

Entrepreneurship & Creating Small Business Jobs

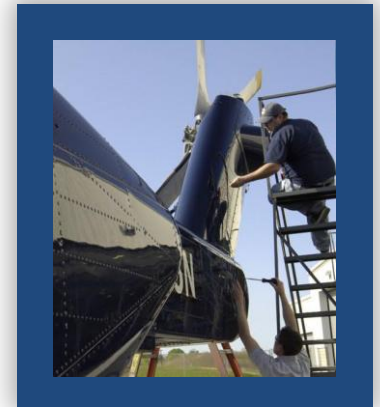
Brookings Institution

November 15, 2011



Small Businesses Drive the Economy

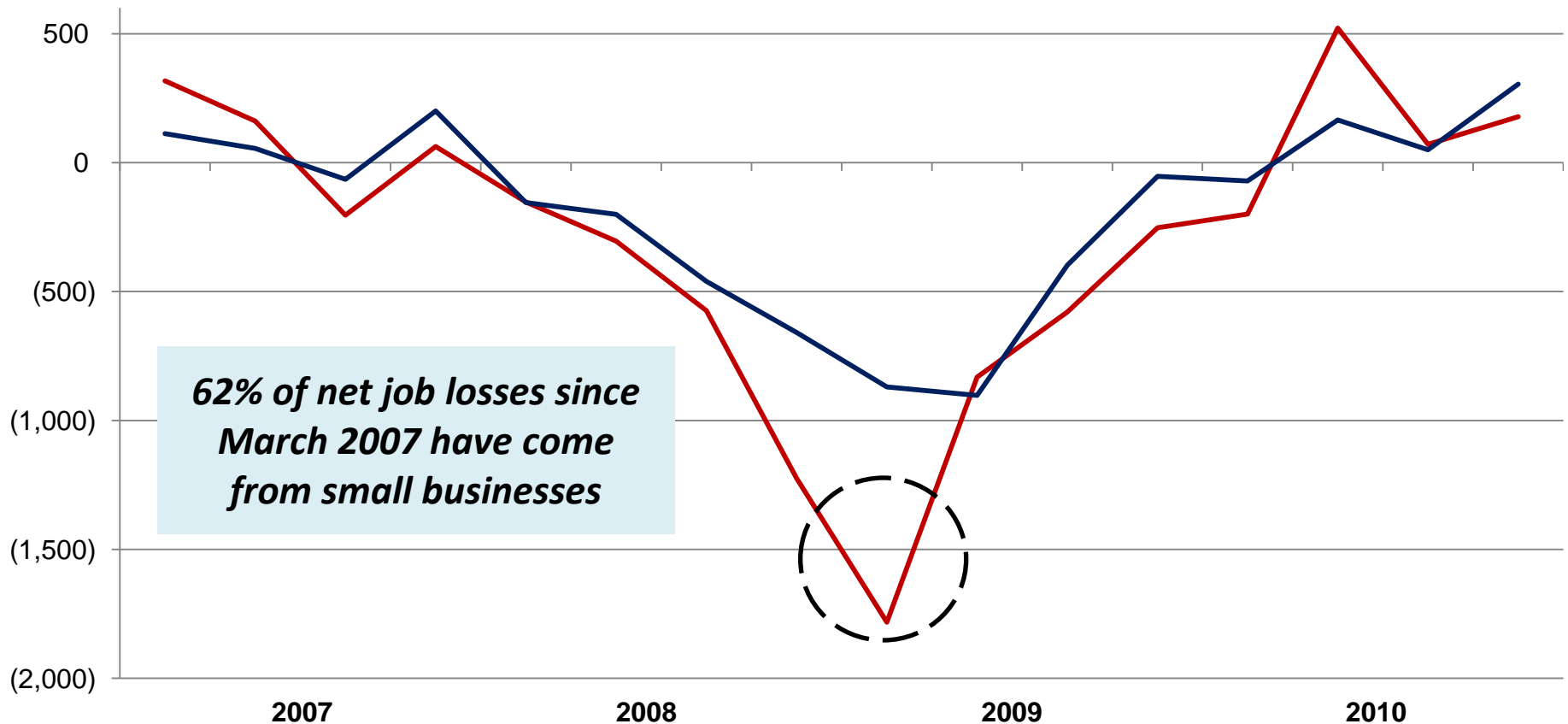
- ***~28 million in U.S.***
- ***Account for about half of U.S. private sector payroll***
- ***Created ~65% of net new jobs over the past 15 years***



Small Businesses Hit Harder, Still Recovering

Employment by firm size (quarterly)

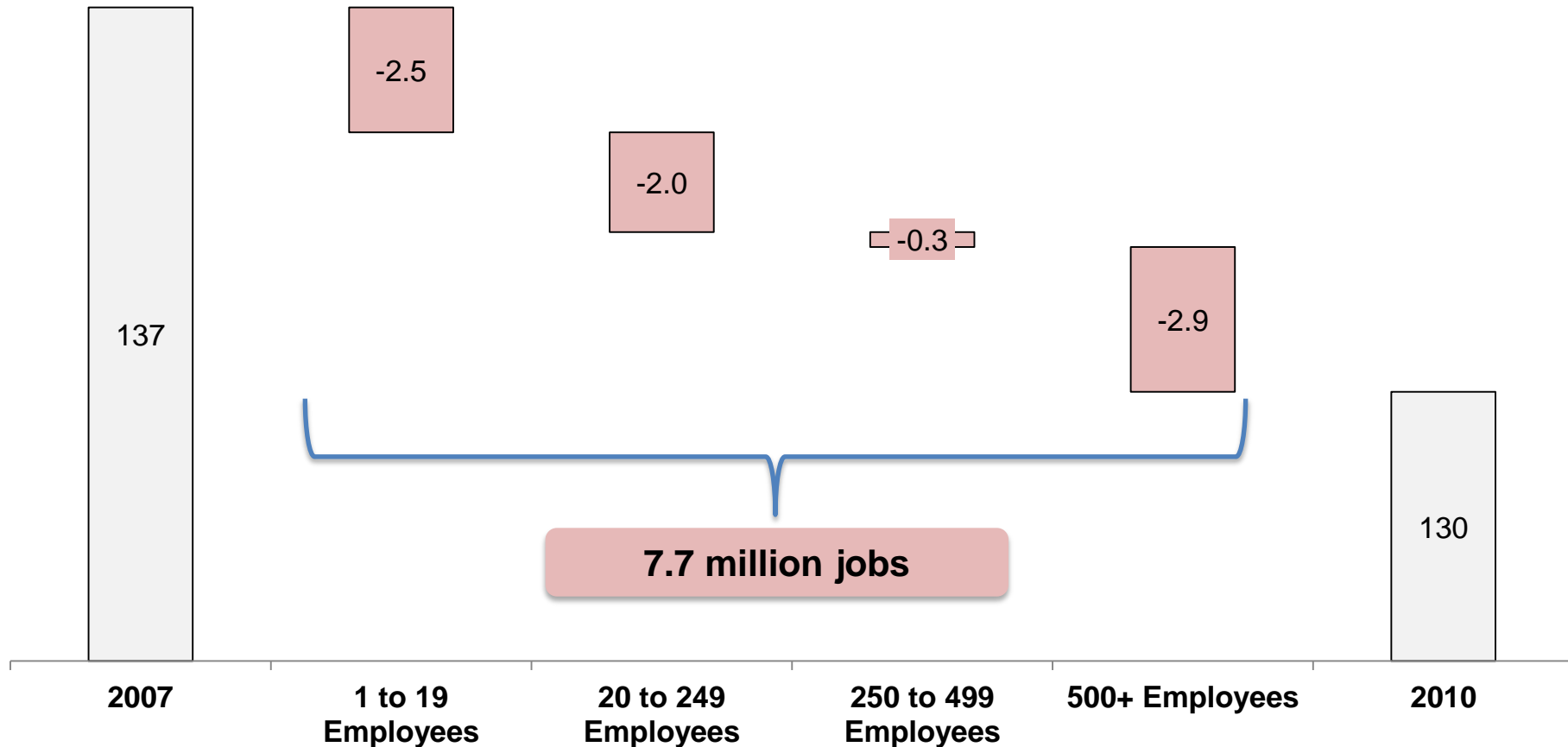
— Small Businesses
— Medium / Large Businesses



62% of net job losses since March 2007 have come from small businesses

32% of net job loss from smallest businesses

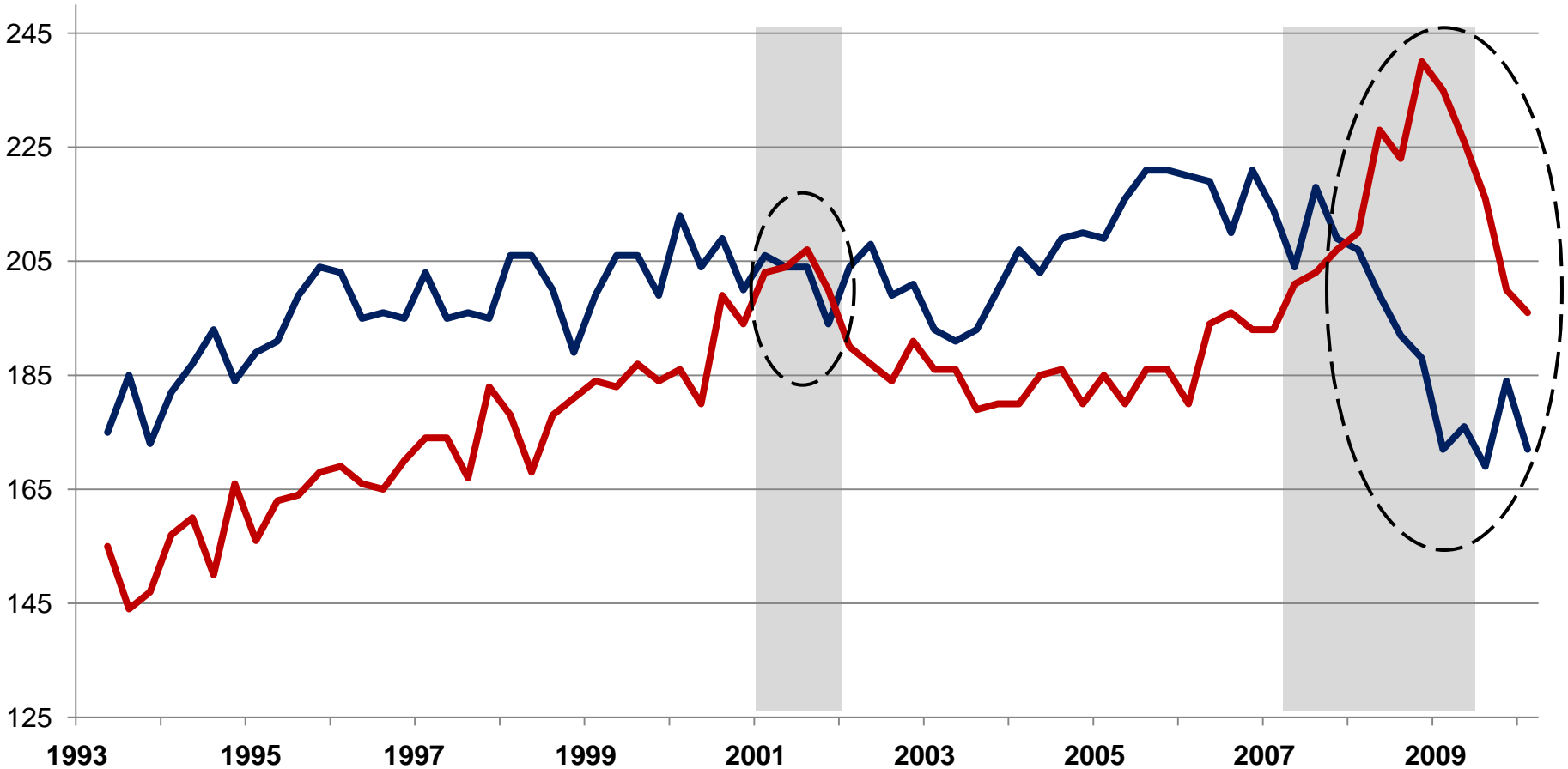
Net Job Losses by Firm Size (millions)



Gap: Business Failures Exceeds Births

Establishment births and deaths (thousands)

- Business Births
- Business Deaths
- Recession



Source: Bureau of Labor Statistics; Quarterly Data

New Business Starts Down 100,000

Establishments less than 1 year old (thousands)

The decline caused by 2007 Recession led to 1.8 million jobs that were not created*



* McKinsey Analysis

Source: McKinsey & Company, Bureau of Labor Statistics.

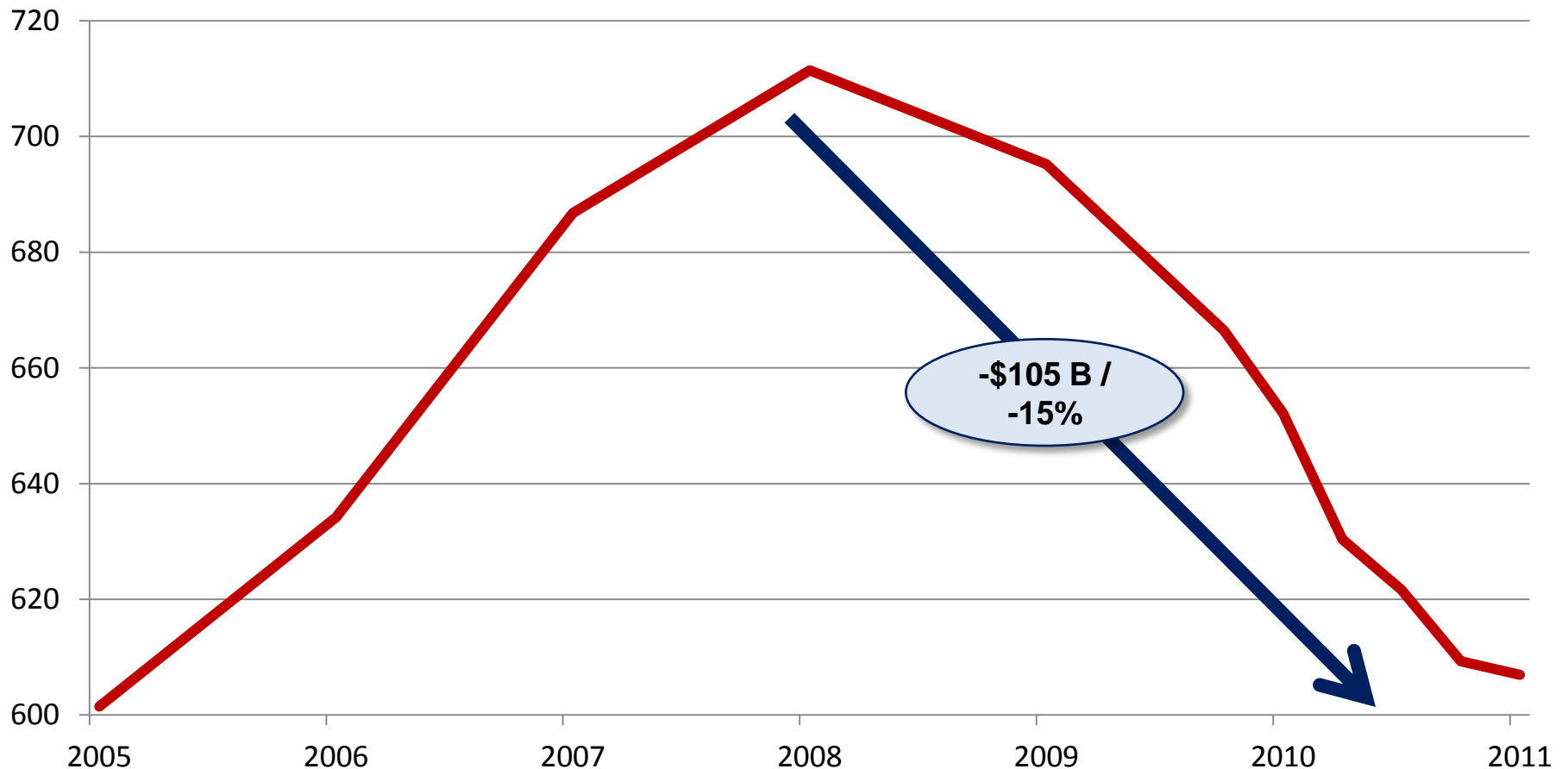


SBA: Putting capital in the hands of small businesses

- ***\$90 billion in outstanding SBA Loans with 5,000 of 7,000 banks using SBA supported loans***
- ***\$11 billion in outstanding growth capital through ~150 Small Business Investment Companies***

Small Business Loans Decreased \$105 billion

Small Business Loans (billions)

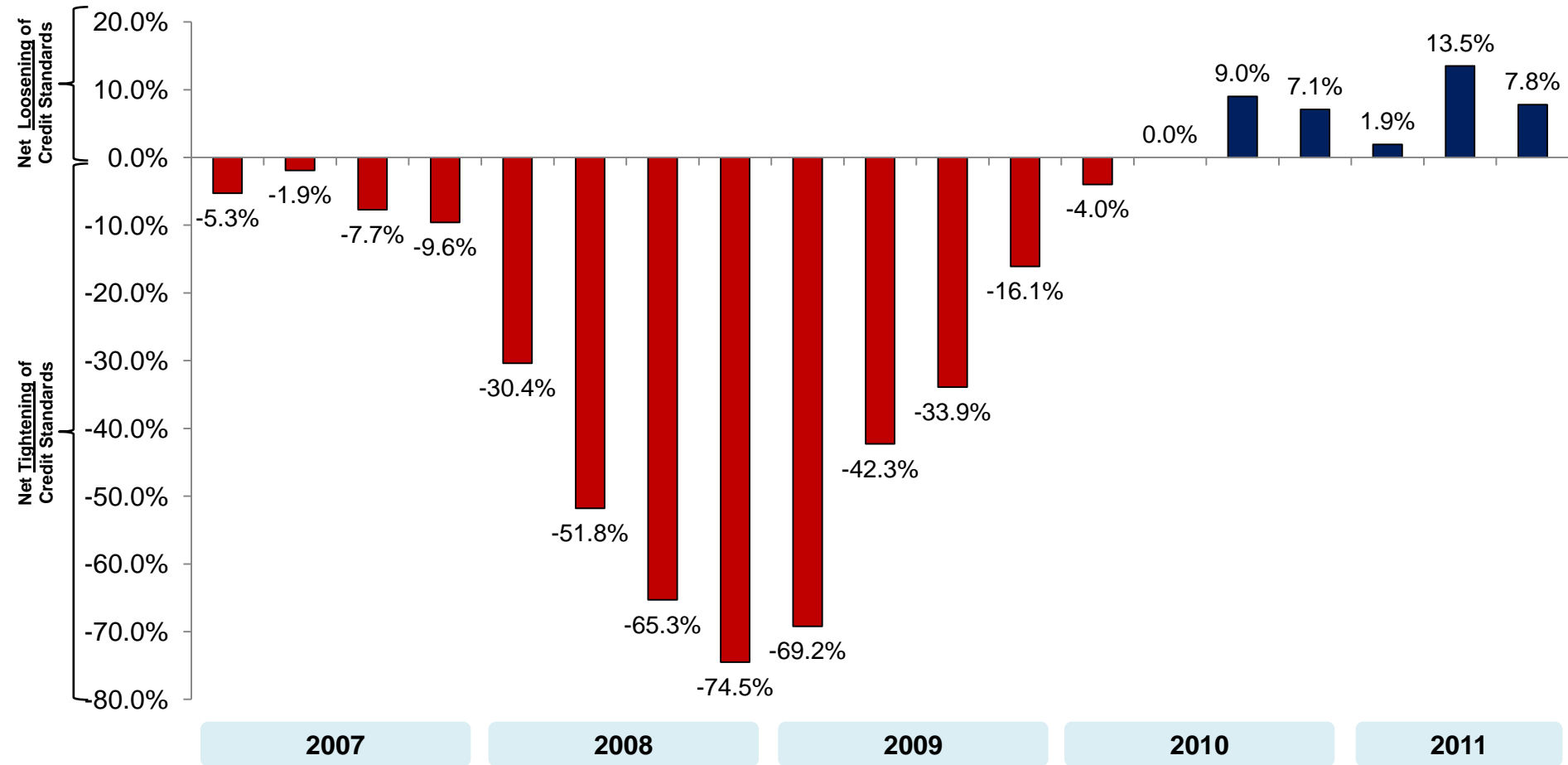


Note: Refers to outstanding small business loans (e.g., on balance sheet) of <\$1 million

Source: FDIC Call Report Data

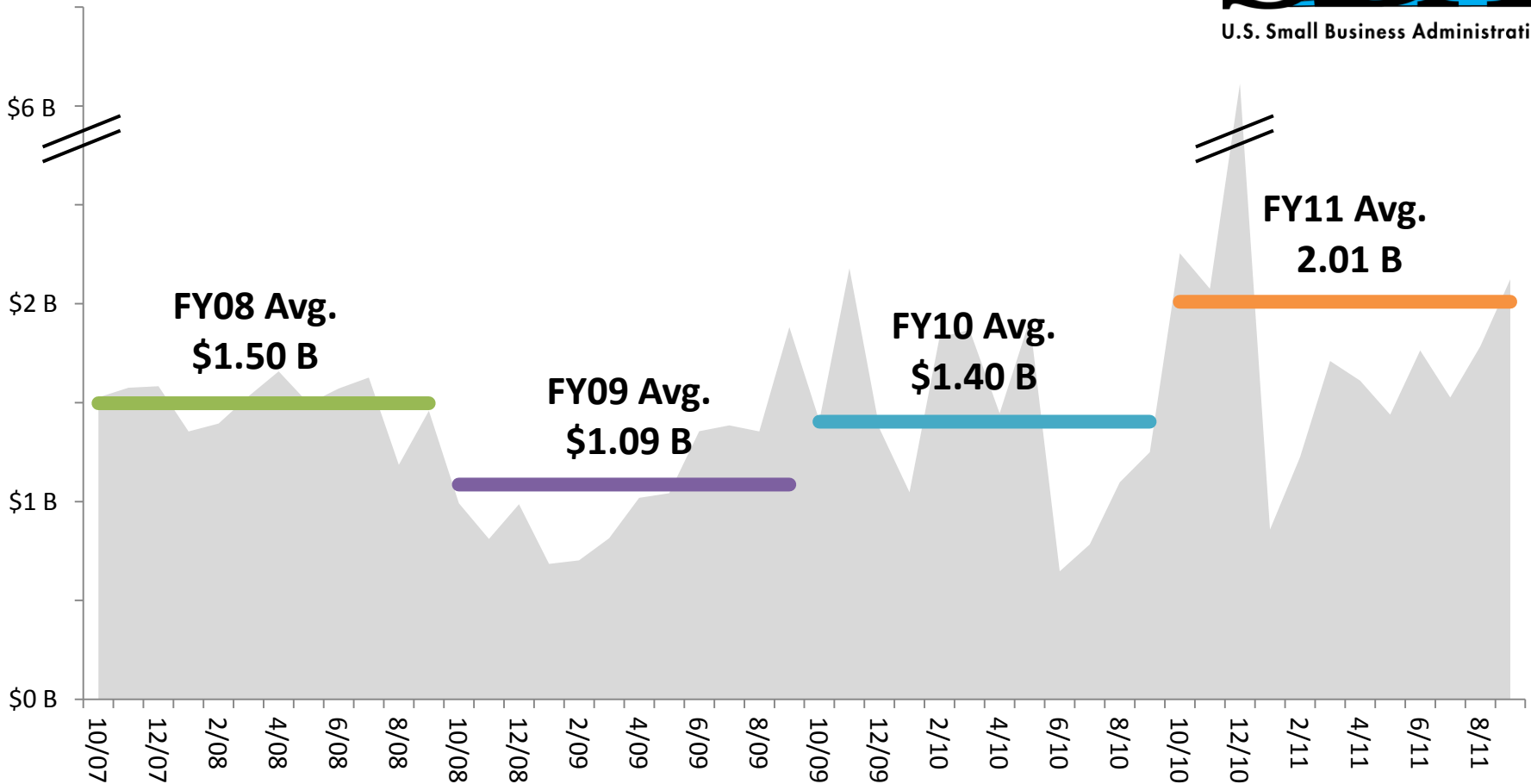
Credit Standards Tightened Starting in 2007

Net Loosening of Small Business Credit Standards by Bank Loan Officers



\$30 B: All-time record in SBA Lending (FY 2011)

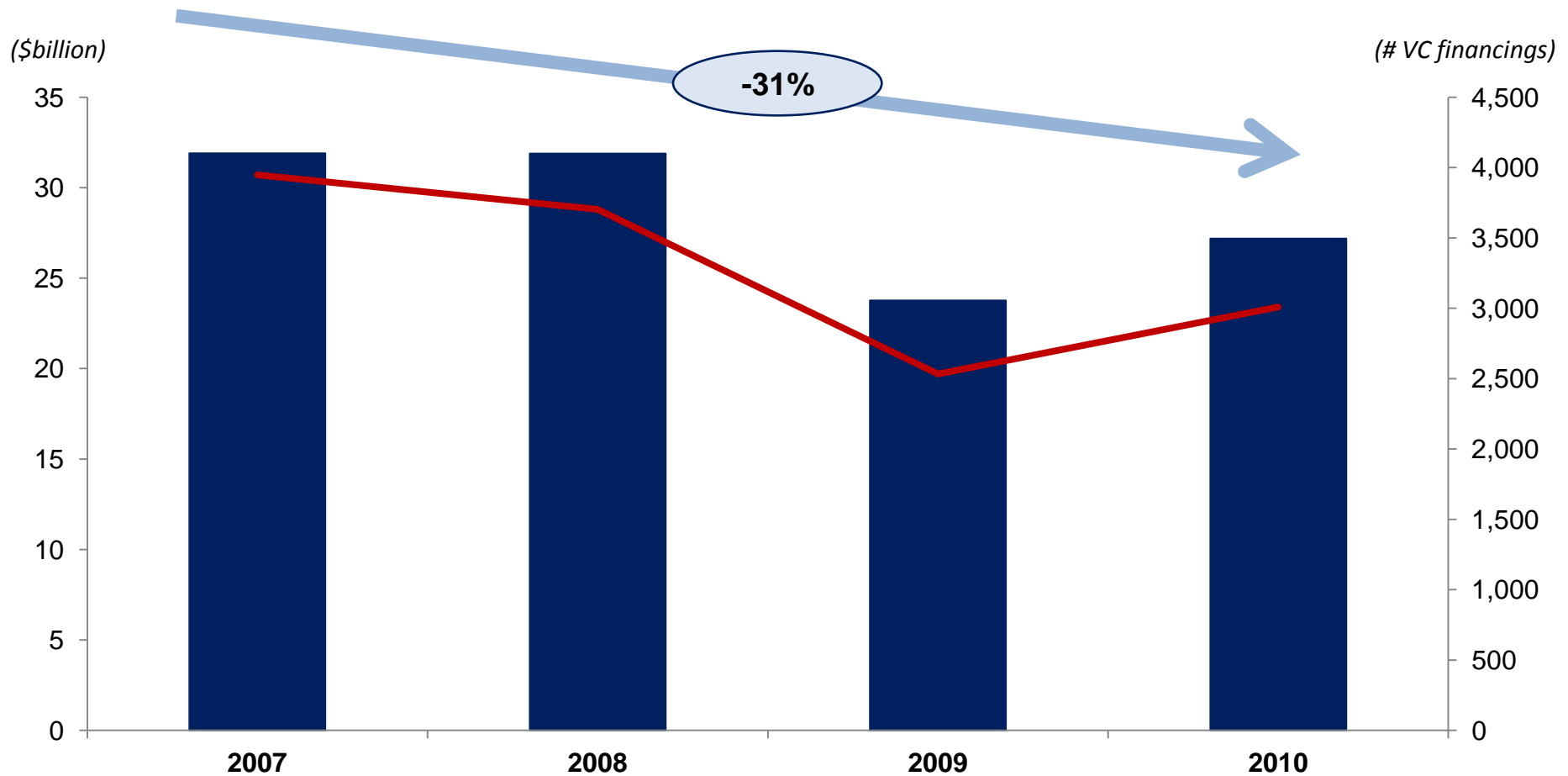
SBA Monthly loan volume (gross dollars)



Decline in VC Fundraising, Startup Investment

Total Venture Capital Investments
Number and Dollar of Investment

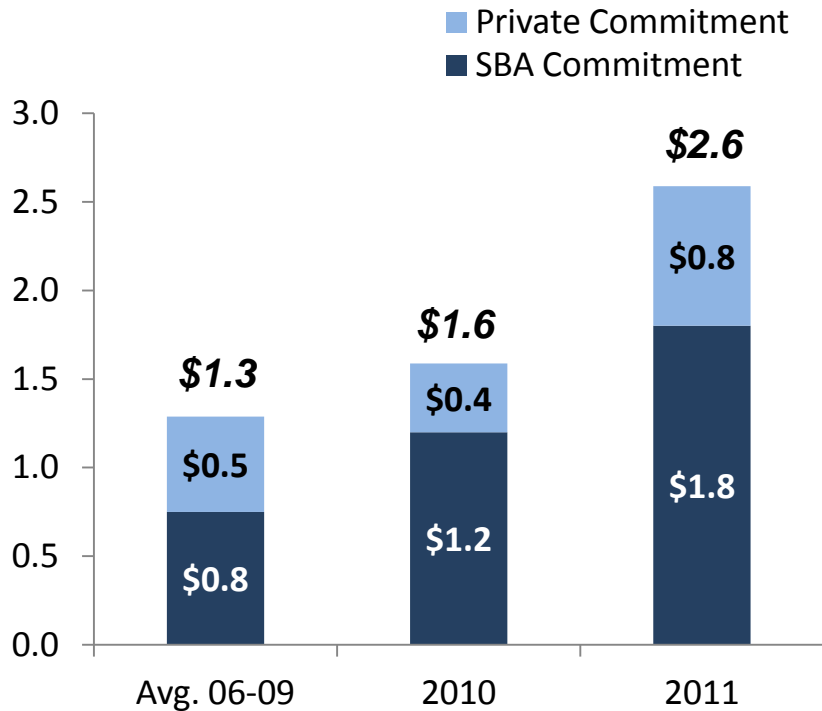
■ Number of Financings
— Dollars (Billions)



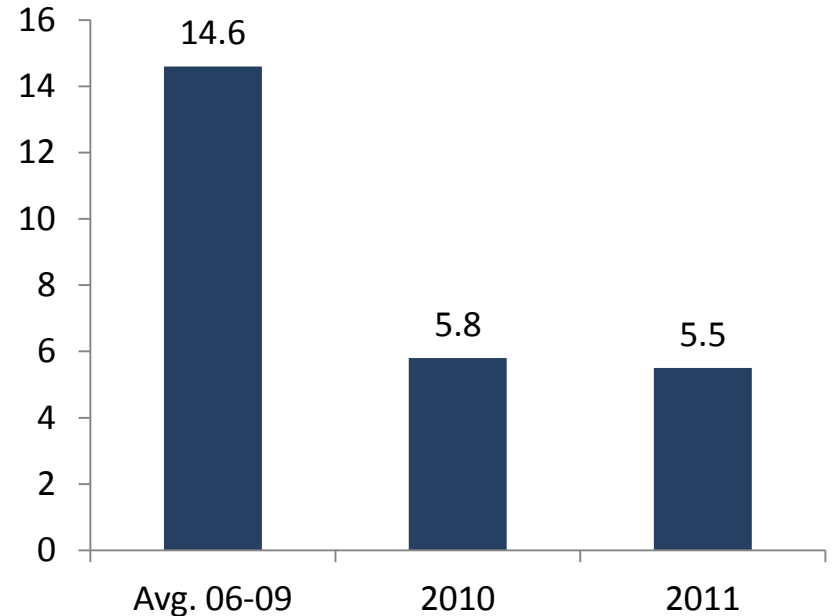
Source National Venture Capital Association

\$2.6 B: All-time record in SBIC Commitments

Loans to Small Businesses (billions)



Licensing Time (months)



Over 1,000 businesses financed; 22 new funds licensed

Where Will New Jobs Come From?

1

Main Street Small Businesses

2

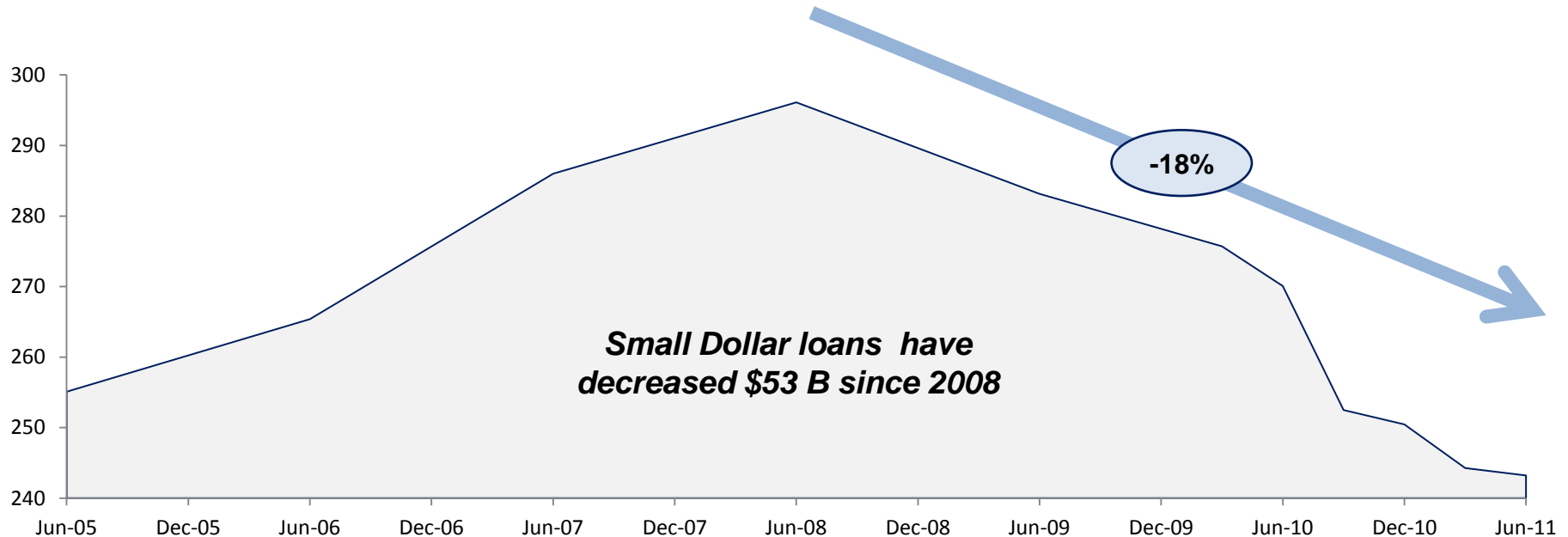
High Growth Businesses

3

Small Businesses in Supply Chains

1 *Main Street gap: small-dollar, underserved*

Small Dollar Loans of less than \$250,000 (billions)



...How can we increase points of access to capital for Main Street, especially underserved communities?

1 ***Provide “More Doors, More Dollars”***

Community Advantage

- ✓ ***Streamlined paperwork on small loans***

CDFIs / CDCs

- ✓ ***Allow high-touch, community-based institutions into SBA lending for the first time***

Microloans

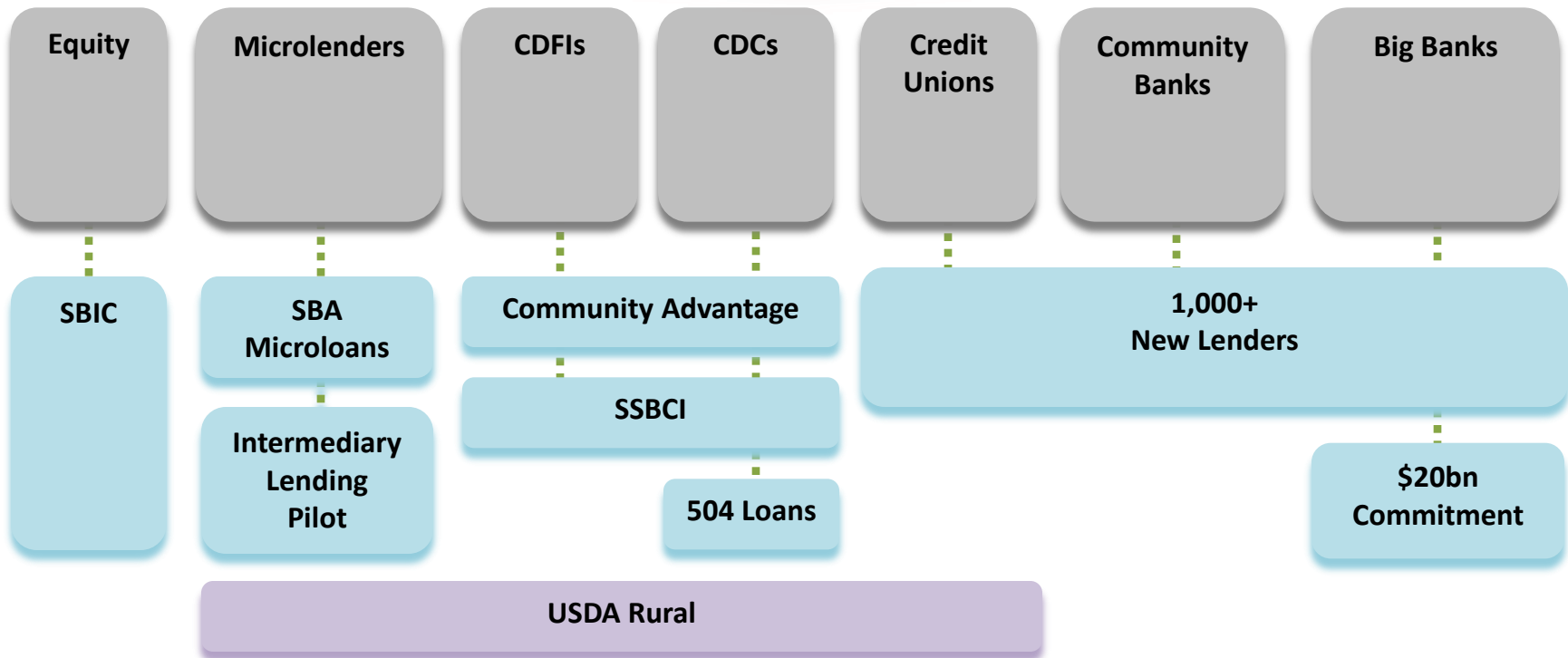
- ✓ ***Strengthen network of microlender intermediaries***

Big Bank Commitments

- ✓ ***13 top U.S. banks – \$20 B in incremental small business lending commitments over next 3 years***

1 Filling the Gap by Leveraging Existing Programs

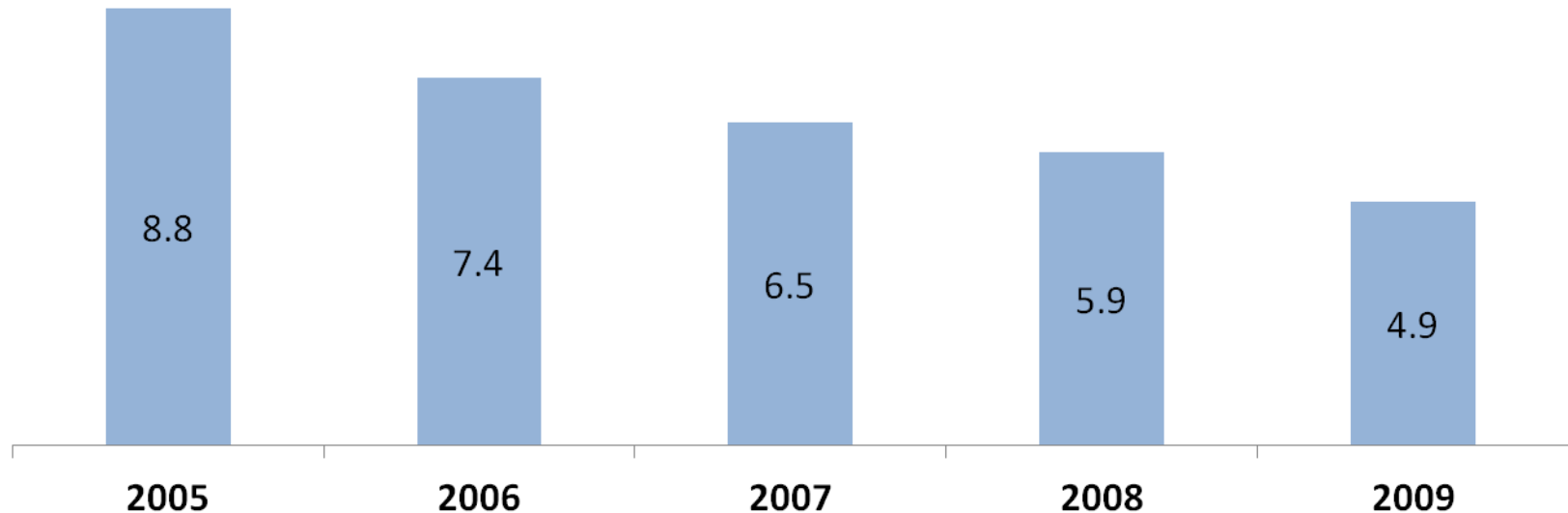
Access to Capital Partnerships



2

Entrepreneurship rates are down

Nascent Entrepreneurship Rate
Percent of 18-64 year old population



High-growth firms create nearly all net new jobs. What can we do under existing authority, budget constraints?

2

Startup America, “We Can’t Wait”

Capital

- SBIC Impact Fund** ✓ \$1 billion committed (Michigan first fund)
- SBIC Early Stage Fund** ✓ \$1 billion committed (Starts 2012)
- Crowd-Funding** ✓ More flexibility on IPOs, crowd-funding from SEC

Counseling

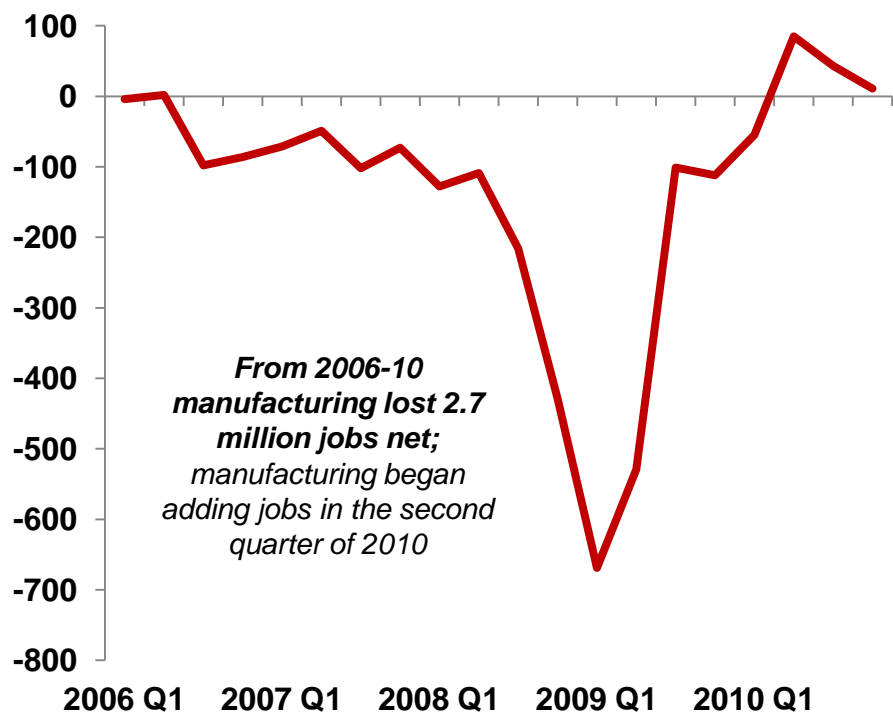
- Entrepreneurial Mentor Corps** ✓ Coordinate Regional Accelerators; Startup America
- Youth Entrepreneurship**
 - ✓ Loan Deferment (Income Based Repayment)
 - ✓ Young Entrepreneurship Series

Innovation

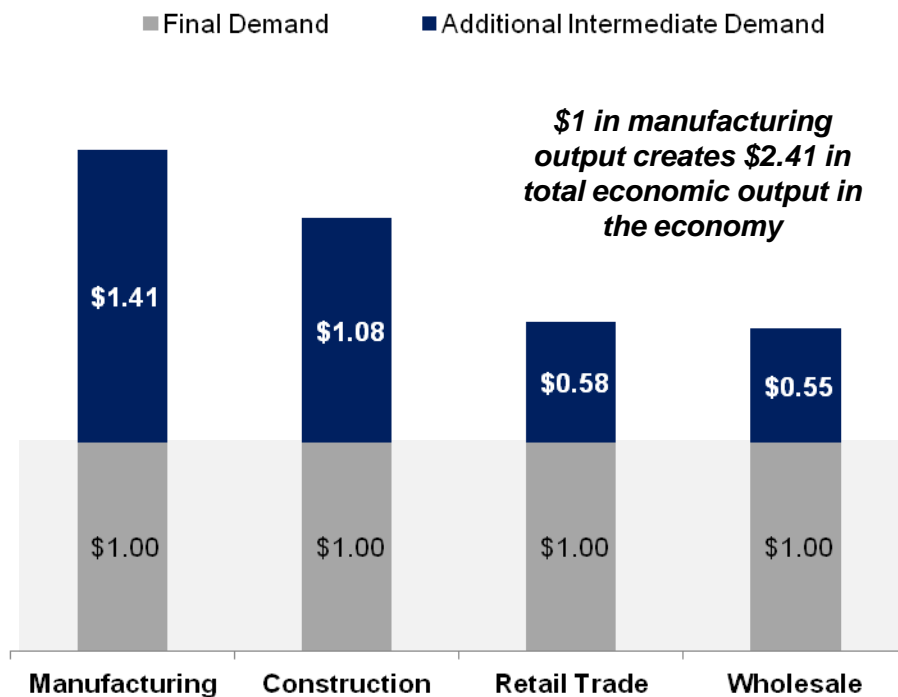
- SBIR 2.0** ✓ Centralized web site for 11 agencies (\$2.5 B in annual grants/contracts)
- Patent Reform** ✓ 12-month fast-track option, reducing backlog
- Federal Lab Commercialization** ✓ Presidential memo: 5-year plans to speed commercialization, streamline grant process

Support and Strengthen Small Businesses in Supply Chains

Net Change in Manufacturing Employment (Thousands)



Economic Multiplier by Industry (Intermediate Demand)



...How can we strengthen small manufacturing businesses?

3

Better Tools: Working Capital, Counseling

Capital

SBA CAPLines

- ✓ *Low cost working capital tools for small contractors, sub-contractors*

Counseling

Skills for America's Future

- ✓ *Supporting development and training to fill skills gap in advanced manufacturing*
- ✓ *Partnership with National Association of Manufacturers*

Revenue Generation

Federal Quick-Pay

- ✓ *Presidential call for agencies to pay small business contractors in 15 days (down from 30)*
- ✓ *Puts billions of dollars in the hands of small businesses quicker*

Supplier Connection

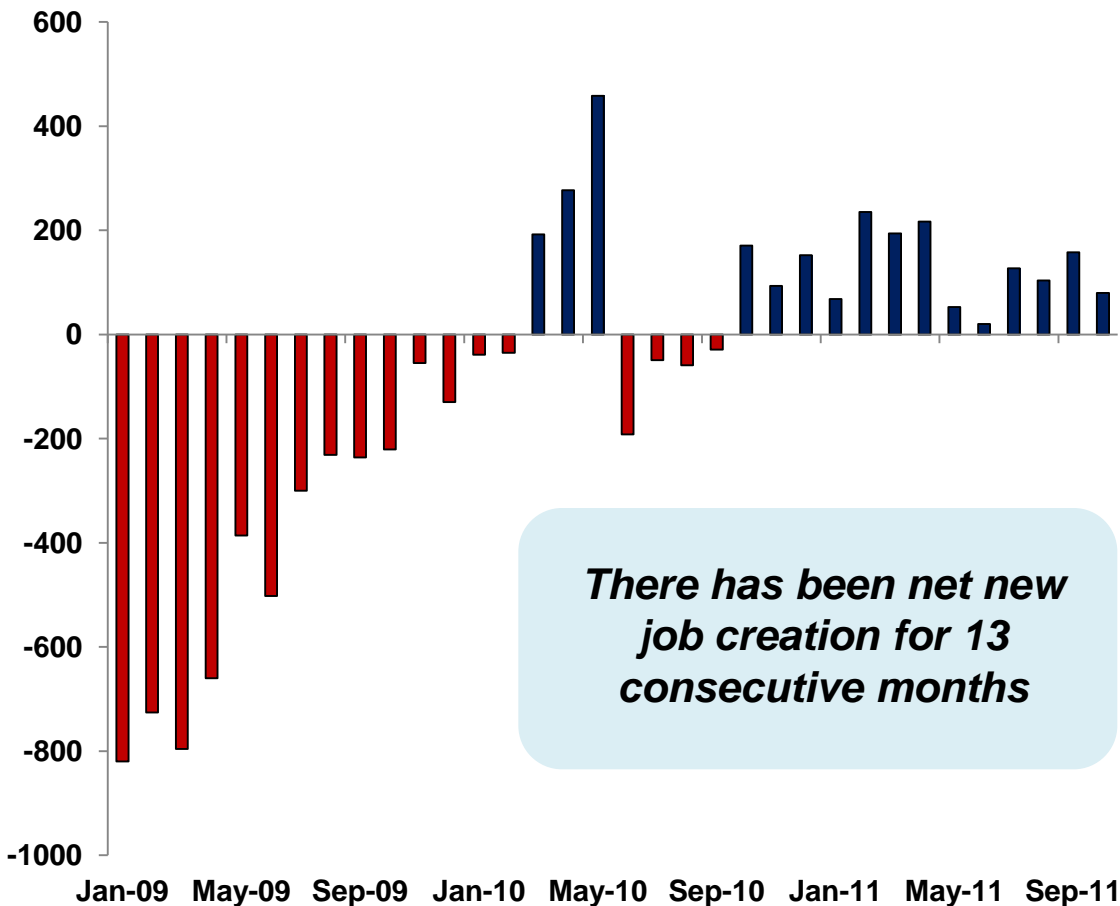
- ✓ *Match-making portal that links top U.S. firms with innovative small suppliers*
- ✓ *Partnership includes IBM, Citigroup, Pfizer, Bank of America and others*

Small Business Exports

- ✓ *\$30 M State Trade Export Promotion Grant Program*
- ✓ *Strengthened SBA International Trade Loan programs*

Closing Thoughts

Monthly Net Employment Change Thousands



- Leveraging **public-private partnerships** is key
- **Maximizing existing resources** to support America's Entrepreneurs

There has been net new job creation for 13 consecutive months