



Wisconsin

**Statement Before The
Special Committee on Building Wisconsin's Workforce
Wisconsin Legislative Council**

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Monday, July 21, 2008

Good afternoon, Madam Chair Strachota, Vice Chair Wirch, and members of the Council. Thank you for inviting me to participate in your study of Building Wisconsin's Workforce.

The NFIB includes virtually every type of business with locations throughout our state in all 72 counties. In all, the NFIB has approximately 12,000 members and a typical member firm employs five workers, and has gross sales of \$350,000 a year. By anyone's definition, these are the so-called "Mom and Pop" businesses that are so vital to our local communities throughout Wisconsin.

These are the firms that play such an important role in our state's economy, serving local and niche markets for products and services, employing more than half of the private sector workforce, including many older, female, and minority workers, and creating most of the net new jobs year after year. In the economic life cycle, small businesses are often the seeds for big business. They are both the beginning of the economy and the rest of the economy.

The story of our economy is a story of small and big businesses sometimes in fierce competition, but often working in tandem by taking risks, and building on each other's innovations that generate economic growth. In short, small firms are often the catalyst for change in the structure of the marketplace. And when market demand fluctuates, it is small business that acts as shock absorbers by responding with innovation, flexibility and creative production techniques.

History will show that it is this innovation, and the onset of new technology that drives massive changes in our economy and our workforce – changes that create challenges, but also new opportunities. Small business and technology have, historically, been closely tied together. Economic growth must have new industries, new products and services, typically created by small business.

The important role and ability of our small businesses to flourish in new industries, create new products and services, is determined by economies of scale, by any barriers for entry into the market, and by barriers that limit small business growth and restrict small business prosperity.

While small business is not specifically mentioned in the charge of this committee, it is the small business community that is key to meeting the challenges of our present and future workforce which includes retaining a stable employment base, and by creating appropriate and relevant retraining programs, and by removing barriers to small business creation and growth.

While small business is represented in virtually every industry, the most common among those that employ people other than their owners are: retail, construction, professional, scientific, and technical services; also other services (general personal services such as beauty salons), health care and social assistance, accommodations and food service, wholesale, and manufacturing.

The most common small businesses that do not employ anyone include: professional, scientific, technical services, personal services, construction, retail, real estate, leasing and rental, health care and social assistance, waste management, administrative support, arts, entertainment and recreation, transportation and warehousing.

The biggest change in the last 25 years has been an increase in service related businesses and a decrease in retail businesses.

Sometimes, well-meaning public policy fails to target the critically important workforce of our small business community. As this committee moves forward to fulfill its charge, please remember one size doesn't fit all. Our economy is diversified and specialized. The workforce needs of both small employers and their employees reflect that diversity, and the problems small business owners encounter training their employees seem to vary substantially on a firm-by-firm basis. This makes it difficult to develop a job training strategy when one firm has a serious problem with one aspect of employee training while its ten neighbors do not.

According to a relatively recent study by NFIB's Research Foundation:

- Small employers typically require minimal levels of formal education for both the most skilled and the most common jobs in the firm. Fifty-five (55) percent expect no more than a high school diploma for the most skilled job and 73 percent expect no more than a high school diploma for the most common job.
- Small employers typically require previous experience for the most skilled job, but require it much less often for the most common job. Experience appears to be a substitute for formal education.
- The skills most frequently expected to accompany new employees involve work habits and attitudes, the ability to follow directions, the capacity to read and write directions and explanations, and English proficiency. Small employers expect that employees for the most part will learn on the job occupational skills (when necessary), the products and services sold, and the firm's operational procedures.

- The most common form of employee training immediately after hire is having someone in the firm work with the new employee. The second most common form is letting employees learn on their own, essentially learning by doing. Training after the first year on the job still centers on the owner/employee assisting the employee, but is much more likely to involve sending him/her outside the business.
- About four in five small employers provide employee training beyond introductory activity. However, 40 - 50 percent routinely train employees after the first year in the most skilled or most common position in the firm while another 35 - 40 percent train them as needed. No information was collected on training the least skilled employees unless the least skilled are also the most common.
- While there is no over-riding problem or set of problems for small employers in their employee training efforts, the most severe problem is the lack of time owners and/or other employees have available to help others; employees possessing inadequate learning skills and often interest, necessary to acquire new or upgraded skills; and cost, including the inability to pull the employee off the job.
- At least seven in 10 small employers use organizations outside the firm to train employees, particularly to train employees with longer tenures. Seventy-one (71) percent of small employers used in the last three years at least one of the seven organizational forms explored; 47 percent used at least two; and 28 percent used at least three.
- The most used employee training organizations were in the private sector: industry-specific or trade associations (48% of small employers used at least once) and suppliers (40%). Less frequently used were vocational/trade schools (23%), junior or community colleges (14%), and four-year colleges/universities (6%). Government sponsored programs engaged about 10 percent. Distance or computer-based learning, public or private, was used by 21 percent of small employers.

And, finally studies by NFIB's Research Foundation show 64 percent of small employers choose to increase training their workforce as a response to labor shortages. Additional training is a strategy applied across the board – for all employees – not just a particular type of employee. In fact, by almost a 6-1 margin, small employers believe the preferred strategy to deal with their workforce is to “do all you can to retain employees working for you” in contrast to recognizing “that employee turnover is inevitable and focus on hiring good new people.”

I am grateful for the opportunity to share the small business perspective with this important committee, and it is my hope the information I have shared with you will be of value in your deliberations.

Thank you.



What Is NFIB?

NFIB members are a diverse group consisting of high-tech manufacturers, retailers, farmers, professional service providers and many more.

When NFIB speaks on its members' behalf, lawmakers in state legislatures, Congress and the White House listen. No wonder *Fortune* magazine acknowledges NFIB as the top-ranking business lobbying organization in Washington.

But NFIB's strength didn't come overnight. NFIB started out small. One man, Wilson Harder, founded the organization in 1943. Harder began with a home office and sold the first memberships to his neighbors. Harder's vision was to give small and independent business a voice in governmental decision making.

This vision remains strong today. NFIB sets its public-policy positions by regularly polling members and acting on their advice. Once this member ballot is tallied, NFIB carries a unified message to Congress and the state legislatures on behalf of small-business owners.

In the last several years, NFIB has enlarged its scope, entering the political arena to support pro-small-business candidates for state and national office. In 2000, it added the NFIB Legal Foundation, representing small-business interests in the judicial system. The NFIB Young Entrepreneur Foundation provides scholarships and internships to the entrepreneurs of tomorrow. And the NFIB Research Foundation provides policymakers, small-business owners and other interested parties empirically based information on small business. NFIB also continues to build alliances with various businesses, allowing the organization to provide services to members at special prices.

Mission

NFIB's mission is to promote and protect the *right* of our members to own, operate and grow their businesses.

Core values

Our Employees

- We provide personal and professional growth through education and mentoring.
- We support an entrepreneurial environment where new ideas are embraced.
- We recognize and reward excellence and outstanding performance.

Our Members

- We listen and respond to our members' needs.
- We are committed to exceeding our members' expectations.
- We are committed to excellence in advocacy and all we do on behalf of our members.
- Our members determine the public policy positions of the organization -- one member, one vote.

Our Team

- We collaborate and communicate for team success.
- We recognize and reward outstanding team performance.
- We celebrate success and have fun.

Our Workplace

- We expect the highest ethical standards in all our activities.
- We value an environment of trust, integrity and respect for human and spiritual values.
- We collectively determine the success of our endeavors, and each person has a valued contribution to make.



Who NFIB Represents

NFIB Membership Profile (National)

NFIB's national membership spans the spectrum of business operations, ranging from sole proprietor enterprises to firms with hundreds of employees. While there is no standard definition of a "small business," the typical NFIB member employs five people and reports gross sales of about \$350,000 a year. The NFIB membership is a reflection of American small business.

