

Lansing State Journal

Lansing, Michigan · January 27, 2016

Work Still to Be Done for Small Businesses

By Charles Owens and Alfredo Ortiz

According to the president's State of the Union Address, the American economy is back. But saying it doesn't make it so. While it's true that the top-line unemployment rate is at a historical low, so is our labor force participation rate. The reality is that Main Street is still struggling. Despite modest improvements from the depths of the Great Recession, small businesses are still operating in a purgatory between recession and recovery.

The National Federation of Independent Business's small business optimism index paints a bleak picture. It has been stuck below its historical average of 100 for nearly every single month since 2007. According to NFIB Chief Economist William Dunkelberg, "Prospects for dealing with tax reform, the rising cost of health care and the flood of capital-devouring regulations are dim. This will continue to depress growth ... into 2016."

New national polling commissioned by The Job Creators Network of over 400 small business owners shows a similar outlook on the state of small businesses and the hurdles they face diverge from that of the political class. Only one in five respondents said that they plan to hire additional employees over the next year. And,

fewer than one in three said they expect next year to be easier to do business in than the last.

According to Census Bureau data, the annual number of new enterprises – a widely used proxy for entrepreneurship – has only barely recovered from Great Recession levels. In Michigan, there were 16,885 enterprises created in 2013 (the most recent data available), more than 6,000 fewer than the 23,171 created as far back as 1977. Adjusting for population growth makes this stagnation even more pronounced.

The NFIB and JCN data also shed light on the reasons behind Main Street's ongoing struggles. Half of all respondents say high taxes and over-regulation are their biggest hurdles – significantly more than any other impediment they face. Two-thirds of respondents said tax rates and tax complexity threaten the viability of their businesses. And over 60 percent of respondents said the same for regulations.

While Michigan has done a good job at avoiding new regulatory challenges and improving the tax climate, federal labor regulations to increase the minimum wage, lower the overtime threshold, and consider franchisees "joint employers" with their

franchisors, for instance, are driving up the cost of hiring employees. This overreach will only end up hurting our youth and those who need these jobs the most. Federal energy regulations like the Clean Power Plan and the Mercury Air Toxic Standards drive up the costs of keeping the lights on. No amount of rose-colored rhetoric will change this cold-hearted economic reality.

NFIB will be working to bring voice to these small business challenges at all levels of government. At the same time, JCN will be launching a new campaign called Bring Small Businesses Back. It will work closely with real small business owners to identify the specific taxes and regulations that are having the most pernicious impact, and back legislative solutions to address them.

Ultimately, the efforts of NFIB and JCN seek to turn the rosy picture of the American economy laid out at the President's State of the Union address into reality.

Charles Owens is the Michigan State Director for the National Federation of Independent Business, a small business advocacy group. Alfredo Ortiz is President and CEO of Job Creators Network.