

Going it Alone: The Self-Employed Struggle to Navigate the COVID Financial Crisis and a Complex Government Response

Working for yourself or starting a business is synonymous with the pursuit of the American dream. It is widely viewed as a key pathway for economic and social mobility, but it can be fraught with risk. Never was this more visible than in 2020, when the COVID-19 pandemic decimated the income of countless small businesses.

In response to the financial crises caused by the pandemic, the Small Business Administration launched a massive response known as the Payroll Protection Program (PPP). Across the country, [75%](#) of small businesses applied for a PPP loan, and 71% received one. That number doesn't show how [outcomes were vastly different for very small businesses, independent contractors, and the self-employed](#), particularly [those living in predominantly Black and Latinx communities](#).

This was true for SaverLife members who are self-employed or small business owners. This diverse group includes home-health aides, graphic designers, owners of HVAC companies, property managers, and coffee shop owners. Our research demonstrates that many struggled to navigate an uncertain economic climate and take advantage of a complex government support system.

Key Takeaways

72%

of self-employed / sole proprietor members report lower revenue

50%

had to close their business at some point in the pandemic

68%

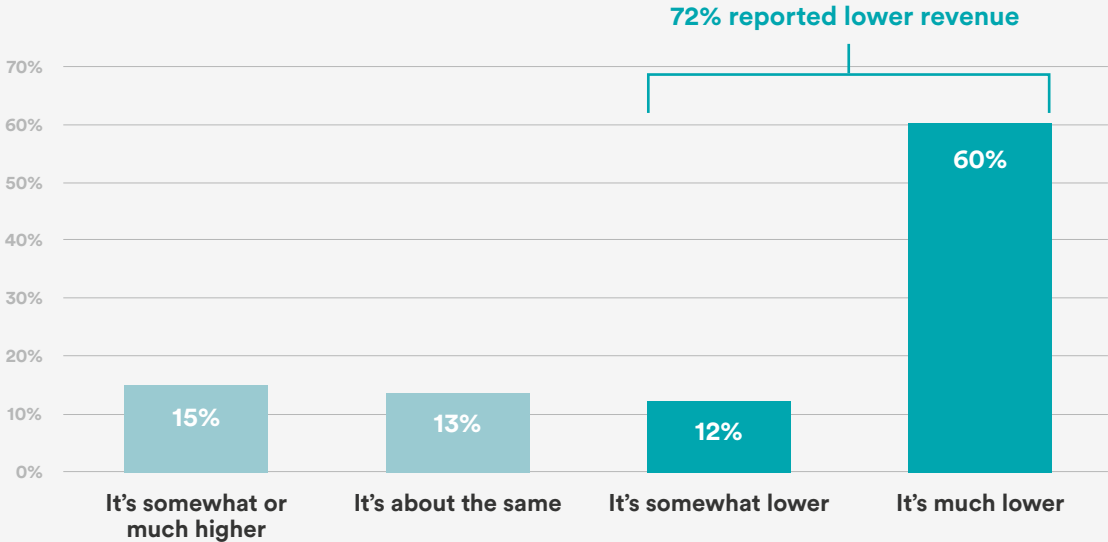
say their personal expenses and 'business' expenses are highly intertwined

49%

of people who had to close their business didn't apply for PPP loans

Most Members Report “Much Lower” Revenue—Leading to Many Business Closures

The Majority of Sole Proprietors and the Self-Employed Saw Less Revenue in 2020 vs. 2019



*Excludes individuals stating this didn't apply to them or preferred not to say - 24% of respondents.

[SaverLife member Kemi](#) built a business by catering her delicious vegan recipes—gumbo and Carrot Dogs—at community initiatives and on movie sets. “Carrot Dog is a spin on the classic American hot dog, offering a plant-based alternative to nostalgia,” Kemi said.

Kemi and her business partner launched the Carrot Dog in their Food For Thought Cafe in Atlanta, GA. “We launched it and it took off,” Kemi said.



“We met short-term goals and were in line to meet some of our longer-term goals in February. Then, in early March, it was like a rug being pulled from our feet.”

— Kemi

The loss of foot traffic due to shelter-in-place orders meant Kemi's sales plummeted. Many members had a similar experience.

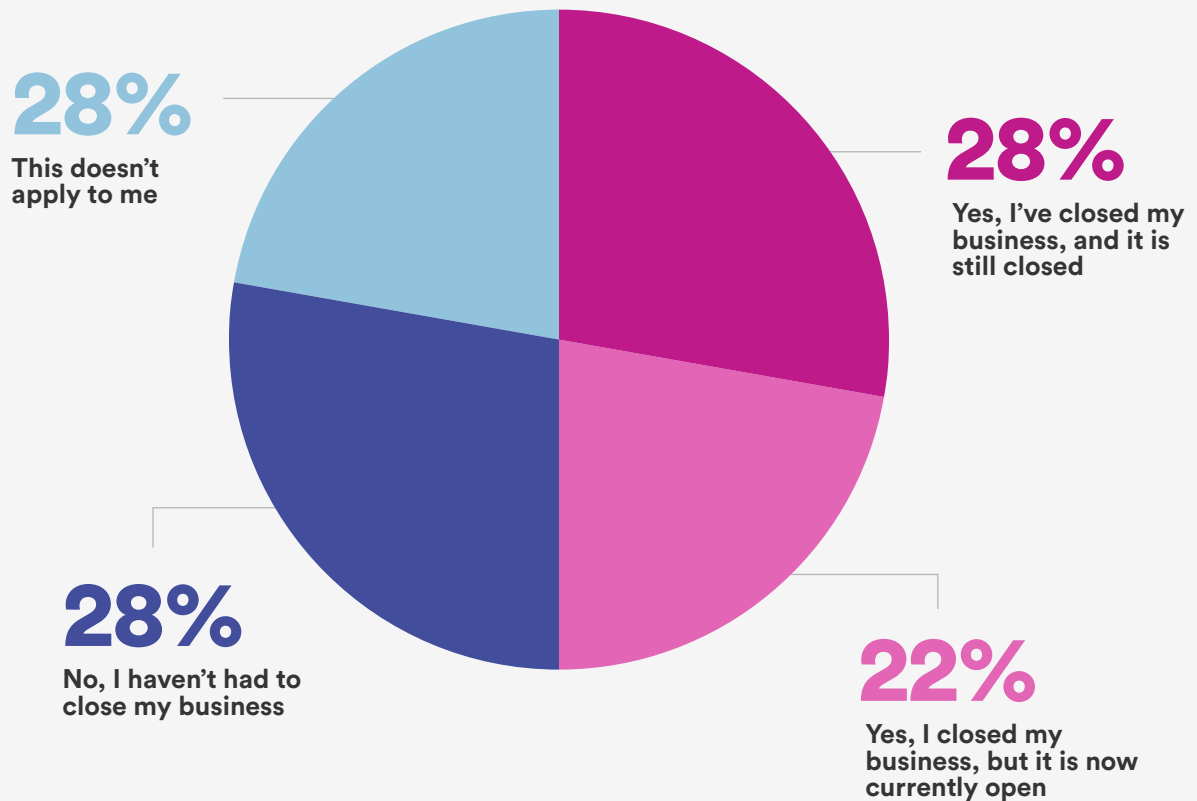
72%

of survey respondents reported a decline in revenues. Of those, over half said their revenue fell by at least 60%, and 38% said their revenue fell by at least 80%.

Because of shelter-in-place orders, Kemi had to shut down the Food For Thought Cafe as she planned a new takeout strategy. She was not alone; half of self-employed members closed their businesses in 2020, and most of them remain closed.

Half of Respondents Were Forced to Shutter Their Businesses, and 28% Are Still Closed

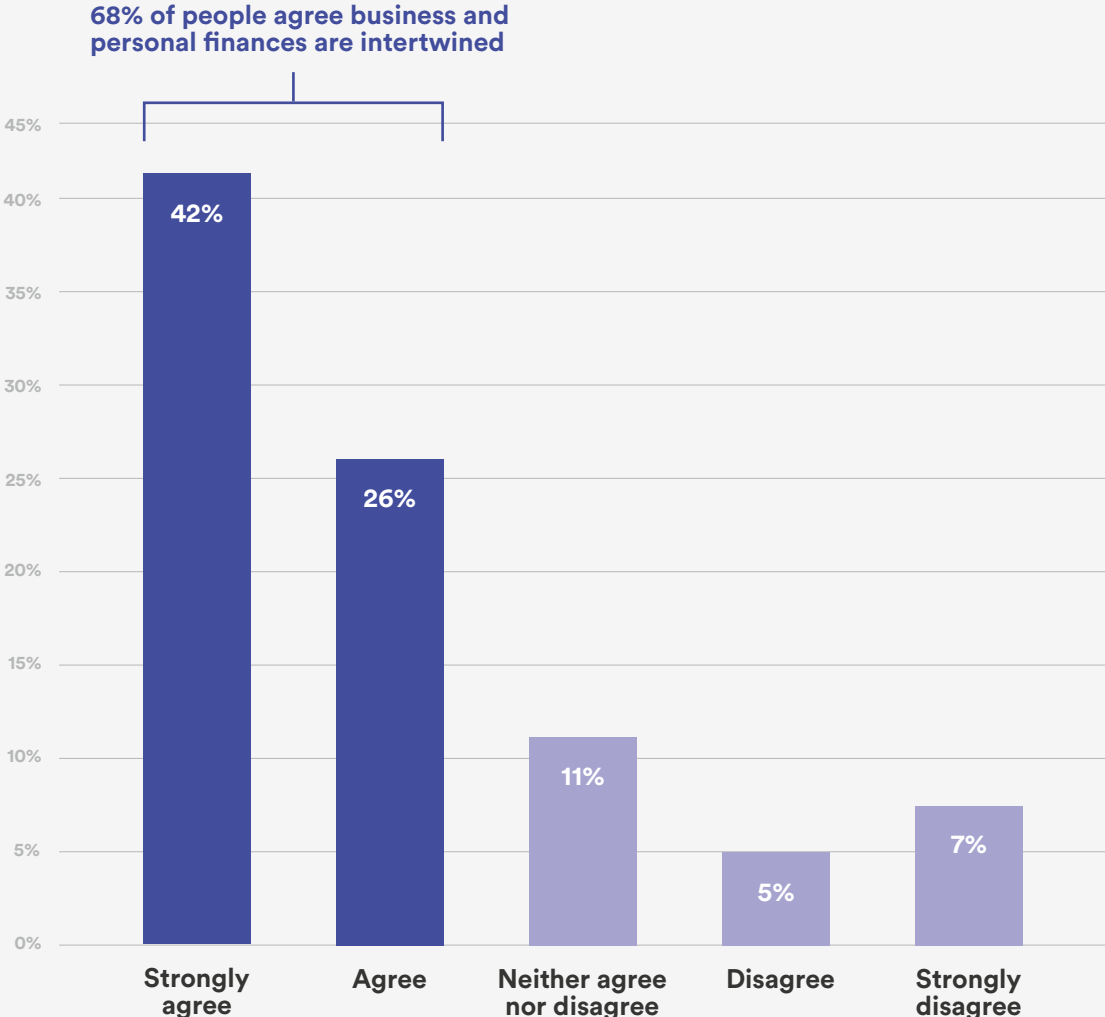
This massive decrease in income has led many to shut down their businesses either temporarily, or permanently.



The Fluid Nature of Small Business Blurs Financial Lines

For most self-employed and sole proprietors, business revenue and personal finances are intertwined—meaning many have to move money back and forth between business and personal accounts depending on where it is most needed at any given time.

The Vast Majority of the Self-Employed and Sole Proprietors Agree Their Business and Personal Finances are Highly Intertwined



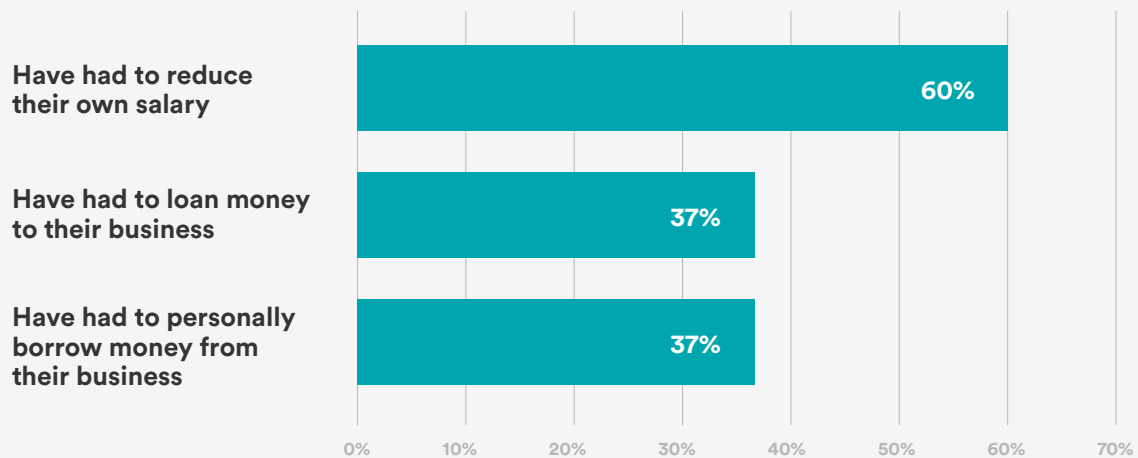
This was especially true during the pandemic. Many members had to sacrifice personal finances to keep their businesses afloat or use business funds to meet personal obligations. One member, [Tara](#), who runs an afterschool enrichment program, historically relied on her husband's steady paycheck to smooth business finances. She tragically lost that backup when he passed away from COVID-19.



“He was the safety net for my business,” Tara said. “When I didn’t have enough to pay myself and the employees, of course the employees got paid. Not having that safety net anymore means my business expenses increase because now I really have to pay myself from the business.”

— Tara

The Pandemic Has Further Blurred the Lines Between Personal and Business Capital

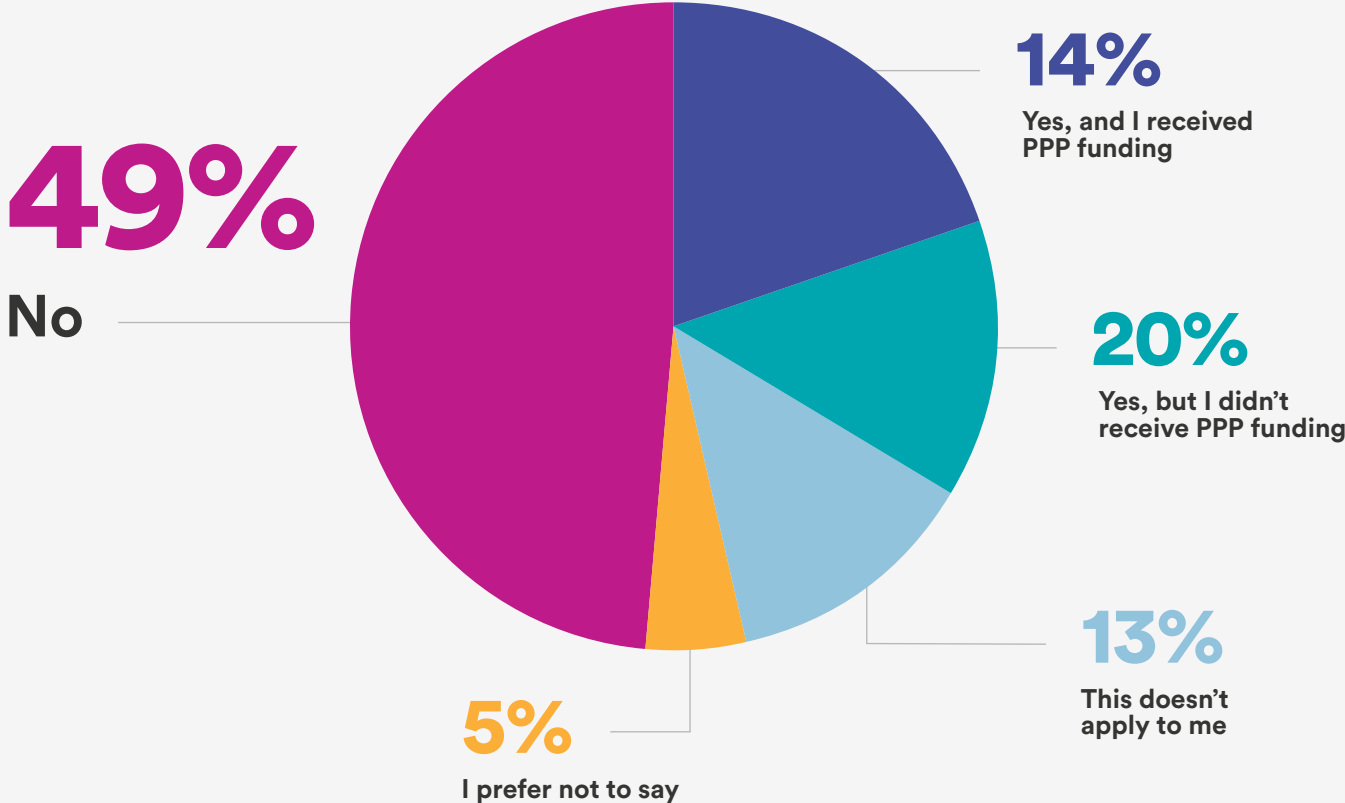


This interconnectivity was magnified for members who shut down their business at some point in 2020. For those members, 67% had to reduce their own salary (an 11% increase versus those who did not have to shut down), 62% had to loan money to their business (a 68% increase), and 67% said they had to borrow money from their business (an 81% increase).

A Confusing Support System Complicated Matters

Despite a large-scale government response in the form of Paycheck Protection Program (PPP) loans, nearly half of SaverLife members who had to close their business never applied for a loan. This is likely due to many [reported issues with the program](#), such as delayed eligibility for the self-employed and limited funding leading to a race for available dollars, which was often won by the better-resourced.

Nearly Half of Sole Proprietors / Self-Employed Individuals Who Had to Close Their Businesses at Some Point in 2020 Did Not Apply for PPP Loans

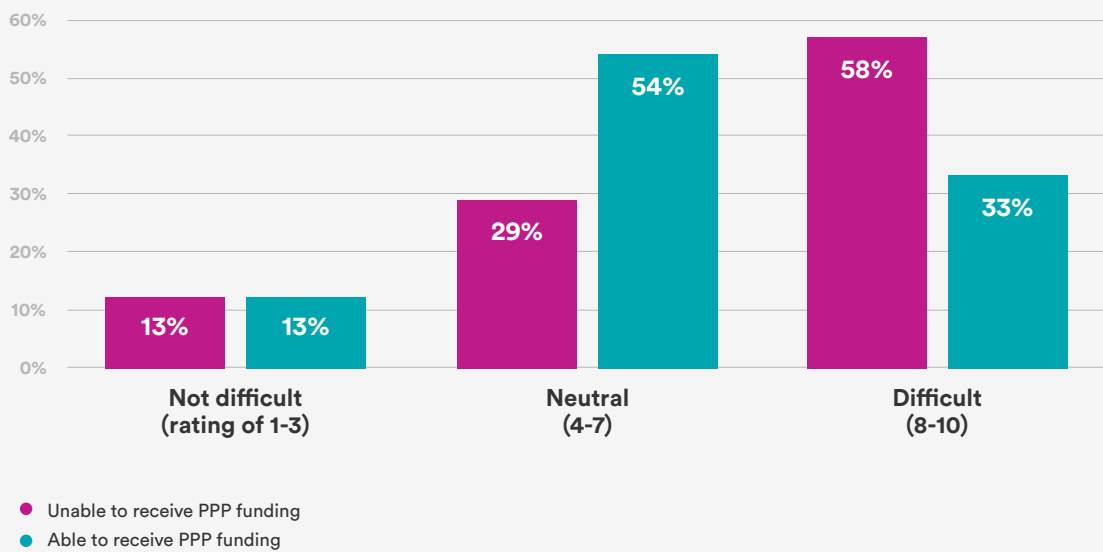


Of those SaverLife members who did apply, only 41% received funding. There are a number of reasons for this low funding rate, including the difficulty of the application process.

47%

of SaverLife members who applied for PPP rated the difficulty of the application process as an 8-10 out of 10.

Most People Were Very Likely to Agree That the Process of Applying for a PPP Loan Was Difficult



Sometimes success depended on where someone applied. Deshawn, who owns a small HVAC company in Louisiana, applied for a PPP loan with a major national bank but never heard back. “The paperwork was crazy,” he said, “but I had it all good.” He kept following up but never got a response. Six months later, when he heard a rumor that the bank was prioritizing bigger companies, he applied for a PPP loan again with a smaller community bank. Deshawn finally got a loan in February, nine months after his original application.

[Early relief efforts in 2020 showed that racial and gender disparities in small business assistance were tremendous.](#) While larger, more profitable companies received federal help, smaller businesses and those owned by people of color were often left out entirely. Some received loans [as small as \\$1.](#)

Moving Forward

Despite the tremendous hardships, many SaverLife members found creative solution to develop a way forward.

44% of the businesses that closed have since reopened.

Kemi and her partner were able to reopen Food For Thought Cafe for take out over the summer, and business began to pick back up again. Despite all the struggles she has faced this year, Kemi remains optimistic for the future and committed to her goal of building community one Carrot Dog at a time.



“The advent of COVID forced us to think outside the box,” Kemi said. “We’ve done preorders and given ourselves the opportunity to create more technical awareness around our website.”

— Kemi

Tara secured a contract with Newark schools to provide programming for summer camps and slowly began booking contracts for 2021. She has been looking to give her employees more hours and even to rent a permanent space. She’s scared but appreciative of the support she’s received from her family and “Village”, which includes church members, family, and friends, both near and far.

Deshawn finally received a PPP loan, but the delay had massive ramifications for his business and future. He had to let go of his two employees over the summer. “I spent so much time training them and teaching them how to do the work the right way, and then they were gone.” While he recently hired two new employees, he’s had to start the training process over and feels a full year behind where he wanted the business to be.

Kemi, Tara, and Deshawn—and countless self-employed individuals, or small business owners, across the nation—deserve better. Supporting businesses must begin by ensuring equity so that small businesses, entrepreneurs of color, and the self-employed have the same opportunities as large corporations going forward.

We Recommend the Following:



Target outreach to underserved populations

Fostering the financial health of BIPOC-owned small businesses must be a priority for the Biden administration, and these policies should be driven by data and research.



Use data to understand the needs of diverse small businesses

The Small Business Administration should work directly with small business owners and data aggregators to understand how to streamline application processes to meet their needs.



Increase funding and capacity for the Minority Business Development Agency

The 50-year-old agency has a history of working directly with and in minority communities. This agency works to close the racial wealth gap using small business assistance, and runs incubators to develop a better understanding of the needs of these business owners. Building the resources of this agency could go a long way to reduce disparities in access to capital and knowledge.



Improve small business access to government contracts

Streamlining the process to compete for government contracts will give small businesses, who usually have limited staff and capacity, a level playing field. Enterprise zones and set-asides are two ways that the government —at all levels— can target the help directly to small businesses. Not only will this help to ensure equity, but it will help small businesses grow and meet the needs of their customers.

For the thousands of low-income households who rely on income from self-employment and sole proprietorship, 2020 was a hugely difficult year. Yet, the promised relief through PPP loans never materialized for many, especially for businesses with few to no employees. Starting a small business, or being self-employed, is in many ways the greatest illustration of the American dream. More needs to be done to protect that dream.

Methodology:

In December 2020, SaverLife collected survey responses from 1,033 people who had been selected to receive \$500 - \$1,000 through the SaverLife Emergency Relief Fund. Of the respondents, 174 indicated they are self-employed or run a small business with two or less employees.



SaverLife (formerly EARN) is a nonprofit on a mission — to inspire, inform, and reward the millions of Americans who need help saving money. Through engaging technologies and strategic partnerships, we give working people the methods and motivation to take control of their financial future.

For more SaverLife research, please visit about.saverlife.org/research