Y Combinator report shows difficulty in diversifying tech workforces

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As much as tech firms talk about diversifying their workforces, and as much as venture capitalists talk about funding more women and people of color, there is one glaring and persistent problem - not enough women, blacks and Latinos are signing up for the tech industry.

Y Combinator, arguably the most prestigious startup accelerator in the nation and backer of companies like Airbnb and Dropbox, recently released a self-assessment of its diversity - part of the broader Silicon Valley push to find solutions to its chronic underrepresentation of blacks, Latinos and women.

Despite its efforts to create a more diverse industry, the numbers reveal just how extraordinarily difficult it is to change the color and gender of the tech world. And they imply that even if a company hires all the women and black engineers who apply for a job, or a venture capitalist funds all the women and black founders who pitch a startup, the industry would still be predominantly white and male - until middle school science classes, university majors and the entire pipeline includes more women and people of color.

In an analysis that looks at its pool of startup founders, Y Combinator says nearly 12 percent of applicants for this winter's class were women, while about 3 percent were black and 3 percent Hispanic, based on a small data sample. That breakdown of applicants reflects the recent graduating class: 11 percent women, 3.7 percent Hispanic and 4 percent black.

"The good news is that there is no disadvantage to applying to YC as a female or minority founder," said Michael Seibel, a Y Combinator partner. "The bad news, of course, is that applicant percentages are low relative to the entire population."

Intel this month announced a plan to commit $300 million to increase the number of women and minorities it employs by 2020. Google and Facebook pledged more diversity in its ranks. But if a startup accelerator, headed by a 29-year-old and with four women and an African-American among its leadership, as nimble and aggressive as Y Combinator can't achieve a demographic that is representative of the U.S. population, who can?

"You cannot change the pool of your applicants," said Saeed Amidi, founder and CEO of Plug and Play in Sunnyvale, a tech accelerator. "You can only deal with who comes through the door."

There's that nagging ongoing pipeline issue - too few women, blacks and Latinos entering computer science majors at universities, or seeing them through to a degree.

But if Mountain View-based Y Combinator - a three-month, bone-grinding, highly competitive boot camp for aspiring entrepreneurs - is successful at bringing in more women, blacks and Latinos into an accelerator that has given birth to some of the most successful tech companies in the world, it could change the face of the next generations of Silicon Valley startups, experts say.

"There has been a lot of backsliding - so many startups don't have HR; egregious behavior (against women) has become acceptable," said Telle Whitney, president and CEO of the Anita Borg Institute, which supports women in technology. "Y Combinator is working with these early startups, the next generation, to influence their culture from the

beginning. That's the time you can have a dramatic impact on the next generation of Airbnb and Dropbox."

In the female category, YC is doing a bit better than last year, when less than 20 percent of companies the accelerator funded were run by women, although more than 24 percent of all the applicants were women. Whitney said YC has overcome the unconscious bias that many venture capitalists have, which keeps them funding mostly young, white men.

"Even though their numbers are not 50 percent women, they are good," said Whitney. "They are a profile of what is possible; they are following practices that we know work. And I applaud that."

According to a 2014 study by the Massachusetts Institute of Technology - with the provocative title "Investors prefer entrepreneurial ventures pitched by attractive men" - women-led companies have received only 7 percent of all venture funding. Research from the Ewing Marion Kauffman Foundation, a nonprofit focused on education and entrepreneurship, shows that, between 2004 and 2007, women founded only 3 percent of technology firms; a large barrier, researchers say, is lack of access to money and mentors.

Y Combinator offers both - it invests $120,000 for about a 7 percent stake in the company and offers guidance, support, instruction and networking for founders. It has four women partners out of 17 total, proportionally high compared with most venture capital firms. In December, Seibel became YC's first full-time African-American partner; he has founded two YC-backed startups.

Hints of YC's efforts are showing in newer companies such as Wevorce, a tech company that facilitate divorces, founded by Michelle Crosby; and Move Loot, a startup for storing and delivering used furniture, which

counts two women among its founders.

Recruiting more black entrepreneurs may be a bigger challenge. YC is reaching out to more historically black colleges, and Seibel is setting up meetings with young black students. Black engineers fresh out of college are more likely to be from lower-income families, with mounds of college loans to pay off and without the safety net white, upper-class graduates often enjoy, Seibel said.

"For the first time in your life, someone, maybe a tech company or a financial firm, is offering you a six-figure salary," Seibel said. "It feels like you made it, and starting a tech company is too risky. ... I think they need to see that there is someone who will listen to them and show them the ropes."

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