

Priority Number One: Creating Jobs

Business Journal Asks Executives To Share Ideas On Job Creation With President Obama

■ By **GEORGE ECONOMIDES**
Publisher

Take a look at these numbers: Wayne State University, Detroit, 200; El Pollo Loco headquarters, Orange County, 5; Manheim Auto Auction, Lancaster, Pennsylvania, 28; Coca Cola, Paw Paw, Michigan, 80; Ficosa North America, Bernie, Indiana, 175; FLIR, Wilsonville, Oregon, 40; NASCAR Marketing, Daytona Beach, Florida, 5; UTV True Games, Austin, Texas, 25; Impact Confections Candy Factory, Roswell, New Mexico, 80; Bishops Corner, Rocky Hill, Soundview and University Nursing Homes in Connecticut, 575.

The above represent a few of the layoffs announced in just a two-day period: July 29 and 30.

Everyone hears about it when a large business cuts jobs, but how about small businesses? According to U.S. Census data, between 1993 and 2006, 72.1 percent of all net new employment was produced by businesses of less than 20 workers.

In Paoli, Pennsylvania, Jake's Frozen Custard, open for less than a year, closed its doors. Two thousand seven hundred and three miles to the west, the decades-old Tastee Freeze on Stearns Street in Long Beach also closed.

While Congress and the Obama administration continue their bickering and political posturing, and have their eyes on the next election, every day more and more people are losing their jobs. Job creation — which most people believe is priority number one — appears to have pretty much taken a back seat the past two years.

The national unemployment rate increased to 9.2 percent in June, with rates for California, Los Angeles County and Long Beach considerably higher. Experts agree the numbers don't reflect the "true" rate of the unemployed and underemployed, with some estimates ranging as high as 18 percent. And, with many cities, counties and states challenged for revenue, the public sector is expected to continue to

shed large numbers of jobs.

If President Barack Obama and his advisors are stuck for ideas on job creation, the Business Journal staff thought, well, why not help them out? So, Staff Writer Tiffany Rider asked several executives to share what they would recommend to President Obama. Following are their "letters to the President," presented in alphabetical order by the name of the author. And, yes, we will be sending this article to the President.



Barry Arbuckle, Ph.D.
President & Chief Executive Officer
MemorialCare Health System

No doubt you're deluged with ideas for creating jobs. Californians are especially concerned. In June, unemployment rose to 11.8 percent, the second highest of any state. Los Angeles County's joblessness increased to 12 percent, and here in Long Beach, 13.6 percent of residents need jobs.

The nation's bright spot is healthcare, which, according to the Bureau of Labor Statistics, is expected to generate more jobs than any American industry. But efforts to fix the economy by reducing payments to hospitals will result in major challenges to organizations that are often the community's largest employer as well as providing essential health services.

While considering investments in the country's infrastructure and business incentives to create jobs, another proven strategy is investing in tomorrow's healthcare workforce. A 2010 study reported that 97 percent of allied health graduates were successfully finding jobs, yet a lack of funding is causing closures and reductions in the number of slots most colleges can offer. While

California needs 988,000 allied health workers by 2030, the state's education system is on track to train only 634,000.

To ensure our hospitals have access to an exceptional workforce, MemorialCare Health System, Long Beach Memorial Medical Center and Miller Children's Hospital Long Beach have initiated numerous partnerships with academic institutions, providing financial support, facilities, educators and resources to increase the number of qualified students who can enroll in these programs.

For example, instead of graduating about 500 nurses over the last seven years, Long Beach Memorial and Miller Children's support of the bachelor's degree in nursing accelerated program at California State University Long Beach helped raise that number to 1,250. Our collaboration with Long Beach City College over the years included grants from the state to address nursing, x-ray and MRI technician shortages. And our partnership with City of Long Beach Workforce Development has educated and placed 75 previously unemployed residents in our hospitals as patient care assistants. Of those, more than 20 are now in college with some preparing for nursing degrees.

We encourage you to advance programs like these that put Americans to work and ensure communities have access to quality healthcare close to home when they need it.

Let us know how we can help.



Nan Bouchard, Regional Executive
Boeing Defense,
Space & Security

Well, the President has plenty of people

advising him without my jumping in to offer my two cents. I will say, though, there are a few things I know have worked for Boeing that could form some policies applicable at a larger scale to the American economy. Just as Boeing is an engineering company driven by innovation, creativity and discipline, we know that technological innovation fuels the majority of growth in our economy. With that in mind, I would focus on three areas:

Strengthen U.S. ability to compete – Being able to compete globally has never been so vital to our nation's economic engine; nearly half of the revenues and profits of the S&P 500 now come from international markets. Here in California, home to the nation's largest seaport and a U.S. doorway to the Asia market, the importance of the global marketplace is particularly evident. We urge support for the reauthorization of the Export-Import Bank, which assists in financing the export of U.S. goods and services at no cost to the American taxpayer.

Sustain U.S. industrial base – It's hard to comprehend that with the recent completion of the final space shuttle mission, the U.S. must now rely on Russia to ferry American astronauts to and from the International Space Station. Space isn't the only aerospace sector in which U.S. leadership is being diluted. For the first time in a century, there is no U.S. team actively working on a major, all-new aircraft development program for our national defense. We need a U.S. industrial base policy that recognizes the value of developing and sustaining innovative capabilities.

Nurture tomorrow's workforce – The Baby Boomers – the more than 70 million Americans born between 1946 and 1964 – are starting to retire. Our workforce at Boeing is reflective of this national trend, with about half of our engineering workforce eligible to retire by 2015. Let's encourage our youth to pursue careers in Science, Technology, Engineering and Math (STEM) – this country's future depends on it. Recommended measures include expanding scholarships and other support for undergraduate students pursuing STEM studies; improving educator training to ensure that U.S. colleges and universities produce enough qualified science and math teachers; and motivating youngsters to pursue STEM careers by enhancing support for two- and four-year institutions that provide students with hands-on experience that is directly transferable to the workplace.



**Ryan Choura, Owner
Choura Events**

As a young small business owner, I believe "job creation" starts with your attitude on whether or not you want to be a competitive country on the world stage.

Top 5 ideas on getting competitive and operating profitable:

1) Water the green areas. Define America's top current industries and go after additional world market share.

2) Bring additional industries in-house. Evaluate top products/services that America imports and bring those industries in-house.

3) Stop subsidizing all current industries that are not performing and reallocate funds to new business opportunities.

4) Attract top world businesses.

5) Create a performing work force. Eliminate all unions, frivolous lawsuits, special interest groups and red tape laws that waste time and protect underperforming professionals.

Top 5 ideas for politicians on how to run a profitable country that has job growth:

1) If the current political party in office does not make budget during a term, they are banned from running in next election.

2) Presidential wages are commission based on profit without a draw.

3) Every time a law is made, a lawyer has to quit.

4) If a politician is unethical during a term in any matter, they lose all retirement and long-term medical benefits.

5) In order to be a politician, you first have to work for a business for 10 years.

When I look at my generation – Generation X – I see a fear that the American Dream is in jeopardy. It's not that they don't accept that we are in a tough time or are not aware that they need to work hard. My generation just wants to see that they can be competitive again; that working hard produces a result and not a chase after the wind.



**Blake Christian, CPA/MBT
Partner, Holthouse, Carlin & VanTrigt**

Recognizing that you are up for re-election next November, I am passing along the following suggestions since these ideas may save your current position, or, if you do lose your job next year, may help you secure a job in the private sector.

In my view, the solution to job creation is a four-legged stool, requiring 1) credit market liberalization, 2) hiring incentives, 3) equipment incentives and 4) short-term relaxation of regulations.

1) Expanded Credit Markets – The continuing challenge for small and medium sized companies is the highly restrictive capital markets. Economic stimulus can be generated by having federal, state and local agencies expand their guarantees of loans in the \$50,000 to \$250,000 range.

There are huge numbers of long-term unemployed with excellent skills who can start sustainable businesses if capital/loans are made available.

Some reports have shown that the two federal Economic Stimulus packages incurred an average of \$278,000 per job "created or saved," so I would much rather see these amounts allocated to loan guarantees or other incentives. Liberalized loans should also have a multiplier effect.

2) Hiring Incentives – I would propose a combination of a 12- to 24-month payroll tax exemption for any new hires (previously receiving government assistance), as well as a "refundable" (e.g. a refund allowed even if the taxpayer is not profitable) income tax credit.

3) Equipment Credits – I would bring back the federal Incentive Tax Credit (ITC), which was part of the tax code in the early 1980s. I would propose a 10 percent (20 percent if alternative energy/efficient equipment) refundable credit for any assets used by employees for manufacturing, processing, data processing, R&D, etc.

4) Relaxed Regulations – until national unemployment drops to a reasonable rate (e.g. 7 percent) and economic growth increases (e.g. 4 percent) for at least two quarters, I would recommend that Congress and state legislatures be allowed/required to suspend certain regula-

tory provisions which have been shown to increase federal or state unemployment by a material amount (e.g. 5 percent+ of total federal or state unemployed, respectively).



Joanne Davis
Davis Group Consulting and
Chair, Long Beach Area
Chamber Of Commerce

Jobs are created when there is opportunity and investment. This is largely accomplished through the private sector – business and industry. Employers see opportunity when they can forecast that for every employee there will be a corresponding amount of productivity which generates rewards beyond the cost of that employee. The investment in the employee is a prudent one as it generates growth and, therefore, more opportunity for the employer.

When employers do not have either opportunity or investment dollars, productive jobs are not created. Regulations that have been imposed on business throughout the Obama Administration have effectively strangled both components of the equation. Rampant government regulations have taken away the opportunity for success. Higher tax rates and more types of taxes have reduced the amount of investment dollars available. So there you have it – no opportunity and no investment. The result? No jobs.

The increase in government jobs during this Administration has further stifled opportunity and investment. The obscene corporate tax rate of 39 percent, for example, has effectively moved investment dollars into tax dollars. Those tax dollars may be used to create government jobs but, unlike private sector jobs, government jobs do not generate a return on that tax dollar investment which in turn provides new opportunity. In other words, government jobs don't create a return on investment, thus creating more opportunity. They just create an ever increasing demand in more tax dollars.

It is clear that the Administration needs to change its direction. President Obama, lead the charge to reduce regulation, cut taxes (no new taxes, no tax increases) and let business do what it knows how to do without government mandates. Opportunity and investment by the business sector will create jobs!



Jim Gray, Chairman
Beach Business Bank

There is no doubt that the United States has a critical unemployment problem. Not since the Great Depression has our country seen such a lack of new jobs being created. The question is what can we do about it?

Let's start with what hasn't worked. Throwing money at the problem has been a failure at job production. The stimulus did little or nothing on the job front. Instead, unemployment continued to grow; so what should we do? Let me suggest the following:

Small business has historically been the largest job creator in the United States. At Beach Business Bank, we work with hundreds of small- and medium-size businesses in California and they tell us that it is the lack of confidence in the future that makes them hesitate to expand their workforce. When asked to expand on the "lack of confidence" concern, many suggest that our country's debt is out of control and Washington is so busy playing politics, nothing seems to get done. Also, major issues with the business folks include the unknowns related to the new healthcare requirements, ever-changing regulatory issues and tax burdens. These are not just national concerns, but include state and local agencies.

How about considering incentives for performance? Maybe a tax credit for hiring an expanded workforce that might stimulate the hesitant employer to take a chance on the added healthcare costs. Continuing depreciation benefits to encourage investment in tools and equipment. Not only would that investment allow the small business to be more efficient and grow, it would encourage the suppliers of the tools and equipment to see the need to add personnel to warehousing, shipping and sales.

There is no "magic switch" that can be flipped to solve the unemployment problem, but common sense dictates that policies that restore confidence in those that hire, meet payrolls and pay taxes is the place to start. Government can't solve the problem, but should be the catalyst by again restoring that confidence.



John Kabateck
Executive Director
National Federation Of
Independent Business/California

Ask small business owners in California what they would do to fix the economy and the answer would be an overwhelming chorus of "Let us create jobs!" Our advice to President Obama – fix the areas that concern all small business owners – taxes, regulations and healthcare.

Certainty about taxes is the first step to job creation. Give tax breaks for equipment for the long term, not just a temporary fix. Leave the individual rates alone – and lower taxes overall. If small businesses don't know from one year to the next what taxes they will pay, they won't have the confidence to expand or create jobs.

Next, get regulations under control. Streamline business regulations by creating "one-stop shops" for permitting and environmental exemptions. Agencies also need to be reigned in from over-enforcement and should not be able to pocket revenues from fines. A strong, public message of "back off" from the President to his regulatory agencies would help confidence. Flexible work weeks and breaks for workers would also make things better for California small businesses. Let small businesses make reasonable accommodations for their employees and they will probably hire more people.

Finally, can we get real about healthcare? Back off the regulations – no employer mandates would go a long way with the small business community. The bottom line – employers will do what is right for their employees if given the chance. Give small employers tax credits for providing healthcare and let them decide what plan works for them and their employees.

Certainty for small business owners can be achieved with some common sense changes. Eliminate the "gotcha" mentality of government and change tax rates and regulations, and Main Street will feel more confident about expanding and hiring. And that will put everyone back on the road to recovery.



Lisa Petrie
Senior Vice President
Of Investments
UBS Financial

Today's economic and political environment is taking a toll on the American people and on our dominance in the world. There are many serious problems that need to be addressed. Immediately, our debit crisis takes center stage, but longer term issues of fiscal policy, small business regulation, entrepreneurship, entitlements and education reform must all be addressed to create jobs and grow our economy. Increasing our productivity and growing our private sector employment will improve our economic outlook and increase our world stature. There is no easy solution. A variety of approaches must be taken.

UBS recently conducted an Investor Pulse Survey and found that most of us continue to be optimistic and believe that "U.S. global leadership will prove enduring." For business to succeed and unemployment to decline, we must see growth. Immediate stabilization of public sector finances will promote private sector growth. The Small Business Administration estimates that the cost of regulation each year is more than 10 percent of GDP. Anxiety over excessive small business regulation runs high among investors, according to the survey. This "cost of doing business" must be controlled. The culture of business development and entrepreneurship must continue to be nurtured. Barriers to entry must be removed through decreased regulation, an improved tax code and access to capital.

Creation of public and private partnerships between our universities, entrepreneurs and our government would help streamline our processes and reduce competition among ourselves. In addition, this would encourage and stimulate innovation and create greater opportunity for new products and economic growth.

We can no longer keep pushing off the needs of today. Our elected officials need to recognize the increasing frustration of the American people and the necessity to make meaningful changes immediately. We have the resources. Now is the time to

step up with real leadership and make immediate changes. Clarity and transparency are paramount to give our businesses the strength and confidence needed. As Mike Ryan, chief investment strategist for UBS, put it, "If leaders fail, then the US will simply muddle along. . . . if they are able to put aside their differences and tap into our enormous pools of talent, then history will look back on this period as one marked by reborn prosperity."



Jerry Schubel, President
Aquarium Of The Pacific

Most of my adult life I have studied coastal and marine ecosystems. One of the lessons learned is that often relaxing the constraints on growth is a better, more effective, way to enhance productivity than to try to force growth. That same lesson applies to many social and economic systems. With this in mind, one needs to identify the factors that are limiting growth of our economy and job creation. Among the most important limiting factors are uncertainty and unpredictability in tax policies, and too many regulations.

Government at no level creates prosperity, but government at all levels creates conditions that either nurture or stultify prosperity. It is free enterprise within which entrepreneurs thrive that creates prosperity and jobs. We have an unfortunate confluence of a ballooning federal government and a thicket of confusing, often conflicting policies and regulations at the federal level and in many states that are suffocating the system that made this nation great.

The ocean is filled with opportunities. The U.S. has the largest Exclusive Economic Zone (EEZ) – the region off our coast out to 200 nautical miles – of any nation on Earth. Our EEZ is rich with natural resources including: oil and gas, hard minerals and fish. It also is rich with opportunities for new offshore ventures such as renewable energy from wind, waves, tides, ocean thermal energy and aquaculture. In your National Ocean Policy, the first we have ever had, you specified that Coastal and Marine Spatial Planning is to be used as a tool to allocate space in the ocean to important and legitimate uses to benefit the

coastal and ocean ecosystems and coastal and ocean economies.

Let's start with offshore aquaculture. As a nation we import more than 80 percent of our seafood, 50 percent of it is farm-grown, and 50 percent comes from Asia. After crude oil, seafood represents our largest trade deficit of natural resources, more than \$9 billion. We have the technology and the knowledge to carry out sustainable aquaculture. We should set the environmental bar high, and hold operations to those standards. We also should create a permitting process that has transparency and predictability that will encourage the required investment from the private sector. Right here in California, our own Southern California Bight would be an ideal location for sustainable offshore fin-fish aquaculture. We have the right oceanographic conditions, the expertise, and the markets. We also need the jobs.



Michael Simpson
Operating Principal
Keller Williams Coastal Properties

Housing is essential for the economy, as we all know. I would suggest allocating funds for banks to provide employment services for property improvement of abandoned and foreclosed properties. This increases the chances of getting the properties sold and statistics show that housing sales flush more money into the economy. Banks are overwhelmed, under staffed and cannot keep up. Any kind of assistance (other than straight into their pockets such as bonuses, bail outs, etc.) in helping them with organization of distressed properties is desperately needed.

Increase Caltrans operations by allocating more funds for highways, freeways and roads. This will increase employment and mitigate traffic throughout the city.

Lastly, educational programs that teach people how to open and run successful businesses and be entrepreneurial. If you think about it, our present educational system does not teach these essentials about money, finance, business etc. The present system teaches only how to get a job. We need more people learning and being exposed to opportunity so they can create more jobs. ■