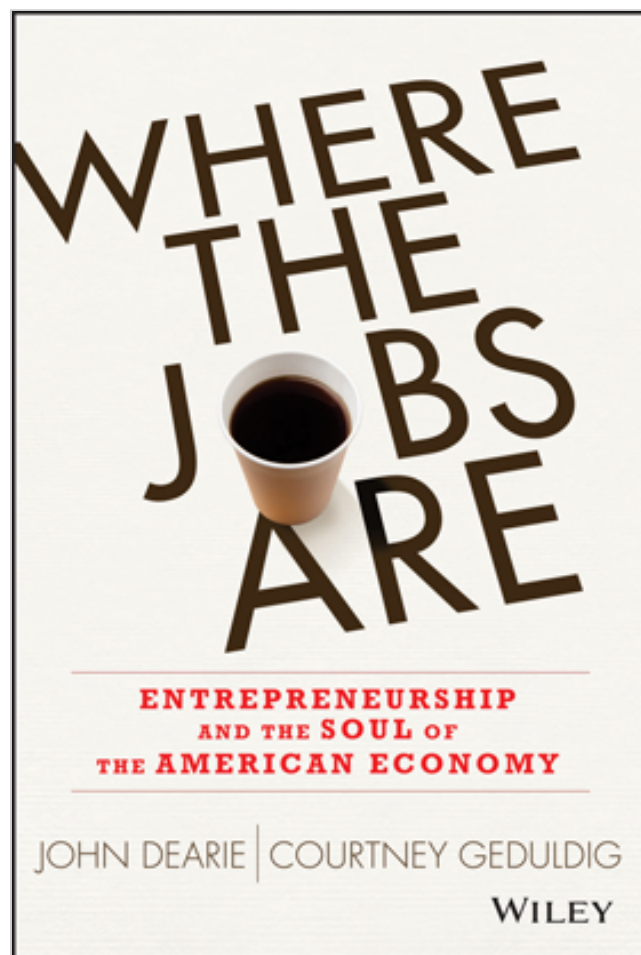


Job creators: challenges faced by new establishments

Where The Jobs Are: Entrepreneurship and the Soul of the American Economy. By John Dearie and Courtney Geduldig, Hoboken, NJ, John Wiley & Sons, 2013, 246 pp., \$29.95/hardback.

The Great Recession officially began in December 2007 and ended in June 2009, but many businesses and workers are still struggling several years later. In *Where The Jobs Are: Entrepreneurship and the Soul of the American Economy*, authors John Dearie and Courtney Geduldig review America's recent economic difficulties and investigate why the recovery has been so lackluster, focusing on how these events have affected entrepreneurship and job creation. They begin their work with a review of a study conducted by Tim Kane, a former researcher with the Ewing Marion Kaufman Foundation, which found that all job creation since the end of the Great Recession was generated by establishments less than a year old. Next, the authors visit with 200 diverse entrepreneurs in 12 cities scattered around the country and engage them in a roundtable discussion of the issues, challenges, and obstacles they face in creating and growing their "startups." After that, they contact a group of economists to get their input. Finally, Dearie and Geduldig present their findings at the Financial Services Forum, a nonpartisan policy organization comprising the CEOs of 18 of the largest and most diversified financial services institutions. The book is the end product of all those efforts.

During the course of their research, the authors discover a number of reasons that new firms are challenged to create jobs. Probably not coincidentally, these reasons are also the titles of several chapters of the book: "Not Enough People with the Skills We Need"; "Our Immigration Policies Are Insane"; "Not All Good Ideas Get Funded



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Any more”; “Regulations Are Killing Us”; and “Tax Payments Can Be the Difference Between Survival and Failure.” The gist of these chapters is that businesses are seeking people with the necessary skills (in particular those in science, technology, engineering and math, fields that collectively are commonly referred to as STEM) but are struggling to find and hire them. One problem is that there just aren’t enough kids majoring in these more challenging subjects. Another is that it can be difficult finding individuals with even basic, rudimentary skills in other fields. As one entrepreneur in Virginia put it, “When you go to hire, what about English? Kids can’t analyze, write, or communicate. We are creating a group of kids that are analytical and can focus on technology, but have no sense of the world, no sense of how to write, no sense of history.” Bottom line, per the authors, is that schools at all levels are failing to prepare kids for the realities of life in the 21st century.

One potential source of recruits for business and industry is foreign-born graduates of American universities, but, as Dearie and Geduldig point out, there are issues there as well. As a condition of acceptance, many of these graduates, including those with STEM skills, are forced to go back to their home country immediately upon graduation. For the remainder, applying for H-1B visas to work is a difficult, expensive, and lengthy process; plus, the demand for these visas often rapidly exceeds their supply, even when they are available. Any foreign applicant who gets and accepts a job offer is typically forced either to stay with the employer (often at an uncompetitive salary) or to start the H-1B process all over again, in a manner similar to applying for a green card. Further, despite the fact that talented and educated foreign entrepreneurs account for half of all startups in Silicon Valley, the authors feel that these individuals face too many hurdles just getting here to start a business. Obtaining funding can be difficult for them as well: both credit and venture capital have gotten tighter over the last several years, for a number of reasons. Moreover, although regulations and taxes are acknowledged to be not only necessary, but desired, for businesses to succeed (because they both allow for the rules of the game to be structured and enforced), they also can be the proverbial straw that breaks the back of new and struggling businesses.

Dearie and Geduldig point out that, in 2010, this environment created the fewest number of new businesses since 1977. Citing Bureau of Labor Statistics (BLS) data, they note that, 4 years after the Great Recession, America has nearly as many unemployed as it did during the depths of the Great Depression. In particular, BLS data from the Business Employment Dynamics program (which tracks job gains and job losses that are due to opening or expanding and closing or contracting establishments) show that the real generator of the new jobs created are new businesses. Citing other sources, the authors show that the decade of the Great Recession (2000-2010) saw the longest downturn since World War II and a flat employment base growth for the first time in at least seven decades.

The authors attribute the slow recovery to (1) inconsistent tax policies, which create uncertainties that make planning and executing a strategy for new businesses difficult and (2) layers of regulations (many of which are outdated), which stretch from local government to the federal level and tie up hours and resources that could be put to more productive use. As a result of these impediments, international competitors (especially Canada and the United Kingdom) are attracting larger and larger numbers of entrepreneurs because their environments are more conducive to funding and setting up shop there than in the United States. The authors concede that regulations had the best of intentions, but maintain that they have not had the intended results. To improve the business environment, Dearie and Geduldig suggest a regulatory environment that gives preferential treatment to new businesses and requires third party review.

It behooves us as a nation to encourage entrepreneurs and to create jobs. Other countries are finding ways to do this. We need to do the same. Throughout the course of the book, the authors make several recommendations for overcoming all sorts of obstacles. *Where the Jobs Are: Entrepreneurship and the Soul of the American Economy* provides an excellent job describing the conditions that created the Great Recession and suggesting practical solutions for a path forward. I recommend it strongly.