

Set-Aside ALERT

Business intelligence for small business federal contractors

Vol. 27, No. 2

setasidealert.com

January 18, 2019

'This is a mess!': survey shows small business contractors' pain

Small vendors see revenues sink as invoices go unpaid; Damage to increase dramatically as shutdown goes on; Set-Aside Alert surveyed 424 vendors, incl. 380 small biz

Small business federal contractors are feeling the pain of lost revenues and uncertain wages worsening by the day due to the ongoing government shutdown that started on Dec. 22.

Small business owners report that their cash flow and profits are rapidly shrinking as invoices to government agencies go unpaid, and they struggle to keep paying their workers on time, according to a *Set-Aside Alert* survey of small business federal contractors conducted from Jan. 7 to 13.

As the partial shutdown continued into the fourth week, 35% of the small vendors reported a "significant" or "substantial" negative impact on their operations.

or substantial negative impacts. If it continues another month, 55% anticipate substantial damage and 21% expect significant damage.

"This is a mess!" a contractor commented on the shutdown.

"Ugh! Another month would be awful!" wrote another.

Many of the surveyed contractors reported that their invoices to government agencies are not getting paid and cash flow has taken a big hit.

As a result, the owners of the small firms are reaching into their own pockets to pay their workers on time, allowing workers to take personal leave time, furloughing their employees, or finding other ways to stretch company resources so that their workers continue to get paid. But, they warn, this pattern cannot continue for long.

"We are losing \$3500 per day of gross margin with a partial shut-down," a surveyed contractor reported.

"We have opted to keep all of our employees on the payroll through leave donations. We are managing cash flow

daily and will hit a wall next week if our bank does not extend our Line of Credit. Devastating impact after 20 years of service," another small vendor wrote.

The shutdown also is causing small vendors major headaches about lapsing certifications with no approvals available from federal offices, delays in awarding new contracts and delays in approvals for existing contract performance milestones. Also, there is stress over the possible loss of security clearances for key employees if those workers are forced to go on leave or if they lose a significant amount of wages so that it creates risk in their personal finances.

Small business owners are definitely anxious about losing valuable employees if the shutdown drags on.

"We have furloughed 50+ employees and will have revenue impact of greater than \$1 million. Some employees may not return to work and could trigger a lingering performance problem as we will need to recruit, clear and train new employees to support existing contracts," a vendor commented.

(Ed. note: this story is excerpted from the January 18, 2019 issue of Set-Aside Alert.

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**See the results of the
Set-Aside Alert
Small Business
Federal Contractors
Shutdown Survey
on page 4**

The negative effects are expected to grow worse as the shutdown drags on. If the shutdown continues for another month it "will cripple our business," one vendor said. "Employees will be laid off. We may have to shut down," another commented.

Survey respondents said that if the shutdown continues for another two weeks, 64% anticipate significant

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