efficiently or effectively.

Allison Nathan: And here's Ruby Bugarin.

Ruby Bugarin: One of the topics I wanted to touch on is just the short fuse that people have. And I know I've seen that, you read about it on airplanes or whatever. People are just fed up with the whole being in the pandemic, right? But at the same time, we're going through the same issues, too, as employees and as restaurant workers. But we can't just say, "Get the heck out of here," etc., when they're being rude about not wanting to wear their masks

or different things that we have no control over because we're now policing that, right? So we're the enforcers. We're the bad cops in a sense. So sometimes -- not everyone. Obviously there's a subset who are like, "Who are you to tell me what to do?" or whatever, right?

One particular employee, she was worried about, in the future, if they try to say now restaurants need to enforce vaccine at the door or if people are vaccinated or COVID negative, so she was just freaking out about that. She said, "I don't want to have to deal with that. I already have to deal with the people who don't want to wear masks," right? So that's a fear for them, a genuine fear. So just in general, some people are just on edge. And then they take it out on the employees, and the employees can't really do anything about it, right?

Allison Nathan: And here's Khari Parker on the challenges black business owners are facing when it comes to capital.

Khari Parker: I've heard the same exact thing time and time again. Folks saying, "Hey, we're going out to get loans. We can't get loans. We can't access capital."

Within our industry specifically, we have other mechanisms. So let's say, for instance, because we are a restaurant, there are different point-of-sale systems that do offer small amounts of working capital. So that kind of helps us out. But I can definitely see how other type of businesses within other industries could definitely be strapped for capital, especially if they're Black owned.

Allison Nathan: As the pandemic has evolved, small business owners have pivoted and adapted, but many are uncertain about the outlook ahead.

Here's Rosemary Swierk:

Allison Nathan: When do you think this lightens up?

Rosemary Swierk: So had you asked me that question three months ago, I would have said it seems like that we are coming out of this. Had you asked the steel manufactures last January when they thought steel was

going to peak, they were telling us in May. Well, that certainly hasn't happened. Now we're hearing projections that this is going to stay another 12 months, and that's really, really, I believe, going to have a major impact on small businesses. A major detrimental impact on small businesses. And trying to manage through uncertainty is probably the most difficult position from which to manage.

And here's Khari Parker.

Allison Nathan: So how are you feeling as we head into the winter months?

Khari Parker: We're definitely very concerned. When we look to historically last year during COVID, how infection rates went up during the wintertime and we're already operating in an industry that slows down during the wintertime, specifically I'd say from about November to about February every year, we see reduced sales, we're very concerned because we just don't know what to expect.

So as a business, I know we always try to retain earnings. However, in this case, it's a little bit different because the uncertainty of COVID along with the winter, it could be

enough to take us under if a worst-case scenario were to play out. So we're trying to do as much as we can right now by finding efficiencies within the business and setting more aside, as much as is possible. That way, in a worst-case scenario, hopefully we'll be okay. But like a lot of other businesses, I think it's a wait-and-see kind of thing. Restaurant industry is low profit margins historically. So we're not really working with much. We run a very lean business. We're going to do all we can within our power to try to make it through.

Allison Nathan: And here's Ruby Bugarin.

Ruby Bugarin: As a business owner, I'm just preparing for a possible surge in the winter. I'm trying to have tents and tables ready to rent in case we need to cut back on indoor dining and put the patio back in our parking lot. So I'm trying to prepare for those possible outcomes, what's going to happen in the future. I'm not sure. So all of those things are in the back of my mind right now.

Allison Nathan: So are you feeling more optimistic now or still relatively pessimistic as you think about the coming months?

Ruby Bugarin: I'm feeling optimistic, but I tend to be more on the optimistic side just because right now it feels more stable than it did at the beginning. With all the different funding options and grants that the government has rolled out, it's really been helpful. Just because I have friends and relatives from Mexico, and there's been really -- that I know of -- any help for small businesses down there. So I feel really lucky in that sense to be here and to have all this extra help because a year ago I couldn't even pay my mortgage. So it was that dire. And it was all hands on deck.

I mean, literally, we were all multitasking with just a very reduced number of employees. So that was very bleak. And just even the atmosphere in the restaurant, all the lights were turned off. It's a very lively restaurant. I mean, when you're in the restaurant, it's people all the time talking, drinking, eating, and all of a sudden it's all gone. And it's silent. And it's dark. It was so depressing in

addition to everything that was going on. And then you hear the news. It was just pretty dire. So obviously we're not at that right now. It's more along the lines of, okay, I have all the tools right now. Financially, we're okay right now. I'm being very conservative in our distributions of profit to my brother and I, who's my partner. So I've just been very conservative in that sense because I want to have reserves. You never know what's going to come in the future, obviously.

But I'm feeling optimistic that we have a better hold of this. More people are getting vaccinated. So it's just a matter of being able, like I said, to pivot and see what's going to go on. But I have more tools right now in my arsenal, so that makes me feel better.

Allison Nathan: So where do small businesses go from here? Here's Joe Wall. We have heard from several small business owners on this episode who are dealing with many of the issues you just mentioned -- the inflation and

staffing issues and also the mental health toll that this is all taking. So where do we go from here? What should we do with their stories and the findings from your surveys?

Joe Wall: Well, what we have found over the last year and a half is that the data points are incredibly powerful. Their stories are what makes a difference in terms of moving the needle, whether it's in Washington or state capitols or at the local level. When a small business owner tells their own personal story, it's hard not to be taken aback by just about all of them. And when they connect with a policymaker, whether it's a congressman, a senator, a cabinet secretary, they have an incredible impact in humanizing these issues and really adding a lot of perspective on the challenges that they're facing.

It's one thing to see, gosh, inflation is really high. But when you hear from a business owner about what it really means to their business and their customers, I think you think of it obviously just in a much different light. And it's all the more impactful. So their stories and the data do an incredible job of sort of sharing the consistent storyline of the small business community as we try to get out of the

pandemic. So I think as we look forward, we're obviously all hopeful that things get better. With that said, we're also very focused on making sure that the small business community continues to engage with both federal officials on the state and local level because the reality is more relief might be needed just given where things are today.

And at the state and local level, there is a lot of money from federal dollars that were appropriated through the multitude of relief that has been passed through congress over the course of the last 18 months that a lot of money is sitting on the sidelines waiting to be dispersed still. So we've been very much encouraging, whether it's governors or mayors, to try to get those dollars out. And in particular to get them out also to the small business community who is very much in need.

And at the federal level, we saw the SBA make a pretty remarkable announcement two weeks ago when they announced that they were executing several very significant

modifications to the COVID EIDL program. So by way of program, COVID EIDL program was passed at the same time as the original PPP program back in late March of 2020. At the time, it was a 30-year, 3.75% fixed loan with a maximum amount of \$150,000.

When the Biden administration took office, they quickly moved that \$150,000 cap up to 500. Just a few weeks ago, they lifted the \$500,000 cap to 2 million. And by doing so, they have created a mechanism to get real-time working capital in the hands of small business owners. And even more importantly, they also added a lot of flexibility in terms of what you can use those dollars for. So in terms of answering the immediate need for working capital, that is an incredible program that small businesses can access with a very low fixed interest rate, long-term duration that they can put to use, which is terrific. However, that program is going to come to an end at the end of the year, so it's a short-term great solution. But I think as we think to the long-term horizon of the recovery, we may need another type of apparatus that gives small business owners access to capital. Because the big thing we consistently hear back from the small business community is if you try

to go access a traditional line of credit or a loan from a financial institution, a fintech company, they naturally want to look at your financials from 2020. And for most small businesses, that's not a rosy picture.

The upside of the COVID EIDL program is it's looking at your 2019 financials. So it's taking a much more favorable look at the small business owners versus looking at what was an unusual 2020 given the pandemic.

Allison Nathan: So is that effectively the policy agenda for the Voices initiative, to get more capital into the hands of small business owners for longer so that they can ultimately succeed?

Joe Wall: Yeah, so our policy agenda this year has been very much focused on access to capital. We think, obviously as I mentioned before, the COVID EIDL program is a great short-term solution. But beyond that, I think we feel like it is necessary for the federal government to create

a more durable, long-term, low interest rate, fixed loan program that small businesses can apply for that will give them working capital and much like the COVID EIDL program does for the next couple of months.

The other issue we've been very focused on is federal procurement reform for the small business community. So just by way of background, right now the SBA has a goal of awarding 23% of federal contracts to small businesses. And then underneath that 23% goal, they have a variety of goals within segments of the small business community. So women small business owners, minority small business owners across the board. Veteran-owned small businesses.

What we have found as we dove deeper into this issue is that, over the course of the last decade, there has been a 38% decline in the number of small businesses that are providing goods and services to the federal government. So the pool of small businesses in the procurement space is really shrinking. And if you look at the number of new entrants from the small business community into federal procurement dating back to 2005, there's been a 79% decrease. So we are trying to make meaningful reforms to

the procurement space in order to make it more accessible for small businesses and also just level the playing field for small businesses so they get a fair shake at federal contracts.

So this is an issue that we've been working very closely with the Bipartisan Policy Center on. We co-authored a report with them back in late June, early July. And we're hopeful that the Biden administration and congress will act on this issue. This has been, I would say, a priority for the Biden administration, so I think we're positive about the direction we're headed. But more work definitely needs to be done.

Allison Nathan: Thanks so much for joining us, Joe, and for sharing your insights from the related survey, which hopefully will be used to ultimately improve the outlook for small businesses in this still difficult environment.

Joe Wall: Thank you for having me.

Allison Nathan: That concludes this episode of *Exchanges at Goldman Sachs*. Thanks for listening. And if you enjoyed the show, we hope you subscribe on Apple Podcasts and leave a rating and comment.

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