

WANT JOBS – SUPPORT MICRO-BUSINESS

Businesses are starting smaller and staying smaller. According to a recent Bureau of Labor statistics report, “the average size of establishment births (new start-ups, excluding seasonal businesses) in the 1990s was around 7.6 employees, whereas the average size of births fell from 6.8 employees in 2001 to [4.7 employees in 2011](#).”

Efforts to help high growth companies (like Start-up America) are fine, but according to the Organization of Economic Development and Cooperation (OECD) publication, [Entrepreneurship at a Glance 2011](#), **less than one percent of companies with ten or more employees are gazelles, i.e. high growth, job creators.** Yet, most policies are geared to help the gazelle businesses.

If you want to create jobs, then support business start-ups with business assistance and microloans. Commenting on the Bureau of Labor statistics report Catherine Rampell astutely reasoned in *The New York Times* blog [Economix](#):

Whatever the cause, if this trend of small start-ups persists, it will mean that many more businesses will need to be created to absorb both new workers and those left behind by the bigger, older companies that are going out of business.

To create more business, we need to **broaden the spectrum of businesses** that we purport to help with current policy.

In 2010, CAMEO members served 22,000 very small businesses with training, business and credit assistance and loans. These firms – largely start-ups with less than five employees – supported or created 38,000 new jobs in California.

- 4.2 million Californians are employed by micro-businesses in 2007 (latest census).
- 3 million micro-businesses are sole proprietors.
- If half of the 4 million micro-businesses in California hired one person, we’d create 2 million jobs and solve our unemployment problem.
- An estimated 120,000 unemployed (about 5% of total unemployed in California) are potential entrepreneurs.

Business technical assistance leads to successful companies.

- King Tire in King City needed two years of assistance before qualifying for a \$1.5 million SBA loan so that he could expand his tire store to include a car wash and hire 11 employees in a very depressed area of the state.
- Microentrepreneurs that have gone through training programs and receive technical assistance from CAMEO members have an 80% success rate. They create two jobs in addition to their own on average over 3-5 years.

Business technical assistance needs to be part of capital access in order to ensure a pipeline of loan-ready clients.

A nonprofit lender serving the rural north part of the state returned \$750,000 to their investor that would have been loaned to small businesses, because there was no pipeline of loan-ready businesses waiting for cash.

This chart demonstrates that an investment in micro enterprise yields high public returns in terms of job creation, economic growth and revitalization.

U.S. Data	Micro Enterprise Development Organizations (MDO) (from aeoworks.org)	Venture Capitalists (from NVCA.org)
Number of Organizations	696	492
Businesses Assisted	221,000	2,749
Money Invested	\$90 million=loan volume; \$500 million=approx. budgets of MDOs*	\$22 billion VC invested
GDP Receipts / Percentage GDP	\$2.4 trillion / 17%	\$3.1 trillion / 21%
Employment	31 million	12 million
Investment per job	\$19	\$1,833

*This is an estimate. The average budget of California's MDO's was \$581,000 in 2010. Multiple that by 700 and round up = \$500 million. This is a very optimistic view of MDO budgets.