

[By Rep Allen West](#)

Small businesses in the United States could lose nearly 1 million jobs in 2013 if lawmakers do not avert \$1.2 trillion in across-the-board budget cuts due to begin taking effect in January, a new study showed.

The Aerospace Industries Association released a new analysis on Thursday that showed that small businesses would likely lose 956,181 jobs - or 45 percent of the 2.14 million total job losses expected across the United States if the additional budget cuts take effect.

"Nearly half of all sequestration job losses would come from small businesses," said George Mason University economist Stephen Fuller, who has studied the jobs impact of the budget cuts for the largest aerospace and defense industry group.

Top Pentagon officials will testify on Thursday before the House Armed Services Committee about what they describe as the devastating impact that an additional \$500 billion in budget cuts -- on top of \$486 billion already being implemented -- would have on U.S. national security and procurement programs.

A separate hearing will look at the impact on businesses with fewer than 500 employees.

Defense industry executives have been railing against the across-the-board cuts for more than a year, warning that they would force the Pentagon to break thousands of contracts, resulting in billions of dollars in potential termination fees and other contract adjustments.

They say the cuts would be especially painful for small and medium-sized suppliers, many of whom build just one product for bigger prime contractors, but the new study is the first to show the projected impact on jobs in that sector.

Coupled with overall economic pressures, many small business owners are telling AIA they may move into other business areas, downsize, and some may have to shut down, AIA said in the report.

Marion Blakey, president of the AIA, said Fuller's new analysis underscored what she called the foolishness of the budget crisis since small businesses were seen as so critical to spurring greater economic growth in the United States.

"The idea that we will be losing 956,000 jobs in the small business area is just a staggering effect of sequestration that people need to take into account," Blakey told Reuters.

AIA this week orchestrated congressional visits by hundreds of business people from small businesses that provide components for the aerospace and defense industry. Blakey said many

were already seeing orders dry up and were having to cut jobs.

The U.S. Small Business Administration estimates that small businesses employ about half of all private-sector workers and generated 65 percent of net new jobs over the past 17 years, and were responsible for about one-third of U.S. exports.

Blakey said the latest research proved the budget cuts that would occur under sequestration would have a widespread impact on the U.S. economy, but she also worried about the impact on technology development since small businesses typically file more patent applications than larger ones.

Small businesses also accounted for 20 percent of prime contracts awarded by the Pentagon in 2011, and 35 percent of subcontracts, AIA said.

Mackenzie Eaglen, resident fellow at the Marilyn Ware Center for Security Studies, said the loss of smaller suppliers could drive future weapons costs higher since many of those companies were sole-source providers for ships, warplanes and other arms programs.

"Not only would the cost of doing business rise for the Pentagon if these firms dropped out of the supply chain, but the military and commercial economy would lose the benefits of these sources of cutting-edge technological breakthroughs increasingly required by our military," Eaglen said.