
Small Business Majority, NYPACE Host Small Business Town Hall

On January 15, Small Business Majority and New York Professional Advisors for Community Entrepreneurs (NYPACE) held a roundtable discussion with 14 New York City area small business owners. This discussion focused on many of the biggest challenges small businesses are facing today, including rising healthcare costs, unpredictable tariffs, difficulty accessing capital, workforce shortages and childcare access.

Healthcare

Healthcare costs continue to rise due to ballooning insurance premiums, hospital consolidation, anti-competitive practices in the healthcare industry, surprise billing and increasing corporatization, all of which add up to a heavy burden on New York's small businesses. While most of the business owners who participated in this roundtable have health insurance either through spouses or state programs, these costs are still growing and forcing business owners to make difficult decisions.

For example, the owner of a home goods business got married specifically to get health insurance through her husband so she could access the care she needs to manage a chronic illness. Additionally, the owners of a moving company went without dental work for years because they simply couldn't afford it. In fact, many business owners who participated in the roundtable have had conversations within their family about going without health insurance because of rising premiums. Nearly all of the business owners acknowledged the mental and physical toll of being an entrepreneur, and how the cost of care is a heavy, yet necessary, burden for their livelihood. As one artist reflected on the start of their entrepreneurial journey, they wondered if they should have stayed with their previous corporate employer to keep health insurance, or if they made the right choice to start their business—a question that is top of mind for many aspiring and current small business owners.

The entrepreneurs agreed that offering health insurance to their employees today is nearly impossible due to high costs. Not only would they like to offer this benefit, some even admitted it's difficult to expand their businesses without offering it as they're less well positioned to compete for talent with larger corporations that can afford robust employee benefits. At least one team of small business owners, however, reported that their employees prefer higher wages instead of health insurance due to the rising and unaffordable cost of living in New York City.

Even those small business owners who have access to health insurance cited challenges. One participant who owns a beverage and food company shared their experience with \$200,000+ hospital bill. "The pricing system does not make sense," they said.

Tariffs

Unpredictable tariff policies have also driven up costs for both New York small businesses and their customers because even businesses that sell American-made products often rely on international trade and supply chains to support their operations. The entrepreneurs reported that tariffs on imports from China and elsewhere in Asia have significantly increased packaging and supplier costs, forcing businesses to increase prices or halt product development. The owner of a consulting business was forced to stop another of her businesses entirely.

While some businesses haven't had to raise their prices yet, they've still been impacted by the uncertainty of tariffs. The owner of the home goods business said she hadn't developed a new product in more than

two years because her suppliers have been strained due to tariffs. Additionally, the owner of a printing business said that while her clients understood why she had to raise her prices, the business still took a large hit. Overall, the entrepreneurs report that they have to be very cautious with business expansion, and many of them said they have paused plans to grow.

Access to capital

Access to reliable capital is necessary for businesses to develop and grow into the pillars of their local communities; however, many small businesses—particularly women- and minority-owned businesses—face barriers that limit their ability to grow. Most of the small business owners at the roundtable revealed that they’ve struggled to access capital. The owners of a moving company said that after their U.S. Small Business Administration (SBA) loan was delayed, they ended up taking a predatory fintech loan from an online lender to get the capital they needed. The entrepreneurs overwhelmingly agreed that traditional banks favor those with an established credit history. The owner of a beverage company has a SBA-backed loan, secured his financing through traditional banks and said he plans to pursue more funding this year. Meanwhile, the owner of the home goods business reported it was difficult for younger entrepreneurs like her to receive bank loans as they have a short credit history. Also, the owner of a plaque-making business shared that she couldn’t get a loan from a traditional bank based on her cash flow, causing her to lose her office location. Later, Community Financial Development Institutions (CDFIs) helped her access capital and grow her business.

Childcare

Access to affordable childcare is challenging for many working parents, including entrepreneurs and their employees. Small Business Majority research found that the majority of small business owners with children report that a lack of access to affordable, high-quality childcare for their own children created an impediment for them to start their business (58%) and grow their business (59%).¹ It also found that their employees’ childcare struggles impact their employers. Small businesses report that they’ve experienced lower productivity (51%), been unable to operate longer hours (44%), lost revenue or earnings (31%), and had to hire temporary workers (28%) when their employees are facing childcare issues.

The owner of a consulting business started her company because of the rising cost of childcare. While being her own boss provides her with flexibility, she notes that it’s still difficult to be present for both her children and her business. Another small business owner shared that their employees have historically struggled to find childcare and that helping them navigate this challenge feels hopeless. The high cost of childcare also impacts the personal choices of several entrepreneurs who shared their stories during the roundtable. Both the owners of the moving company and the owner of an ad agency said that they don’t have children because they can’t afford the high cost of childcare. One small business owner said that in many New York neighborhoods, the cost of partial day childcare would be around \$32,000 annually.

There was also lively conversation about the importance of elder care, as many of these entrepreneurs currently or plan to in the future care for their parents. The lack of infrastructure, support and resources for this type of care can stifle their business, just as childcare does.

Small business workforce and an uneven playing field

Small businesses need a talented workforce in order to thrive, and while New York City doesn’t have a shortage of talent, small businesses still find recruiting and retaining workers to be challenging. The owners of the moving company find it hard to get detail-oriented administrative help and that people stay in the job for a short time as they wait for a better opportunity to come along. Additionally, the owner of the home goods company emphasized the importance of retention in manufacturing. She hires

¹ “Opinion Poll: Small businesses support policy solutions to address our nation’s childcare challenges.” Small Business Majority. April 9, 2024. <https://smallbusinessmajority.org/our-research/workforce/opinion-poll-small-businesses-support-policy-solutions-address-our-nation-s-childcare-challenges>

contractors but can struggle to make sure that the pay matches what's needed to live in the New York City area.

Large corporations are often more attractive employers as they're able to offer higher salaries and more robust benefits. The owner of a physical therapy practice noted that she needs to recruit licensed healthcare workers, but they're also pursued by big hospitals that can offer better pay. Yet, that's not the only way small businesses believe they're struggling to compete against large corporations. They noted that large retailers have displaced local small businesses in many New York City neighborhoods. Some entrepreneurs said that venture-backed competitors are operating at a loss until they become successful, which small businesses can't afford to do. They also said that large corporations have better networking opportunities and have an easier time obtaining contracts and clients.

The owner of a real estate business said that bigger businesses have better balance sheets and then have an easier time accessing capital. He's unable to work on bigger procurement projects and is being stopped at the door by gatekeepers. Furthermore, the owner of the beverage company said that big businesses have tax advantages with a tax code that favors them over small businesses. Also, the owner of a pitch-coaching company noted that instead of being recognized for her skills, her business was validated only once large businesses noticed her.

Conclusion

The New York City area small businesses owners shared that rising healthcare costs and tariffs are forcing them to make tough choices for their businesses while difficulty accessing childcare and capital constrains their growth. The entrepreneurs are also struggling to compete with larger businesses that can offer better benefits, higher pay and have access to more opportunities.

This roundtable discussion was one stop of Small Business Majority's New York Road Show to learn about the unique challenges and successes of entrepreneurs in different regions across the state. As it continues, we'll keep listening to small businesses and uplift their needs to New York policymakers, working to find solutions that support our small business ecosystem and our communities. Small Business Majority gives gratitude and appreciation to NYPACE for their partnership and collaboration.

NYPACE is grateful for the collaboration with Small Business Majority on this roundtable discussion. These insights reaffirm that NYPACE's mission remains highly relevant in our efforts to foster job creation and economic opportunities for growth-ready small businesses in vulnerable communities across New York City. The perspectives shared during this discussion provide an opportunity for NYPACE to further reflect on programs, resources, and services that address growth barriers and pain points, including the increasing cost of healthcare, access to capital, and other auxiliary support needs that needs to be addressed in order to position small businesses for sustainability and growth. NYPACE is energized to leverage these insights as we enter our upcoming strategic planning cycle.