

The Sunday Telegraph

Boost prosperity by listening to small business

The primary currency for growth should be well-paying jobs, and with that, the role of small business and entrepreneurship

By Karen G. Mills
January 19, 2014

Barely a day goes by that we don't see more indications of the anxiety that pervades our current economic climate. Polls continue to find high percentages of adults in the US, UK and other countries who do not feel they will be better off in five years than they are today. Nor do they believe their children will be better off than they are.

This anxiety shakes the very foundation of a path to prosperity that for generations has been believed possible in Western nations.

Governments are looking for ways to respond to this anxiety and the factors that contribute to it. But, in today's environment where most economic conversations continue to revolve around macro-strategies, like deficit reduction and tax reform, families are left wondering where that next well-paying job – their path to prosperity – will come from.

Just as it is currently being debated in the UK, the American government is also discussing the minimum wage as a way to increase this prosperity and economic opportunity. While both countries have different ways of deciding the rate and how best to help those on the lowest wages, the experience of small employers is an important part of the discussion.

As governments look to the future, their plans have to centre on growth, and the primary currency should be well-paying jobs. With that, any conversation focused on jobs must include a role for small business and entrepreneurship.

In the US more than 99pc of all businesses are small. More than half of the US workforce either owns or works for a small business. And, in the 15 years leading up to the recession in 2008, some two-thirds of the net new jobs in the US were created by small businesses.



When the economic crisis hit, knowing those statistics, President Barack Obama's administration took an aggressive approach to supporting small firms. Yes, the situation was dire for all businesses, but for small firms it was worse. Credit was frozen, which meant for many the question of creating new jobs was not on the agenda – rather, they were focusing on survival.

I took over as administrator of the US Small Business Administration (SBA) in April 2009, in the middle of this crisis. With the support and collaboration of the president's economic team, we quickly got to work.

This included deploying SBA's powerful loan guarantee programme. We incentivised lenders to unlock frozen credit by raising the guarantee on their loans up to 90pc and we eliminated fees to make borrowing less costly to small business owners and lenders.

These bold steps had almost immediate results, with SBA-backed loan volume rising almost immediately, a trend that would lead to two record years of SBA lending.

Additionally, we expanded the reach of SBA-funded counselling services to help businesses adapt their plans to the new economic reality, and help budding entrepreneurs find a stable footing in that turbulent time.

We also leveraged the need all federal agencies have for goods and services, redoubling our efforts and driving hundreds of billions of dollars in contracts into the hands of small businesses.

Fast forward to today – as the recovery has taken hold and the conversation turns to long-term growth – and that agenda must be centred on creating jobs. And small businesses must be central to it.

But this means also digging deeper into how jobs are created and acknowledging that not all small businesses are the same. There are the main street businesses – restaurants, dry cleaners, car repair shops and others. And, while there are millions of these firms, and they employ millions of workers, the reality is that most of the net new job gain is going to come from a small number of what are often referred to as high-growth businesses – and we're not just talking technology firms.

To be clear, government needs to support main street firms and help ensure access to capital and counselling, so they can provide well-paying jobs, and with that stability and growth in our local economies.

However, it is critical that government strategies recognise the real potential of high-growth firms to drive job creation.

To do this we need new economic strategies – strategies that create entrepreneurial ecosystems that leverage both public and private support, and create the resources to foster enterprise, innovation and the tools needed for growth.

In the US, I believe we have a successful model for this. While I was SBA administrator, we worked across the government to leverage programmes from multiple agencies and focus on support for high-growth firms. We launched StartUp America and other public-private partnerships to create a vibrant ecosystem for entrepreneurs across the country.

The key components of these ecosystems generally fell into three categories: providing access to capital, people and skills, and creating regional institutions such as innovation clusters and accelerators.

Most important to ensuring the success of this model is that small business had a seat at the table. The SBA administrator is a member of the president's Cabinet and National Economic Council.

This means that when these economic discussions happen, the role of small business is always a part of that discussion. This is a model and a structure that is necessary because today's economy is very different from the way it was 50 years ago. Then, the formula was that big businesses created jobs. Literally, major manufacturers would provide the jobs that promised a "middle-class lifestyle" to millions of families.

That's not a formula for today. The growth challenges are different, and the opportunities are greater.

Today's economy is driven by innovation, and when we talk about nations and their competitiveness, we are increasingly recognising the importance of small businesses and entrepreneurs. Look no further than the current export strategies of most developed countries.

Over the past few years, these strategies have all begun to include a significant focus on expanding opportunities for small businesses to sell in markets outside their own country.

Yes, the economic game has changed. The strategies of the past – even those that got us out of the recession – are not the ones that will fully drive long-term economic growth in the future.

If we are truly going to tackle the anxiety that exists today, we have to focus on the core component of the path to prosperity: a well-paying job. If that's our goal, then we will focus on the critical role of small business and entrepreneur-ship. In fact, it will inform the entire economic strategy.

Karen G. Mills was administrator of the Small Business Administration from 2009 to 2013 and was a member of President Barack Obama's Cabinet and National Economic Council. She will speak at the Federation of Small Businesses Policy Conference in London on January 27.