

Supporting Small Businesses to Do Well and Do Good in the 21st Century

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Introduction

A thriving, inclusive economy depends on the success and growth of small businesses. Nearly half of all workers are employed at a small business.¹ Businesses owned by women and people of color are leading the charge in new business starts, fueling the national economic recovery, and creating 1.3 million new jobs between 2007 and 2012; Black, women-owned businesses are the fastest growing segment of businesses nationally.²

Not every small-business owner is a great employer. But many small-business owners are mission-driven, committed to providing good jobs in their communities. More and more business owners and entrepreneurs are interested in building

mission-driven businesses that give back to their workers and local communities, as well as turn a profit. Small, local businesses oftentimes hire people from their community who may face barriers in the broader labor market and provide a supportive environment for their employees and customers alike in low-income neighborhoods. Polls show that the majority of small businesses support policies to provide paid sick days and raise the minimum wage, in recognition of the need to provide good jobs that lift workers out of poverty.³ Businesses that do provide these benefits enjoy higher worker and customer loyalty, a positive work environment, and reduced costs from lower employee turnover and higher worker productivity.⁴

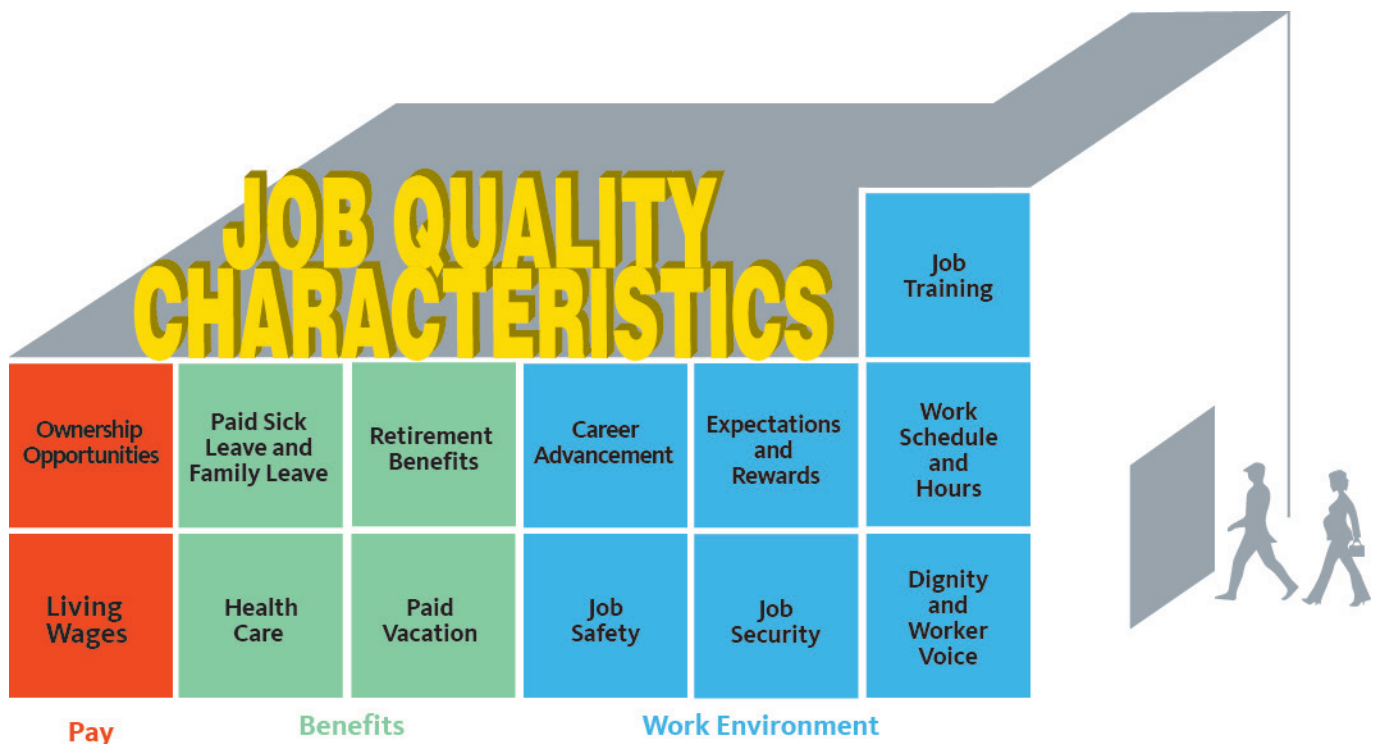
But small businesses face unique and disproportionate challenges to providing good jobs. More often than not, the business ecosystem and policies and regulations make it harder, not easier, for small businesses, workers, and their communities to thrive together.

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Some of the smaller retail companies we work with, they have a pretty high turnover. With some better practices, they might be able to keep [their workers] longer.

Executive Director of a Community Development Financial Institution

What makes a good job will vary across industry, occupation, business size, and ownership structure. Here are commonly cited characteristics of a quality job.



Barriers to Providing Good Jobs

Small businesses face a number of barriers to providing good jobs.

- **Knowledge gap.** Small-business owners are constantly juggling myriad systems—payroll, operations, accounting, inventory, taxes, marketing, and more. While many business owners acknowledge that a positive working environment and good jobs are vital to the success of their company, there is a dearth of resources available to help them achieve this, whether in the form of a toolkit, mentors in the field, or technical assistance experts to help with business planning. Further, as more and more cities and states pass new laws that raise the floor for low-wage workers—such as paid sick days, fair scheduling, and increased minimum wages—some small businesses may need education, assistance, or enforcement to come into compliance with these policies.
- **Short-term costs.** While some aspects of providing a good job—such as creating a supportive workplace culture and treating workers with respect—can be achieved at no or little extra cost to the business, other important aspects such as health insurance, a living wage, or job training carry upfront costs, even if these investments will pay off in the long run with higher revenue and lower turnover. Access to capital and credit to pay for these costs are major hurdles for many small-business owners, particularly for women, people of color, and low-income business owners who are frequently denied low-cost loans and must rely on high-interest debt from credit cards or risk putting their personal assets up as collateral, such as a home, car, or life savings.
- **Misguided policies and incentives.** Most tax incentives and economic development programs prioritize how many jobs a business creates over the type of jobs or who gets them.⁵ This leads to an uneven playing field where large employers providing bad jobs may receive multimillion dollar subsidies, while small businesses that are providing decent jobs are left to fend for themselves, even though they oftentimes provide more economic benefit for the local community. Economic development programs that don't prioritize small businesses or good jobs can end up hurting local businesses, their workers, and the overall economy.

In order to support local, small businesses to provide good jobs, it's important to first understand the local landscape of needs and opportunities for small businesses. What are small businesses already doing in your community to provide good jobs? What are the primary challenges they face, and what resources are already available in the community? What data is available on the current state of job quality in your community? When conducting these queries, it is vital to understand the different experiences, resources, and challenges faced among particular business owners and workers in specific communities—immigrant, African American, Latino, women, low-income, veteran, formerly incarcerated, and other groups. Significant research exists on the distinct barriers and lack of resources these communities face; engaging these diverse groups in developing and implementing strategies will help to ensure that all businesses, workers, and communities thrive together.

No one approach to improving job quality will work for all businesses. Instead, strategies will need to target a range of factors, including business size and how long the business has been operating. For example, for sole proprietors (businesses with a single employee), the focus may be on helping the owner achieve economic security for themselves, such as assistance with tax filings and qualifying for Earned Income Tax Credits. For small businesses with just a few employees, the challenge may be to help the business owner develop a plan to comply with a new minimum wage or paid sick day law. Businesses that are growing and hiring new employees may benefit from connections to workforce agencies to hire qualified candidates who might have otherwise been overlooked and from expertise to develop an action plan to gradually improve the quality of entry-level jobs and create training opportunities and career pathways as the business grows.

Strategies to Provide Good Jobs

A number of key strategies work and are being implemented by various actors in the business development ecosystem—technical assistance providers, small-business lenders and investors, economic development agencies, business associations, and workforce and labor partners—to help small businesses get on the road to good jobs.

Provide technical assistance to help businesses improve their bottom line and create high-quality jobs. Many small-business owners want to provide good jobs for their employees, but they don't know how to get there. Most business technical assistance providers are still most familiar with traditional business models and are often not well equipped to provide information or resources for small-business owners on how to be good employers. However, a growing number of small-business support organizations are developing peer-to-peer learning opportunities, business mentors, and educational materials to help business owners realize a good jobs business model.

Spotlight: Growing Good Food, Good Jobs Businesses in Detroit

FoodLab Detroit is a community of food entrepreneurs based in Detroit committed to growing a diverse ecosystem in which businesses, workers, and their communities thrive together. Over 80 percent of their 225 members are people of color and/or women, and the majority are African American. In the spring of 2017, FoodLab convened a Good Food, Good Jobs strategy council with 12 of their members to develop a set of principles and expectations on making intentional progress on job quality, including paying living wages and offering stability and opportunities for growth to both employers and employees. FoodLab members also educate one another and promote the value of good food and good jobs.⁶

Develop financial tools that help businesses achieve their good jobs goals. Capital providers are in a unique situation to support small-business owners to provide good jobs; one of the primary reasons cited by owners to not provide a benefit is the short-term costs of doing so. Some community development financial institutions, social impact capital, and other sources of finance are responding to this challenge with innovative products that support small businesses to grow while expanding access to good jobs.

Spotlight: Creative Financing to Support Good Jobs in California

Based in Oakland, California, ICA Fund Good Jobs utilizes a framework called the Good Employer Matrix (GEM), which measures good jobs based on providing livable wages and health benefits, minimizing barriers to entry, building strong and inclusive cultures, scheduling shifts fairly and reliably, and actively developing employees to help them advance in their careers. This hybrid banking institution/venture capital fund leverages its GEM tool for underwriting investments, and for providing financial incentives (such as interest rate reductions) for companies that hire from local workforce development partners and implement strategies that demonstrate improvement in their GEM score over time. The loan fund was seeded with local foundation program-related investments and other mission-driven capital.

Raise the profile of small businesses that are providing good jobs. More and more, consumers are choosing to spend their dollars on companies that are aligned with their values on environmental and social issues. While there are several programs to identify companies that are green or local, there are few programs that allow customers to easily know if a small business provides good jobs for their workers. In recent years, some economic development departments have begun partnering with organizations such as B Lab to create a public campaign that promotes small businesses that are benefiting the local economy.⁷

Spotlight: Raising the Profile of Good Employers in New York City

Launched in 2015, Best for NYC is a multiyear collaboration between B Lab and the City of New York that helps businesses assess how well they perform on their worker, community, and environmental practices. The project raises the profiles of good employers by providing a directory of businesses that have taken the challenge and promoting Best for NYC award honorees. Best for NYC also provides workshops and best practice guides for business owners to improve their practices. In its first year, 550 businesses completed the Best for NYC challenge, an in-depth assessment of their practices based on the B Lab business impact assessment. The program is directed by the Mayor's Office of Workforce Development, with support from the New York City Economic Development Corporation.

Support public policies and programs that make it easier for small businesses to provide good jobs. In poll after poll, the majority of small businesses support policies that provide economic security for their workers. For example, according to a national survey of over 1,500 small businesses, 65 percent support paid sick day policies, even though less than half of the businesses currently offer paid sick days.⁸ These policies create a level playing field for small businesses that already provide these benefits to compete with companies that don't yet provide them. Small-business owners who support these policies can be powerful voices for policymakers to hear from; organizations such as Main Street Alliance, American Sustainable Business Council, and Small Business Majority help to develop the voice of small-business owners to advocate for good jobs policies.

Spotlight: A National Network Provides Small Business Leadership for Good Jobs

Main Street Alliance is a national network of small businesses formed in 2008 to advocate for health-care reform that would support small businesses. It has since broadened its focus to work on a range of issues—including minimum wage, paid sick days, and immigration reform—at the local, state, and federal level. The network helps small-business owners become advocates and spokespeople, providing public testimonies and writing op-eds in support of campaigns that improve the well-being of their businesses, employees, and communities.

Help small businesses comply with new laws that raise the floor for workers. Seven states and 18 cities and counties enacted new minimum wage increases in 2016, covering 11.8 million workers.⁹ While these policies are important to create a level playing field for all businesses to provide good jobs for their workers, they can pose challenges for small businesses that are unaware or unprepared for new laws. Some cities, such as Seattle and San Francisco, are proactively reaching out to small-business owners in low-income communities and communities of color to educate them on the new laws and help them prepare for these changes.

Spotlight: Improving Compliance with Good Jobs Labor Laws in Seattle

The City of Seattle created the Office of Labor Standards in 2015 in order to increase the impact and effectiveness of several new laws to raise the floor for low-wage workers, including an increased minimum wage, paid sick days, fair-chance hiring for people with criminal records, and fair scheduling. In addition to investigating labor violations, the office proactively conducts outreach and education to both workers and business owners in low-income neighborhoods, immigrant communities, and communities of color on how to provide good jobs. Recognizing that the city is not always a trusted actor in some communities, the office provides grants to local, community-based organizations that have relationships in these neighborhoods. The office has provided over \$2 million in grants to community and business groups and reached over 120,000 people in the Seattle business community and over 80,000 workers.

Whether a business succeeds or fails often depends on whether it is able to access the right business expertise, capital, and talent at the right time, and business support ecosystems strive to make sure all those pieces are in place. The demands of day-to-day survival rarely allow small-business owners the chance to step back and evaluate how the quality of the jobs they provide affects their bottom line. This is why it is essential for business support organizations to develop smart and effective strategies to help small businesses understand the importance of good jobs and help them develop and meet goals to get there. A growing number of small-business lenders, business technical assistance providers, and others are doing exactly this, with promising results.

Notes

- 1 Anthony Caruso, *Statistics of U.S. Business Employment and Payroll Summary: 2012* (Washington, DC: U.S. Census Bureau, 2012) <https://www.census.gov/library/publications/2015/econ/g12-susb.html>.
- 2 Algernon Austin, *Color of Entrepreneurship* (Washington, DC: Center for Global Policy Solutions, 2016), <http://globalpolicysolutions.org/wp-content/uploads/2016/04/Color-of-Entrepreneurship-report-final.pdf>.
- 3 Two surveys that have been completed in recent years are by Hartford (<https://www.thehartford.com/resources/business/success-study-2014>) and Main Street Alliance (<http://www.mainstreetalliance.org/voicesofmainstreet2015>).
- 4 See, for example, Susan Helper and Ryan Noonan, *Taking the High Road: New Data Show Higher Wages May Increase Productivity, Among Other Benefits* (Washington, DC: U.S. Department of Commerce, 2015) <http://www.esa.doc.gov/sites/default/files/taking-the-high-road-new-data-show-higher-wages-may-increase-productivity-among-other-benefits.pdf>.
- 5 Greg LeRoy, Carolyn Fryberger, Kasia Tarczynska, Thomas Cafcas, Elizabeth Bird, and Philip Mattera, *Shortchanging Small Business: How Big Businesses Dominate State Economic Development Incentives* (Washington, DC: Good Jobs First, 2015) <http://www.goodjobsfirst.org/sites/default/files/docs/pdf/shortchanging.pdf>.
- 6 Learn more about the Good Food Good Jobs strategy council at <http://www.healthyfoodaccess.org/resources-tools/library/foodlab-detroit-2017-annual-network-gathering>.
- 7 B Lab is a nonprofit organization that promotes socially responsible businesses, called B Corps. Learn more about B Lab and B Corps at: <https://www.bcorporation.net>.
- 8 The Main Street Alliance, "Voices of Main Street," <http://www.mainstreetalliance.org/voicesofmainstreet2015>.
- 9 Mitchell Hirsch, "7 States and 18 Cities and Counties Enacted New Minimum Wage Increased in 2016," *National Employment Law Project*, December 21, 2016, <http://www.nelp.org/blog/7-states-and-14-cities-and-counties-enacted-new-minimum-wage-increases-in-2016/>.

Acknowledgments

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