

View America's Microbusinesses as the Potent Job-Creation Agents, Financial Equalizers They Are

By Connie E. Evans

A new report from the Association for Enterprise Opportunity (AEO) paints a panoramic picture of America's 25.5 million microbusinesses. The report, ***Bigger than You Think: The Economic Impact of Microbusiness in the United States***, asserts the nation's smallest enterprises are power centers that can resuscitate the nation's economic and employment health.

The report summarizes an acute two-year study of the characteristics and participation habits of microbusiness owners, and factors that indicate their likely success. The findings are a timely and much-needed comprehensive look at the nation's smallest enterprises.

Microbusinesses, enterprises with five or fewer employees, are the heart of Main Street USA, and their significance to the U.S. economy is irrefutable. In 2011 for example, 92 percent of U.S. businesses were microbusinesses, and generated approximately \$4.87 trillion annually for the U.S. economy.

Report data also show microbusinesses, although small, in the aggregate, have a significant influence on job creation by contributing to the employment of 41.3 million individuals — this represents 31 percent of private sector employment.

Microbusinesses create a plethora of economic impacts, and create salutary effects on families that cut across racial, ethnic, and gender lines. These small-but-mighty enterprises are a practical option for people of color, unemployed persons, and persons 50+ to attain self-sufficiency amidst a mercurial labor market, and as long-term job stability becomes more elusive.

This is especially true for women and persons of color.

For instance, microbusinesses allow their owners to accumulate a median net worth of nearly 2.5 times higher than non-business owners. For a Latino man, the difference is five times higher for business owners compared to non-business owners. For an African-American woman, the difference is more than ten-fold.

In this way, microbusiness ownership creates an economic lifeline for underserved and underrepresented families and children, those who are historically disenfranchised, and all too often vulnerable — and forgotten — due to systemic economic and social disparities.

For all their worth, many microbusiness owners lack access to fairly-priced capital and services to build enterprises — enterprises that could add jobs to their communities, and revive sluggish local economies. AEO has found that the major constraint limiting microbusiness growth— especially for women- and minority-owned businesses — is inadequate capital.

Main Street microbusinesses must be equipped for success so they can start, grow and hire.

While financing may not be necessary to start a microbusiness, capital is essential for business growth. If entrepreneurs cannot acquire capital and other resources to start or expand, the heartbeat of Main Street USA slows, jobs are not created, the vibrancy of communities dim, and the wealth chasm widens.

Microbusinesses make a much larger impact than they get credit for, and should be a vital strategy to any solution for reinvigorating and sustaining broad-based economic growth. They are worthy of staunch advocacy for increases in financial investment and policy support.

And as they create jobs, microbusinesses raze wealth gap barriers for the underserved. It is time that we see microbusiness for the valuable conduit — out of unemployment, out of poverty and away from the ripple effects of economic disparities — that it is.

The writer is president and CEO of Association for Enterprise Opportunity (AEO), the voice of microbusiness in the United States.