

## The Key To Job Growth Is On The Kitchen Table

*Transparency, clarity, and certainty in government taxation and regulation would go a long way toward helping family businesses prosper, to the benefit of workers and the economy, says Ann Kinkade.*

A *New York Times* profile of a Minnesota manufacturer and Family Enterprise USA member Marvin Doors and Windows caused some head-scratching among observers of the recent housing depression. How could a business that depends on a vibrant housing market adopt a “no job cuts” policy for its own employees?

In truth, Marvin is simply operating as most family businesses have for generations.

Back in 2003, *Business Week* studied the one-third of businesses in the S&P 500 that are still run by founding family members. Their conclusion was that these businesses were among the best-performing companies in the index. Why? Because businesses run by families have a financial and personal commitment to their companies that others simply don't have. That connection leads to a focus on longer-term investments and growth, lower worker-to-management salary ratios, and a strong commitment to employees, especially in tough times.

At a time when our country desperately needs leadership in the area of job creation and budget discipline, our elected officials would be smart to talk to family business owners. They wouldn't have to look too far to find them. A new report released by Family Enterprise USA makes clear the vast business experience that can be found in the U.S. Capitol.

In the 112th Congress, there are a total of 155 members of the U.S. House of Representatives (118 Republicans and 37 Democrats) and 37 U.S. Senators (23 Republicans and 14 Democrats) who have a connection to family business, according to publicly available information. The Joint Select Committee on Deficit Reduction has four members with family business connections – U.S. Sens. Max Baucus, Pat Toomey and Rob Portman, and U.S. Representative Jeb Hensarling.

Family businesses have long been a critical part of the U.S. economy. Studies show that family businesses employ 63% of the U.S. workforce and generate 57% of the nation's Gross Domestic Product. Why are they unique when compared with their counterparts? Beyond the profit motive, they are focused on legacy-creation and community-enhancement. So, financial and management stability is critical. Family businesses have leadership tenure four to five times longer than their non-family counterparts and carry much greater equity as they plan to responsibly reinvest in growing the company.

With 5.5 million family businesses, it's no wonder that a significant portion of the U.S. Congress has a family business connection.

Familiarity with family business can be a key element for Members of Congress who want to know how government policy will impact business expansion and job creation. Any family that has spent considerable personal and financial resources preparing for the generational transfer of a business, for instance, will know what the death tax can mean to a family business. Years of uncertainty about whether the death tax will exist, or what death tax rates or exemption levels will be, have caused enormous frustration for families who need predictability to protect their employees.

The vast majority of family businesses are organized as “pass-through entities” for tax purposes, meaning they are S corporations, partnerships, or limited liability companies and pay tax on business earnings through their individual income tax returns. What will those rates be next year or two years from now? What are the deduction, credit, and depreciation rules going to be? What will the long-term capital gains rate be? Nobody can say with any degree of certainty what policy will be on Jan. 1, 2013. With



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family firms focused on investing for the long-term, this kind of uncertainty invites caution not risk. Without risk, there will be no job growth.

Transparency, clarity, and certainty in government taxation and regulation would go a long way towards helping family businesses prosper, to the benefit of workers and the entire community.

This fall, Congress will be having an important debate about job creation and deficit reduction. These are big, important issues. But there are ready answers to the question of how to create jobs and economic growth in America. In fact, many Members of Congress need look no further than their own kitchen table to find them.

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*Ann Kinkade is president & CEO of Family Enterprise USA, a national nonprofit organization promoting family businesses and the policies that support their success.*