

Testimony before the Pennsylvania House Majority Policy Committee on Developing Policies to Support Job Creation and Economic Growth

Christopher M. Fiorentino, Ph.D., Dean and Professor of Economics, College of Business and Public Affairs and Associate Provost, West Chester University

West Goshen Township Building

August 22, 2012

My name is Christopher Fiorentino; I am Dean and Professor of Economics in the College of Business and Public Affairs and Associate Provost at West Chester University. I thank the Committee for the opportunity to testify today.

As an administrator at West Chester University, I will focus my remarks on the role that universities might play in supporting job creation and economic growth. I would like to begin with some statistics that are probably familiar to you, but they will set the stage for my comments that follow. According to the Kauffman Foundation Index of Entrepreneurial Activity, Pennsylvania ranks very low in the formation of start-up companies, coming in at half of the national average. According to the Fels Institute of Government Report “Entrepreneurial Development in Pennsylvania”, small businesses, those with 500 or fewer employees, generate half of the private sector employment in the U.S. It follows that an increase in the rate of business start-ups will have the potential to increase the number of successful firms, leading to increases in employment and economic growth in the future. Accordingly, increasing the rate of start-up formation and the success rate of start-up firms is a worthy goal of public policy.

The high rate of failure for start-up firms is well known. More than one third of new firms fail within two years and one half fail within five years (Fels). In conversations with owners of numerous start-up firms we have noticed a common theme, which is that firms lack resources to engage in a wide array of activities that would help them survive the initial phase and grow into viable businesses; for example, developing a strategic plan, a marketing plan, or a web site. There are excellent resource centers, such as SBDC’s to provide assistance, but it occurred to us that these firms would benefit from the placement of additional labor directly in the firm.

Internships have proven to be an extremely valuable experience for college students. Blending the classroom experience with opportunities to apply their learning in actual businesses provides students with excellent opportunities to transition to the world of work. In recent years, through our Cottrell Entrepreneurial Leadership Center, we have exposed students to successful

entrepreneurs in hopes that we can encourage them to consider starting a business rather than simply seeking employment at an established firm under fiercely competitive conditions in the job market. As a next step we approached start-up businesses to alert them to the opportunity to take on an intern to help them in areas where they lacked expertise. Because most of our students have to work while in college, we encourage companies to pay interns as employees of the firm, eliminating the need for the students to have an unpaid internship and a part-time job at the same time, which tends to hamper their ability to dedicate sufficient time to their studies. We quickly discovered that start-up firms were very interested in taking on interns, but they simply did not have the resources to pay them an hourly wage. We believed that we would be able to create a win/win situation by placing interns with start-up firms. The firms would get talented help to contribute to their success, and students would be exposed to the excitement of being involved with a start-up venture. We applied for and received almost \$200,000 from a PASSHE Entrepreneurial Leadership Grant to fund the wages of interns who are placed in start-up firms. The results have been excellent. It is too soon to report statistically significant results from the program, but anecdotal evidence shows that the firms have significantly benefitted from this program and students are showing a greater interest in starting their own businesses. A financial services start-up that benefited from one of our interns reported that the student performed testing and wrote the majority of their user manual for their proprietary software. When the internship ended the student was hired as a part-time operations analyst for the summer. This opportunity also gave the student experience with industry software that will help her find a job in the financial services industry when she graduates from college. A student working for a start-up biomedical firm assisted with a business plan and mission statement, designed a brochure, created an email campaign to be sent to potential clients and assisted in the preparation in an NIH grant application. The resources from the initial grant were quickly exhausted, but we continue to seek additional funding. We recently received an additional \$50,000 private grant to support these internships.

This program is admittedly at the grassroots level, but it has the potential to be an additional tool in our quest to increase employment and foster economic growth in the Commonwealth of Pennsylvania. I encourage you to consider allocating resources to enable its expansion both at West Chester and to other universities in Pennsylvania. We are confident that the results can readily be duplicated in other regions. The cost per internship is modest, on the order of \$4,500 for a twenty hour per week semester-long internship. In our program the cost of faculty supervision of students and administrative oversight of the program is funded from existing sources at the University, so the grant funds can be focused directly on the interns.

Thank you again for the opportunity to speak to you today. I would be happy to entertain any questions that the Committee might have.