Creating a Jobs Economy

Our nation is struggling to create jobs. You've likely heard that regulations have limited businesses' capital, making it difficult for them to hire or expand. Have you wondered what types of changes to these regulations would help this economy create more jobs? Let's discuss a few key changes that have worked in the past to encourage companies to grow and hire more people.

Many regulations create a big problem for the economy. Which regulations and policies are stopping us from creating the jobs that we are missing? Amity Shlaes writes an interesting article in the Wall Street Journal, Three Policies That Gave Us the Jobs Economy."

The first game changer implemented a venture capital investment increase from $39 million in 1977 to $570 million in 1978, an increase of 15 times! What policy changed? They cut the capital gains tax rate from 49% to 25%. In the 1960s, the rate had been raised. What happened then? As Amity says, "The mid-1970s were a dead period." The decrease in the capital gains tax rate generated investments and growth in businesses, which actually brought in more tax revenue for the government.

The second big policy change adjusted the ERISA law, which regulated pension and retirement plans. In 1974, they instituted the prudent man rule, which said that pension plans would be violating their fiduciary responsibility if they invested in risky startup companies like Apple at that time. They relaxed these regulations in the late 1970s, and as a result, more money was invested in small, younger start-up companies that create most of the jobs, as I discussed in an earlier blog post.

The third major policy change centered around intellectual property rights and clarified how ideas in universities and research departments could be sold or used for commercial benefit. Subsequently, so many great ideas surfaced after having been pushed aside on a desk or stuffed into a file cabinet simply because, until that moment, no one had the incentive to go out and reap the benefits.

The lessons here are plentiful! We need to continue to lower the cost of capital transactions and capital gains. When we take from the people with capital, we always get slow growth or dead periods, not more jobs or government revenue. Amity suggests the major regulations of today include Dodd-Frank and Sarbanes-Oxley. We need to change these policies and reduce the burdens they place on businesses.

Most entrepreneurs understand this instinctively, but we need to share this data with others. Shout it out loud and clear to the policy makers because this information is vital if their real agenda is to create jobs and improve the economy and not just to maintain power.

What Are Your Worth per Hour?

What are you worth per hour? What is your company worth per hour?

Are you doing the things in your work that are allowing you to bring the most value to your role, team and company?

There is a way to analyze this and you do it by using the law of 1920. I have done different forms of calculations to look at hourly worth before but Joe John Duran simplified this for me when he discussed this at EO Barcelona University. So here we go. If you assume that with vacations and holidays you have 48 work weeks a year and you multiply that by 40 hours a week you get 1920.

48 weeks X 40 hrs = 1920

Now divide your annual income by the 1920 to get your hourly value. Let's use this example below:

$100,000 of annual income divided by 1920 = $52 per hour

With that said, if you are doing work that is worth less than $52 an hour, you are hurting your productivity and profitability! Do you fix the copier when it is broken, file a bunch of papers, or spend time with a bum computer? All these services can be valued and compared to your hourly worth.

This same exercise can be done to determine your Corporate Hourly Value: Corporate Annual Revenue / (1920 x team members) = Corporate Hourly Value

Example:

$1,000,000 / (1920 x 5 team members) = $104 per hour.

This is a great way to determine if you need to hire others to do the things that you should not be doing given your strengths (see Maximization blog). The more time you spend doing the things that you have a natural strength or core competency to do, the more energized you become as determined in Marcus Buckingham’s research on strengths.

Joe John says “Revenues are directly linked to the size, depth and breadth of your client relationship and profit margins are directly linked to the size and productivity of your staff”.

To sum this up the law of 1920 says that how and what your team works during the average work hour determines the success of the practice!