

7-1974

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Recommended Citation

Elliott, Patrica C. (1974) "Legal Developments: The Small Business Administration and Self-Employed Women," *Woman C.P.A.*: Vol. 36 : Iss. 3 , Article 7.

Available at: <https://egrove.olemiss.edu/wcpa/vol36/iss3/7>

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Legal Developments

The Small Business Administration and Self-Employed Women

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Of all of the areas where sex discrimination is encountered, less has been written about the problems of self-employed women than any other area. There are many laws relating to the rights of employees (from Title VII of the Civil Rights Act of 1964 to the later Executive Orders) and in other areas such as credit, housing, education, public accommodations, etc. but there are no laws covering the overt and covert discrimination experienced by self-employed women. Moreover, the problem has been largely ignored by the federal and local governments and the business community. Ms. N. Jeanne Wertz conducted an excellent study on female entrepreneurs for the Small Business Administration¹ and her findings, though not surprising, are nonetheless discouraging.

Study Results

Ms. Wertz found an appalling lack of statistical data on women entrepreneurs (as opposed to the dearth of information on minority enterprise gathered by the federal government at a cost of \$1.3 million. Significantly, even the minority enterprise studies did not reveal how many of the 322,000 enterprises were owned by minority women.) She also discovered that federal agencies operate on the premise that most women are in business with their husbands (the "mom & pop store" syndrome.) During the course of her research, she refuted this premise

with the following data: 90% of all telephone inquiries were from women; one-third of all those participating in going-into-business workshops are female; one-third of those attending one-to-one counseling sessions are women and only one in ten of the women is in business with her husband.

She also uncovered some very interesting new trends: while most female entrepreneurs are in their 30's and 40's there is an increasing number of women in their early twenties and in their late 40's and 50's going into business for themselves; women are moving into previously considered male domains such as banking and construction; more women are going into business with other women causing a proliferation of all-female banks, law firms and accounting practices; and women are seeking to do business with other women.

Ms. Wertz investigated the types of discrimination to which self-employed women are subjected. In addition to the usual problems of small business (the high failure rate, for example) women are held back by societal attitudes which encourage male entrepreneurs but not female, and women who try to go into business to avoid a discriminatory employment system have less capital accumulated because of lower paying jobs. Finally, she summarized the problems as follows:

1. Lack of equal access to bank loans, investment capital or venture capital, and to credit.

2. Discriminatory laws which in some states require a woman to obtain her

husband's or father's signature, perhaps even a court approval, to buy a business or a store.

3. We are excluded in our communities from the local business organizations; the Chambers of Commerce, the Junior Chambers of Commerce, the Kiwanis, the Rotary, the Lions. These, among other things, provide contacts for men, open doors to business referrals.

4. Prejudices against working women are intensified for a woman in business for herself. These prejudices are held by the largely male dominant groups of bankers, landlords, utilities, insurance agencies, suppliers, accountants, lawyers. These prejudices can even affect our customers and our employees.

(Think again about the familiar myths: Women are not business like enough; are not good at making hard business decisions; do not take their business commitments seriously; are poor loan risks because they might skip off to have babies; are difficult to work with; since women are inferior, it stands to reason that their products and services are too, and are worth less; and since women really don't need the money, there is no need to pay them on time. The final blow used to be that a woman in business was not feminine. Is there another myth that says women have to play Monopoly blindfolded, with their hands tied behind them?)

5. Lack of encouragement and assistance. While the picture is changing, girls generally have not been encouraged toward either competition or going into business. Business training for girls has

been typing and bookkeeping. Only recently the major graduate business schools have opened their doors to women. Further, women have not had access to either the advice or contacts of their fathers' business friends or those of their college roommates.

6. Lack of federal assistance. In my study, I found that this lack has been and is particularly damaging to women entrepreneurs. I also found that most women are not aware there is at least one federal agency that is in business to help them.²

Since money is the major problem, she thinks efforts and attention should be concentrated there. In 1973 only 123 out of 33,948 loans made by the SBA went to women. Of \$2,196,157,576 in loans, women received only \$3.9 million (which included a "whole slew of \$250 loans to Indian women"). No data were available on the number of female applications, their repayment or failure rate or comparative data with male applicants. None of the SBA's 406 Program Contracts were awarded to women and only a few of the 8(A) contracts were awarded to minority women.

In addition, the SBA does not actively try to reach women. Their efforts are channeled through Chambers of Commerce, Rotary, Lions, etc. All SBA materials refer exclusively to males. In a 1973 film, *The Business Plan For the Businessman*, all entrepreneurs and counselors are male and of the two women featured one was a black secretary and the other was a white waitress.

Of 3,800 SBA employees, 1,615 are women with 1,468 at GS ratings of 9 or lower. In jobs 10 through 15, women account for only 147 of the 1,944 total. At GS 16, 17 & 18, there are no women, and no female District Directors. Only 50 of 945 loan offices are women. Of a total \$111 million expended in the Minority Enterprise Program, only \$32,000 was spent on a seminar for women.

Recommendations & Response

Armed with these data, Ms. Wertz approached the SBA with these recommendations:

That the SBA Administrator designate women as a specific SBA client group; institute a total assistance program for women; assure equal access for women to all SBA loans, contracts, and other financial assistance; promptly allocate the necessary funds for the basic research studies and program activities; and accelerate SBA's EEO program for women employees.

With regard to the specific program

for women, it was recommended that the program:

Include all women entrepreneurs; be directed, administered by women, and open to direct participation by women entrepreneurs.

Not be placed in SBA's Minority Enterprise Program, which would place women in competition with minorities for SBA assistance.

Begin simultaneously with research studies, assistance aids and services, and extensive out-reach activity.

Coincide with a significant increase in the numbers of SBA women promoted or recruited for the critical field office positions, as well as numbers of women recruited for volunteer counselors and Advisory Committee members.

As to the best method for SBA procedure, the following was recommended for expediency, economy, and in keeping with SBA's 406 Program contracting format: To delegate the job of basic research studies and initial program activities to a small-business firm of professional women with both the required expertise and sensitivity. (SBA's 406 Program refers to Section 406 of the Economic Opportunity Act, amended in 1972 to prohibit sex-discrimination.)³

The SBA executives were receptive to the proposal of a study about women. However, they have done nothing about the resulting recommendations. Two Assistant Administrators stated that "there should not be an SBA program for women; SBA is not particularly interested in special efforts for women; and SBA has scheduled more pressing priorities."⁴

On July 20, 1973, the SBA's General Counsel (after studying the report *one day*) made the following official pronouncement:

"The priorities which have been established for this Agency, and our immediate goals and objectives, do not contemplate the focus of any substantial part of our attention or efforts on the problems dealt with in your study report.

"We feel that the needs of small business will best be served if we pursue the goals and objectives already established by us."

"We do not believe that the present policies and practices of SBA are in violation of the laws guaranteeing equal rights to women."

Those statements were followed by a final one:

"It is our intention not to consider proposals with such a cost basis and subject matter at the present time."⁴

What Women Can Do

Since it is obvious that the SBA will not act on women's problems, women must take the initiative. Both WEAL (Women's Equity Action League) and NOW (National Organization for Women) resolved during their annual meetings to take direct action against the SBA. NOW has begun legal action to restrain the Office of Economic Development from issuing a \$3 million grant to the Jaycees to disseminate stories of men who have succeeded in business with OEO help.

Ms. Wertz concluded her testimony by making nine recommendations for women who are interested in the problem:

First, we who are entrepreneurs must stand up, and speak up. We are business people, we should know how to get things done. We are not in business to sit and wait for things to be handed to us. I hope that a great number will come forward together to solve the problems.

Second, hearings such as these are vitally important. They permit a public airing of the problems and needs.

Third, present laws prohibiting sex discrimination must be enforced. The Equal Rights Amendment must be ratified in all states and in force. Consideration must be given to new legislation and certainly to equitable practices such as concern credit and lending, the Social Security and federal tax systems, et al.

Fourth, the impetus must be from the top; from the Presidency, the heads of all federal agencies, the chief executives in all private sector institutions and organizations.

Fifth, all relevant federal agencies must be reviewed, even investigated, to determine the facts, the necessary data, and the best methods for corrective procedure. This includes SBA and OMBE. (In the Department of Commerce, there are among other things: An Office of Business Economics, an Office for Economic Development, even an Ombudsman for Business. Why not an Office of Female Business Enterprise, and an Ombudswoman for Business?)

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ritories. They will also provide guidelines for decisions involving current or contemplated changes or expansion.

In the payroll area, the service bureau offers a somewhat greater variety of programs than most banks. In most instances, the bank will want to, or even insist on, writing the payroll checks and it will make an immediate deduction from the company's checking account for the total net pay. The service bureau will either produce the payroll from time and rate input, including the actual writing of the checks, or it will take the payroll checks prepared by company personnel and simply summarize each employee's account, the total payroll and all withholdings and produce a Form 941 (to be attached to the quarterly federal payroll tax return) and the Forms W-2 at the end of the year. In most instances, there will be optional transfers of payroll and payroll tax accruals (such as FICA, State and Federal Unemployment taxes and Workmen's Compensation contributions) to the general ledger.

How Much for How Little?

But, once again, this is just scratching the surface. Computerized services are available in many other facets which require handling of a large volume of detail. One good example is billing, accounts receivable control and inventory control all rolled into one. Some businesses are fortunate enough to deal mostly in cash sales, but many small businesses are dealing with a large number of repeat customers who charge their purchases and expect an invoice and a monthly statement of their account. The computer can be a perfect slave in this situation. A standard input form should be devised in cooperation with the service bureau which requires only the insertion of figures on the part of the company personnel handling the sale. If the customer is already a "regular", he or she will have an account number on file. If not, a new account needs to be set up for the service bureau. It goes without saying that the date should be entered to allow for proper aging of the accounts receivable. If inventory control is desired, the item sold should be identified either by category or by item number if the inventory is very detailed. The computer will take it from there, and billing of current transactions can be arranged on a daily, weekly or monthly basis, as desired. The computer can also be instructed to send out statements to all customers who have open accounts and even to "nag" when the account is getting a little too old.

The possibilities are truly unlimited. Aside from having properly aged accounts receivable information available at a moment's notice (or a day or two at the most), information for each account can be summarized as to total volume of business, payment habits, etc. Also, the computer can pull out those customers who have not purchased anything in a specified period of time — lest a customer might be lost.

A valuable by-product of such a system is a sales analysis, i.e., by product-line, by district, by dollar volume, by number of items in one transaction. The only limitation is the user's imagination — or the cost/usefulness ratio.

Inventory control, which can be tied in very neatly with an accounts receivable/billing program, has of course two sides to it. Hence, purchases of inventory items must also be fed into the system. In this application the choice again is wide. In its simplest form receiving reports can be used as raw input, or the program can be enlarged to encompass a purchases journal and accounts payable ledger. Summaries of transactions with a group of major vendors can be most interesting and informative as far as total volume of business, delivery times and discount policies are concerned. Sure, somebody carries all that information around in his or her head — the boss, the purchasing agent, the bookkeeper — but black-on-white information is a great deal more accessible and persuasive.

The Tie-in

Since the computer's memory is virtually unlimited, any data generated by any of the sub-ledgers, such as accounts receivable, sales, purchases, inventories, payroll and related tax accruals, can be carried directly into the general ledger without further handling by the company's personnel.

The key to good relations with the computer is a well-designed chart of accounts. Service bureaus are experts on hardware and software, but most of the time they have no trained accountants. It pays to have the company's accountant — internal or outside — spend some time with the computer people to make sure the system is going to function as desired. From then on, it becomes a matter of putting the right account number on the right document — and nothing can go wrong — nothing can go wrong — nothing can go wrong —

Seriously, though, computers can truly come to the rescue of the small business

that has need for good accounting information but not enough trained personnel to generate all the necessary records internally on a timely basis.

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Sixth, the entire federal tax structure should be reviewed on behalf of all women, with appropriate changes. In fairness, as long as women entrepreneurs are penalized as women, shouldn't our tax then be proportionate?

Seventh, women working together will help women. Women are beginning to support women's enterprises by doing business with them (there is a slogan promoted by minority enterprises: Buy Black!) But women have not yet begun to invest in women's enterprises. In turn, I believe that women entrepreneurs can help other groups of women, through contributing their business skills.

Eighth, for the Small Business Administration to delay any further, is both immoral and economically unwise. The SBA must act now, with FY (fiscal year) 1974 funds. Women must not have to accept one more year's excuse of "no funds."

Ninth, if it becomes necessary, we women who are in business, who seek our livelihood through the private enterprise system, must be prepared to turn to legal action in order to achieve what should be our Constitutional right.⁵

Her final question was: "What does a woman's citizenship stand for?"

Footnotes

¹*The SBA and Women*, March, 1973. Available from the Government Printing Office, Washington, D.C. In addition to this study, Ms. Wertz testified before the Joint Economic Committee during the hearings on *The Economic Problems of Women*, U.S. GPO, 1973 (three volumes). All the facts cited in this article came from those two sources.

²*Hearings*, p. 570-571.

³*op. cit.*, p. 575-576

⁴*op. cit.*, p. 577

⁵*op. cit.*, p. 578