nova WORKS

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WORKFORCE REVIEW

A monthly review of labor market information for Silicon Valley

Women and minority business owners relied on Silicon Valley Bank when other banks turned them away. Now what?

Silicon Valley Bank was one of the few that would give venture-backed start-ups led by women, people of color and LGBTQ+ people a line of credit. After the bank's collapse, they are now being hit the hardest.

Silicon Valley Bank was the only one that would give Liz Giorgi a line of credit. It was 2019, and Giorgi was launching a new business venture called soona, a virtual photography studio service. Twenty-seven other banks had turned her away. Giorgi remembers sitting down with bankers who asked clearly inappropriate questions: What does your husband do for a living? How much money does he make?

But Silicon Valley Bank (SVB) offered a solution. Being a resource for women founders was one of SVB's stated goals. It helped women-owned, venture-backed tech businesses like hers in a climate where businesses owned by people of color, women and LGBTQ+ people face significant barriers to accessing credit. That was true even for founders like Giorgi, who had already previously built a successful video production business that counted Facebook as a client.

"People think of this underbanked problem as these banks need to market to more women," Giorgi said. "No no no, this is a cultural problem that happens at an individual level … and that creates these ripple effects across the entirety of the entrepreneurial ecosystem where the end result is women are underbanked."

Access to Innovation, one of SVB's programs, was centered around connecting women-, Black- and Latinx-owned businesses with start-up funding. Another, the SVB Fellows Program, connected entrepreneurs from those same groups with venture capital firms.

The bank was focused on diversity within its workforce, too. For five years in a row, it had been recognized by the Bloomberg Gender-Equality Index for its performance in transparent gender data reporting and equity in the workplace. About 46 percent of its workforce and 38 percent of its senior leadership was women. Those diversity, equity and inclusion initiatives have drawn criticism from conservative lawmakers who say the bank was too focused on "woke" policies and that caused it to make mistakes, but so far there has been no evidence that those initiatives were connected to what would happen next.

The bank knew that "women entrepreneurs are a massive market opportunity and they were very bullish on trying to engage with our community in various ways," said Karen Cahn, the CEO of iFundWomen, a funding marketplace for women-led start-ups and small businesses.

But last week, SVB's appetite for risk and a serious miscalculation of the changing economic climate led to its demise. SVB failed to act quickly when a confluence of rising interest rates and diminished funding in start-ups, the bulk of SVB's business, led founders to start pulling cash from their accounts. To help mitigate that, SVB sold a portfolio of Treasury bonds at a nearly $2 billion loss — and when news got out, panic ensued.

The vast majority of the accounts with SVB held more than $250,000, the most that the Federal Deposit Insurance Corporation (FDIC) will insure in case of a bank failure. About 90 percent of the bank's $175 billion in deposits were uninsured, according to FDIC filings, an unusually high proportion. Fearing the bank's collapse after the Treasury bonds were sold, depositors withdrew their money before they lost it. That sent the bank into free fall, and the federal government stepped in. On Monday, President Joe Biden announced that depositors will be made whole, whether or not all of their money was insured.

That was a relief to small-business owners who were worried they'd lose their money and their businesses, but the question now is what comes next? Where will they go if SVB was one of the few banks that would have them? Giorgi said she's heard from seven other women founders who are wondering, like her, where to look.

"One of the reasons that there are threads and text threads and Slack threads and female founders talking about this is because you want to be able to say, 'OK, I got this sort of offer from this bank, what did you get?'" said Giorgi, whose relationship with SVB helped turn her business into a 145-people operation with $54 million in venture capital funding in just three years.

Underrepresented founders "are mostly asking to be treated the same," she said. "And these situations are more painful simply because we aren't."

A new Federal Reserve survey released this month found that small businesses report significant challenges getting fully approved for the loans they're seeking from banks. The percentage of small businesses that received full funding dropped 36 percent in 2022 when compared with 2019, and the largest drop was for Black-owned businesses (41 percent). Asian-owned small businesses saw a 28 percent drop in approvals, and Latinx-owned businesses experienced a 17 percent decrease. The survey also found that 74 percent of women-owned firms had to rely on the owner's personal savings or funds from family and friends in the past five years, compared with 64 of businesses owned by men.

LGBTQ+-owned businesses report similar challenges: Nearly half of LGBTQ+ owners received none of the funding they applied for in the past year, according to an analysis of a 2021 Federal Reserve survey by the Center of LGBTQ Economic Advancement & Research. Thirty-three percent of respondents said lenders didn't approve financing for "businesses like theirs". The figure was 24 percent for non-LGBTQ+-owned businesses.

But it's those same groups that have been driving business creation. In 2021, 49 percent of new businesses were run by women, compared with 28 percent in 2019, according to a recent study by Gusto, a software company that provides payroll and HR management for businesses. The share of new businesses run by Black owners tripled to 9 percent in that timeframe, and the share of Latinx owners rose from 8 percent to 10 percent.

And yet, in 2022, women business owners got just 2.1 percent of capital investments in venture-backed startups, according to PitchBook, a venture capital, private equity, and merger and acquisition database.....

Article continues at link below

Source: ***The 19th*** (03/17/2023)
https://bit.ly/wr-20230322

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MARCH 2023

REGIONAL *Focus*

UNEMPLOYMENT

Region	February 2022	January 2023	February 2023	Percentage Point Change 1 month	Percentage Point Change 12 months
San José–Sunnyvale MSA	3.3%	3.1%	3.2%	+ 0.1	– 0.1
San Francisco MD	3.0%	2.7%	2.8%	+ 0.1	– 0.2
California	5.0%	4.6%	4.8%	+ 0.2	– 0.2
United States	4.1%	3.9%	3.9%	0.0	– 0.2

INDUSTRY EMPLOYMENT

Sector — February 2023	San Jose MSA	San Francisco MD	Combined Region	Percentage Change *(Combined Region)* 1 month	Percentage Change *(Combined Region)* 12 months
Total Nonfarm	**1,170,100**	**1,193,700**	**2,363,800**	**+ 0.2%**	**+ 3.3%**
Construction	55,700	40,800	96,500	+ 2.7%	+ 4.6%
Manufacturing	180,800	38,800	219,600	– 0.1%	+ 3.7%
Retail Trade	72,900	66,500	139,400	– 0.9%	0.0%
Information	104,500	123,400	227,900	– 0.1%	– 0.4%
Professional & Business Services	254,900	313,000	567,900	+ 0.4%	+ 3.2%
Health Care & Social Assistance	142,800	126,300	269,100	– 0.4%	+ 4.5%
Leisure & Hospitality	100,400	118,800	219,200	– 0.2%	+ 12.9%
Government	96,900	136,600	233,500	+ 0.3%	+ 0.6%
Educational Services	44,000	51,600	95,600	0.0%	+ 1.2%

Note: San José MSA (San José-Sunnyvale-Santa Clara Metropolitan Statistical Area) = Santa Clara and San Benito Counties
San Francisco MD (San Francisco-Redwood City-South San Francisco Metropolitan Division) = San Mateo and San Francisco Counties

Source: California Employment Development Department, LMID

LABOR FORCE & ANNUAL CHANGE

9-County San Francisco Bay Area

	Labor Force			Employed			Unemployment		
	February 2022	February 2023	*Change*	February 2022	February 2023	*Change*	February 2022	February 2023	*Change*
California	**19,292,400**	**19,464,000**	**+ 0.9%**	**18,326,700**	**18,526,400**	**+ 1.1%**	**5.0%**	**4.8%**	**– 0.2**
Alameda County	825,500	832,300	+ 0.8%	793,400	801,300	+1.0%	3.9%	3.7%	– 0.2
Contra Costa County	552,000	555,800	+ 0.7%	528,900	534,000	+ 1.0%	4.2%	3.9%	– 0.3
Marin County	131,100	131,900	+ 0.6%	127,000	127,800	+ 0.6%	3.1%	3.1%	0.0
Napa County	69,500	71,700	+ 3.2%	66,700	69,100	+ 3.6%	4.0%	3.7%	– 0.3
San Francisco County	567,300	577,800	+ 1.9%	549,700	561,100	+ 2.1%	3.1%	2.9%	– 0.2
San Mateo County	449,100	457,500	+ 1.9%	436,100	444,0900	+ 2.0%	2.9%	2.8%	– 0.1
Santa Clara County	1,030,500	1,051,400	+ 2.0%	998,000	1,018,800	+ 2.1%	3.2%	3.1%	– 0.1
Solano County	202,200	203,500	+ 0.6%	191,800	193,900	+ 1.1%	5.2%	4.7%	– 0.5
Sonoma County	246,400	250,700	+ 1.7%	237,100	241,700	+1.9%	3.7%	3.6%	– 0.1
SF Bay Area (sum)	**4,073,600**	**4,132,600**	**+ 1.4%**	**3,928,700**	**3,992,600**	**+ 1.6%**	**3.6%**	**3.4%**	**– 0.2**

Note: Totals may not add correctly due to rounding

Source: California Employment Development Department, LMID

REGIONAL LAYOFF ACTIVITY

February 2023 Layoff Events

Company	Location	# Affected
Adecco	Mountain View	64
Aimmune Therapeutics	Brisbane	75
Arana Therapeutics	Redwood City	30
Bon Appetit	Los Altos	45
Evernote	Redwood City	65
LinkedIn	Multiple cities	52
NC Interactive	San Mateo	4
Quanergy	Sunnyvale	72
Upstart Network	San Mateo	102
USRA at ARC	Mountain View	1
	Total	**510**

WARN SUMMARY

Events YTD†: **43**

Individuals Affected YTD: **3,847**

Individuals Previous YTD‡: **755**

* **WARN:** Worker Adjustment and Retraining Notification *(notice of mass layoff or closure)*

† **YTD:** Year to Date *(Calendar year: January 1–Present)*

‡ **Previous YTD:** *(Same date range as YTD, one year prior)*

Note: Layoff data are preliminary and should be considered an estimate of monthly regional activity

Source: California EDD, CalJOBS: WARN data