

Don't Forget Small Business Challenges During Small Business Week

By *Alfredo Ortiz*

This week is National Small Business Week, an annual celebration of the country's small business entrepreneurs. And there is a lot to celebrate. Small businesses are the backbone of the American economy.

It's easy to forget about the contributions of small businesses amid the focus on companies that are "too big to fail." In addition to being on the cutting edge of product and service innovation that keep our costs low and standards of living high, small businesses employ half of all private sector jobs and two-thirds of all new jobs. In reality, it is small businesses that are too big to fail.

The failing of U.S. small businesses is not a hypothetical concern. The rate of business starts is hovering near the lowest level in recorded history on a per capita basis. More businesses closed than were opened at the beginning of this decade for the first time in a generation.

A recent Job Creators Network national poll of small business owners finds that only one in five respondents plan to hire additional employees over the next year and only around one-quarter believe that the next year will be easier to do business in than the last. A 2015 Bank of America poll of small business owners finds that only one in five respondents have completely recovered from the Great Recession. Small business optimism remains at secular lows.

Like the economy as a whole, then, it's clear that small businesses are still operating in a purgatory between recession and recovery. This sad reality shouldn't be overlooked in the festivities of National Small Business Week.

In order to identify the ongoing challenges that small businesses are facing and identify solutions to overcome them, the Job Creators Network launched its Bring Small Businesses Back campaign earlier this year.

The campaign has discovered that small businesses are being stifled by overregulation, overtaxation, and lack of access to credit. Two-thirds of respondents to the national poll said that overtaxation threatens the viability of their businesses, while three in five said the same about overregulation. Overtaxation and overregulation disproportionately hurt small businesses because they generally do not have the resources to contend with them as big businesses do.

What does this mean specifically? Numerous new and proposed labor regulations like minimum wage increases, new overtime pay thresholds, and paid leave requirements threaten to eliminate the single-digit profit margins of small businesses, eliminating the businesses with them. Just as importantly, they also reduce job opportunities for entry-level jobseekers that would allow them to build skills so that they can quickly transition into highly paid careers.

The National Labor Relations Board's "joint employer" rule would upend one of the most successful small business models in history: the franchise model. The rule would treat franchisors as joint employers with their franchisees, meaning that they would be liable for the thousands of daily decisions of what are essentially independent small businesses and less willing to take a chance on an untested upstart looking to pursue this time-honored ticket to the middle class.

Meanwhile, the Dodd-Frank financial regulations have disproportionately hurt community banks, which are disappearing at a rate of one per day, reducing small business' traditional credit option. And, small businesses are facing one of the highest and most complicated business tax burdens in the developed world.

So while we celebrate small businesses this week, we must also take a sober look at the challenges that are holding them back and identify solutions to address them. That means taking concrete steps to reduce their regulatory, tax, and credit burden. Ultimately, policymakers and the public must recognize that it's actually small businesses that are the ones that are too big to fail.

Alfredo Ortiz is the president and CEO of the Job Creators Network.