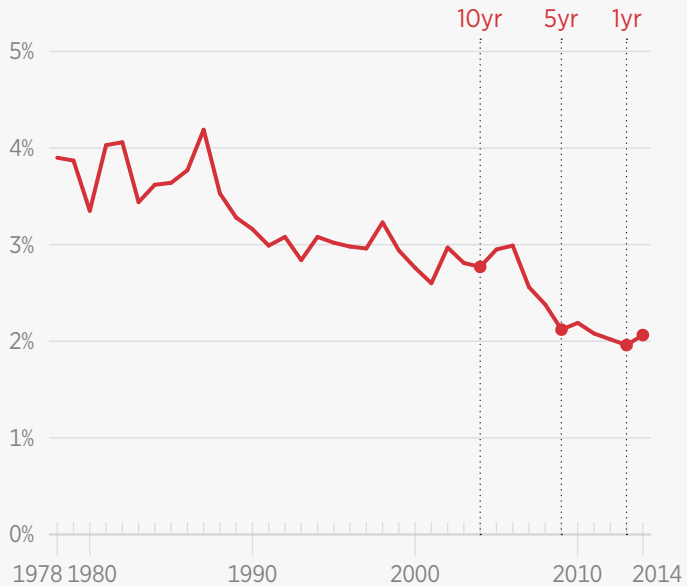


Start-Up Job Share

From 2004 to 2014, the percentage of Americans working at start-up companies dropped 0.7 percentage point, from 2.8 percent to 2.1 percent.

NOTE: A start-up is defined as a firm that is less than one year old.
SOURCES: U.S. Census Bureau, Business Dynamics Statistics, and Heritage Foundation calculations.

START-UP JOBS AS A PERCENTAGE OF TOTAL PRIVATE-SECTOR EMPLOYMENT



Can America Regain Its Entrepreneurial Mojo?

Karen Kerrigan

Entrepreneurship and new business creation are critical to a dynamic and growing economy. Healthy startup activity yields exciting innovations, new choices in the marketplace, and employment opportunities for Americans. Communities, families, and other local businesses are uplifted by startups that successfully scale to mid-size and large firms.

Nevertheless, startup activity in the U.S. is struggling, which means that the positive activity generated by these firms is simply not happening. While the drop in startups has been occurring for some time, the past decade has been hit by poor to weak economic conditions and a long stretch of policy uncertainty from Washington. The combination has not fostered the confidence or climate

needed to restore high levels of entrepreneurial risk-taking.

According to various measures of entrepreneurship and business activity, the U.S. has suffered a dramatic decline in both entrepreneurship and the number of firms over the past near-decade. According to an October 2016 “Gap Analysis” by my organization, the Small Business and Entrepreneurship Council, the U.S. economy is “missing” 3.7 million firms and startups based on a combination of the most often cited self-employed and employer firm data.¹

Obviously, the lack of these startups—or businesses never created—is devastating for our economy. Fewer startups mean fewer job opportunities. A diminished pool of startups

means there are fewer businesses with growth potential that can scale to create quality jobs for local communities and our nation. Because the lion's share of innovation comes from startups and small firms, America's innovative capacity and competitiveness also suffer.

Policies that encourage greater economic growth and capital formation will help to create the positive conditions that are needed to strengthen confidence and therefore more risk-taking by individuals, but are policies alone enough? Is America's entrepreneurial culture in an irreversible state of decline?

Entrepreneurship has long been viewed as part of America's DNA and embedded in our culture, but how young students view the idea of starting a business should also be monitored more closely. The 2016 Gallup–HOPE Index, which “quantifies the energy of America's youth,” finds a declining interest in the number of young students who say they want to start their own businesses.² On top of this, startups owned by millennials have reached a 24-year low for those 30 years old and younger, according to a report by the Federal Reserve: 3.4 percent of people 30 years of age and under owned a business in 2013 versus 10.6 percent in 1989.³

Thankfully, there is some positive news from the Gallup–HOPE Index. Young students from lower-income families were much more likely to say they want to start a business. Our educational system needs to support these

students who express such bold aspirations. Successful entrepreneurs and mentors can help to design modern and specialized programs to enhance these students' knowledge and enable their dreams. In general, our educational institutions need to play a role in exposing young people to business ownership and providing them with the skills and experiences for successful entrepreneurship.

Other nations have worked hard to embed America's culture and best practices for developing ecosystems that encourage and support entrepreneurship. Many now outpace the U.S. in startup activity. Scores of emerging economies that I have visited to provide training and policy solutions have made entrepreneurship a national priority, and it is paying off. Yet our elected officials do not seem to recognize the severity of our problem.

America is strong when our startup activity is strong. Quality job growth, innovation, the opportunity for financial success, and strong economic growth all depend on entrepreneurship. Rebuilding America's entrepreneurial spirit will require institutional, political, policy, and personal support. We can easily get our entrepreneurial mojo back. We just need the commitment of leaders across this nation to make it happen.

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