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Opinion

BILL AULET AND FIONA MURRAY

Not all jobs are created equal

By **Bill Aulet and Fiona Murray** | OCTOBER 17, 2012

We heard the presidential candidates discuss their views again Tuesday night, and it is clear that they agree on at least one thing: jobs and job creation policies are critical to the future of the economy. Yet like many politicians, policy makers, and pundits, the candidates continue to gloss over what both men certainly know to be true: Not all jobs are created equal.

Based on our work at the Martin Trust Center for MIT Entrepreneurship, we see two clear and distinct routes to new job creation.

There are small- and medium-sized companies created to offer traditional goods and services to a local or regional market. Think “mom and pop” operations. They include your yoga studio and the pizza place down the street. While valuable to the economy in general, these companies are not large enough to serve as a growth engine for the entire economy. They do, however, offer important opportunities for employment and provide valuable services.

The other route to job creation comes from exploiting new technological advances to create businesses that aim to compete in a global market. Think of a large pharmaceutical company or biotech firm.

Both small companies and innovation-driven enterprises create jobs, but the types and numbers of jobs they create are remarkably different.

Small businesses are a vital part of our economy, particularly for individuals with relatively lower levels of education and skills. They give people the opportunity to work independently and to use their skills, particularly in times when large, established companies are laying off workers. Unfortunately, many small

businesses employ only the founder and spouse or just a handful of workers. These companies create jobs, but they typically provide lower-than-average wages and poor benefits.

Contrast these companies with the innovation-driven enterprises. These companies seek to address global markets — offering goods and services based on some kind of substantial innovation linked to a clear understanding of a specific market.

These companies generally employ individuals with high levels of education and training. New biotechnology companies, for example, are usually founded, led, and staffed by physicians or individuals with MBAs or PhDs in molecular biology. As these companies grow, they also create a wealth of high-quality, auxiliary employment for those with lower skills — laboratory technicians, manufacturing staff, hospital workers, etc. The Massachusetts governor's office has calculated that for every high-level biotechnology job created, five lower-level jobs are also created.

The same is true for the emerging clean-energy cluster in Colorado, or London's growing "TechCity" digital cluster. Of course, there are many challenges involved. These companies are highly risky. Still, they hold out the possibility of becoming the next Google or Genzyme or Akamai, creating hundreds of exciting high-skilled jobs and thousands of additional jobs.

Yet politicians and policy makers often fail to make a distinction between jobs created by small "mom and pop" enterprises and innovation-driven enterprises. It is a critical mistake. They are different and the policies to support them differ.

Small business creation is an important part of job creation, but it is only a part of what is needed to create large transformations in the economy. Innovation-driven companies generate many more new jobs and exports than small business.

If job creation and economic prosperity are the goals, innovation-driven entrepreneurship must be a major element of government strategy and policymaking. Not all jobs are created equal, and we need both kinds of companies in order to create the vibrant economy both candidates are seeking and voters are demanding. As a result, separate and equitable organizations need

to be set up, with different programs and mindsets. From training programs and tax incentives to business accelerators and mentoring activities, entrepreneurial support programs must be designed differently for innovation-driven enterprises and small business entrepreneurs.

Policies and politicians who “lump” both sorts of entrepreneurs together are likely to fail. Going forward, both candidates need to address job creation in a way that recognizes the distinction between the two types of organizations.

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