



National Small Business Poll

NFIB National

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2012

Small Business Poll

Regulation

NFIB National Small Business Poll

The **National Small Business Poll** is a series of regularly published survey reports based on data collected from national samples of small business employers. The initial volume was published in 2001. The **Poll** is designed to address small business-oriented topics about which little is known but interest is high. Each survey report treats different subject matter.

The survey reports in this series generally contain three sections. The first section is a brief Executive Summary outlining a small number of themes or salient points from the survey. The second is a longer, generally descriptive, exposition of results. This section is not intended to be a thorough analysis of the data collected nor to explore a group of formal hypotheses. Rather, it is intended to textually describe that which appears subsequently in tabular form. The third section consists of a single series of tables. The tables display each question posed in the survey broken-out by employee size of firm.

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Published (printed) reports can be obtained at \$15 per copy or by subscription (\$100 annually) by writing the **National Small Business Poll**, NFIB Research Foundation, 1201 "F" Street, NW, Suite 200, Washington, DC 20004. The micro-data and supporting documentation are also available for those wishing to conduct further analysis. Academic researchers using these data for public informational purposes, e.g., published articles or public presentations, and NFIB members can obtain them for \$20 per set. The charge for others is \$1,000 per set.

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Executive Summary

- Forty-five (45) percent of American small employers now consider government regulation a “very serious” business problem, up 28 percentage points from 2001. Meanwhile, 10 percent do not consider it a business problem, down 19 percentage points over the same period. Owners of larger, small businesses are more likely to think regulation is a serious problem than owners of smaller, small businesses.
- Additional paperwork is most frequently cited (24%) as the primary adverse impact of regulation, followed by the dollars spent to comply (21%) and understanding what is necessary to achieve compliance (17%). The distribution of perceived impacts is similar to the distribution recorded in 2001.
- The regulatory problem is more commonly thought of as the volume of rules emanating from a great variety of agencies (and levels of government) (62%) contrasted to a focused set of them emanating from a concentrated number of rule-making authorities (28%).
- Forty-nine (49) percent of small employers identify the federal government as the level causing them the most regulatory problems. The states receive the second most number of cites (33%) followed by local jurisdictions (12%).
- The most frequent small-business owner concern arises over tax-related regulations (39%). Environmental regulation, including zoning and land use, was cited with second greatest frequency (16%), followed by economic and operational (14%), health and safety (13%) and employee-related (11%). Seven percent could not decide.
- The narrower regulatory areas of special small-business concern include: employee taxes and withholding, various operating rules, financial rules, sales and use taxes, and land use (including zoning and run-off).
- The large majority (71%) of small employers discover new and/or modified regulations in the normal course of doing business. In contrast, 21 percent typically discover them through systematic search. The proportion systematically searching has fallen 10 percentage points in the last 11 years.
- Those owners who locate new and/or modified regulations through conventional operating business channels often find relevant information from other similarly affected business owners, outside business advisors like lawyers or accountants, and trade association publications or Web sites.
- Those owners who locate new and/or modified regulations through systematic search typically explore a variety of sources. However, the most common (75%) is the Web site of a pertinent agency.
- Both those who discover regulations in their normal business routine and systematic searchers commonly discover new and/or modified regulatory information through direct contacts from regulatory agencies, including flyers, advisory letters, etc.
- The manager (owner) is the person most likely (69%) to determine how the firm will come into regulatory compliance. The small employer will typically hire an “expert” in 14 percent of cases and assign compliance to an employee in 11 percent of them. Five percent say that different situations require different people to determine appropriate compliance activity.
- Small-business owners and managers who put themselves in charge of regulatory compliance tend to adopt one of two approaches: the first relies heavily on private networks, such as other business owners; the second relies heavily on public networks, such as direct contact with the regulatory agency. Web searches are commonly employed by both groups.

Regulation

Small-business owners frequently complain about government regulation impeding their businesses. But often these complaints are recited as generalities. They lack specifics. This shortage of detail makes it difficult to fashion the reasonable responses to alleviate at least the worst of the condition. However, the regulatory structure small-business owners encounter is encompassing and widely dispersed. Even the most ambitious attempts to bring specific facts to bear can easily get lost in the jumble. Still, the degree of difficulty should not deter attempts to do so, albeit modest, such as the one here. This edition of the *National Small Business Poll*, therefore, examines Regulation.

The NFIB Research Foundation conducted a survey, *Coping with Regulation*, in 2001 similar to the current effort.¹ Comparisons between the two often appear in the following text. Eleven years offers a reasonable time frame to determine whether there has been change and what those changes are (if any). In sum, small-business owners reported three significant changes: the perceived seriousness of the regulatory problem, the dispersion of its sources, and a shift to less systematic search for new and/or modified rules. The remainder changed relatively little.

Regulation as a Problem

Forty-five (45) percent of American small employers now consider government regulation a “very serious” business problem (Q#1). Twenty-eight (28) percent term it “somewhat serious”. However, 15 percent call it “not too serious” and another 10 percent say that regulation is “not at all serious”, effectively not a problem. The 2012 assessment varies notably from the one produced in 2001. In 2001, just 17 percent thought government regulation was a “very serious” problem, 28 percentage points fewer than today. At the other end of the scale, 29 percent termed government regulation “not at all serious”, 19 points fewer than today.

Owners of larger, small enterprises are 15 percentage points more likely to cite regulation as a very serious problem than owners of smaller,

small enterprises, a spread little changed from 2001. The likely reason for the gap is that the smallest firms often are not required to do as much as larger firms, even those having as few as 20 employees. There are other possibilities as well. A second is that owners of larger, small firms may be more aware of the full range of requirement. Greater awareness may result from greater interaction with the larger business community, such as membership in trade associations, a greater division of labor within the firm, or longer tenure as business owners. It also may result from greater enforcement efforts against larger, small firms. Still, another possibility is industry.

No industry appears immune to regulatory problems, but they appear more serious in some broad industries than in others. For example, 65 percent in the construction industry term regulation a “very serious” problem. Meanwhile, just 31 percent of the retail industry does. As a rule, those in the financial services and the hospitality industries are more likely to complain about regulation than those in services generally, particularly those requiring less formal education, are less likely to do so. Manufacturing falls in the middle.

A relationship appears between the relative severity of regulation as a business problem and the age of the business. In the first three years of existence, the issue seems relatively less important. For the next several years, the

¹ *Coping with Regulation*, <http://www.411sbfacts.com/sbpoll.php?POLLID=0038>.

level of concern plateaus at its apex and then declines after 20 years in business. Despite initial regulatory compliance costs upon entry, particularly after hiring the first employee, small-business owners are less concerned than they will become. Part of the explanation may be that there are so many concerns at the start of business operations that regulation is lost in all of the other problems. New firms also tend to be very small firms, which as discussed above, have relatively fewer regulatory problems due to various exemptions. Still, another possible explanation is that new business owners do not fully grasp the extent of the rules with which they must comply. Only after a few years in business, do they recognize the scale of requirements. But for whatever reason, regulation is less a top-of-the-mind issue for new business owners than for others.

Regulation can cause a series of problems for small-business owners. But certain specific aspects are likely more pressing than others. Three stand out: the most frequently identified single greatest regulatory problem is the extra paperwork required (24%) (Q#2). The dollars spent to comply (21%) follows as does the difficulty understanding what is necessary for compliance (17%). The remaining possibilities, time delays (10%), limits placed on desired actions (7%), and the difficulty discovering requirement (7%), are less commonly cited as creating the greatest single problem for them. Comments indicated that many do not think of these issues as distinct, but as wrapped together. For example, 2 percent rejected all answers and asserted that they were all the single greatest; others offered combinations.

This distribution of the single greatest problem is similar to 2001's.

Problem Source

The regulatory issue for small firms could rest in one set of regulations, that is, a single defined set emanating from a single agency or a limited number of them, or it could be a myriad of rules coming from several agencies. The rules could be relatively minor in either case, such as ensuring posters regarding employer responsibilities and employee rights are appropriately placed, or they could be relatively severe, such as permitting for construction in certain locations. Assuming no more than modest difference in severity, regulatory requirements are typically easier for small-business owners when they come from a predictable (and

logical) source. However, the trend appears to be moving in the opposite direction. Sixty-two (62) percent of small employers who say that regulation is a problem report it the overall volume of regulations flowing from a series of agencies (Q#6). Twenty-eight (28) percent identify theirs as a specific set of regulations or a specific agency; 8 percent are not certain. Those data represent a substantial and adverse change from 2001 when 50 percent identified volume coming from many sources and 47 percent a single set.

An issue that policy-makers often fail to appreciate is that small-business owners must comply with rules originating from a wide variety of sources. Not only are there the usual alphabet soup of agencies, but three levels of them – federal, state, and local, and within local can be city, county, special authorities and taxing districts, among others. Moreover, higher jurisdictions will often require lower ones to produce the actual rules within parameters established by the higher level, blurring ultimate responsibility for those who must abide by them. Forty-nine (49) percent of small-business owners with a regulatory problem (very serious or not) identify the federal government as principally responsible (Q#3). Another 33 percent identify the states and 12 select local jurisdictions. Four percent do not know. This distribution is virtually identical to the one provided in 2001.

Broad Areas Regulated

The survey attempted to narrow the regulated areas to better understand where small-business owners are most likely to encounter problems. The areas were arbitrarily divided into health and safety; employee-related, except health and safety; tax-related; environmental, land use, and zoning; and economic, competitive, and operational. These divisions overlap occasionally, but generally are independent of one another and cover a broad swath of regulatory issues. However, they specifically exclude areas, such as government procurement (selling to government), that are encountered voluntarily rather than under compulsion.

The regulations that most often cause small-business owners problems are tax-related. Thirty-nine (39) percent identified tax-related issues, more than twice the number of any other area (Q#4). The second most often cited was environmental, land use, and/or zoning at 16 percent. They were followed in

order by economic, competition, and/or operational (14%), health and safety (13%) and employee-related (11%). Seven percent could not decide or refused to answer.

Those who identified an area of concern were asked if there was a second area of regulation that also caused them considerable difficulty. Forty (40) percent responded affirmatively (Q#5a). Twenty-two (22) percent of that group identified employee-related regulations and another 22 percent identified tax-related matters. Eighteen (18) percent selected economic, competition, and/or operational; 15 percent health and safety; and 13 percent environmental, land use, and/or zoning.

Little difference in the frequency of mentions appears among the five areas of regulation under consideration when combining first and second responses. The exception is tax-related matters, which was cited with considerably greater frequency than the four others. One likely reason for its broad identification is that those rules affect every business owner. With more owners exposed to them, the greater possibility that they will be cited. Moreover, the exposure does not just occur once a year as it does for most people. Small employers must periodically submit payroll data and deposits. The same arguments could be made about employee-related areas. All businesses in this sample have employees. All owner-respondents experience them as well, though they chose to identify them with considerably less frequency than tax-related regulations. Perhaps, the reason is that they encounter associated paperwork less often with employees, save for payroll and payroll deposits.

The measures employed here focus on frequency; they do not measure intensity, except to the extent that frequency becomes intensity. Thus, one owner may judge a particular regulation as destructive and that is undistinguished from a rule another owner considers nothing more than a minor annoyance.

Narrow Areas Regulated

The survey attempted to narrow the regulations of particular concern in each of the five broad areas. The results follow.

It should be noted at the outset that the percentages cited below and displayed in the tables are the first and/or second choice of small-business owners who report regulation to be a problem for them divided by the population considering regulation a problem.

That means the frequency with which any one narrow set of regulations is cited will be small. Small percentages are inevitable when dispersing responses across 27 narrow sets of regulations, and even then many felt their particular regulatory problem was not included in one of the categories. The numbers leave two impressions, the inaccurate impression that nothing is really important since virtually no narrow sets of regulations stand out, and the accurate impression that the issue is very broad, indeed.

Many of the narrow sets of rules identified appear to be closely tied with one industry or another. For example, rules on land use logically appear particularly acute for contractors or rules on sales and use tax particularly acute for manufacturers and retailers. While no logical exceptions could be found in the relationships between narrow regulatory area and industry, the number of cases was consistently too small to make inferences. The result is that no references appear to industry when identifying narrower rule sets.

a. Health and Safety

The type of health and safety regulation most often found difficult involved drug and/or medical issues. Five percent of the population who selected the health and safety broad regulatory area as problematic picked drug and/or medical rules as a first or second choice (Q#5b). That was followed by 4 percent who selected workplace health and safety, conditions that are regulated by organizations such as the Occupational Health and Safety Administration and/or its state equivalents. Three percent chose construction design or quality issue and 2 percent food safety or cleanliness.

More employees than ever spend time on the nation's highways. This makes vehicle safety an increasing concern and many employers now consider highway accidents a greater threat to employee health and safety than workplace accidents. However, only 1 percent cited safety rules involving highway, road and vehicle safety rules as their greatest regulatory difficulty.

b. Employee-Related

The most often identified employee-related narrow set of rules were associated with workers' compensation and/or unemployment compensation (6%) (Q#5c). The common identification of regulations involving these

two programs is likely exacerbated by the Great Recession when more people filed for U.C. benefits and a greater number of people attempted to qualify for disability. The principal concern appears employee qualification for benefits, though experience rating issues could also be involved. A complication regarding the problem source is that workers' compensation is often privately operated, though compulsory except in Texas, implying that the rules for that program may or may not be government-imposed. Still, both programs affect all employers and can be very costly, particularly workers' compensation in relatively dangerous industries, such as construction or various types of agriculture.

The second most frequently cited type of employee-related rules involves wages, hours, and/or benefits (5%). Those rules could involve anything from minimum wage to family and medical leave. Some overlap could appear here with tax-related regulations in areas such as pensions or withholding taxes and their accompanying paperwork which could legitimately be considered a tax-related as well as an employee-related matter. Four percent identify hiring and firing issues. The number citing these regulations is a bit mystifying given the capacity to hire almost anyone desired and the "at-will" doctrine for employee dismissal. It is possible these small employers are concerned about the rules on job interviews, etc. However, that would appear to fall under disabilities and civil rights, though just 2 percent mentioned them. Immigration rules and the I-9 appear to be a problem for relatively few (1%). Another 2 percent mentioned other employee-related rules.

c. Tax-Related

The most frequently cited problem area with tax-related regulations is employee taxes and withholding (18%) (Q#5d). The second most frequent is sales and use tax rules (13%). The third most frequent (6%) is independent contractors and accompanying 1099s. None of these areas is associated with the income tax, often considered the major source of tax complexity (and hence regulations). Owners express lesser concerns in contrast over capital gains (4%), depreciation (1%) and the AMT (*%), common issues related to the income tax.

The apparent juxtaposition can possibly be explained by the fact that small-business owners typically use professional tax-preparers

to do their income taxes. They directly pay to have the rules interpreted for them. (A reasonable question is whether the same is true of tax incentives built into the income tax or whether the incentives are simply calculated after the fact by professionals during the annual filing.)

The tax-related issues associated with defining employees and interpreting rules associated with tax filings about them appear more often done in-house. Owners therefore are more directly exposed to applicable regulations. The same is true of rules associated with sales taxes. Sales and use tax, primarily a state tax, often requires considerable interpretation of regulations, such as who must pay the tax and on what items. Then, there are sales deposit rules, etc. These, too, directly expose owners to the vagaries of applicable regulations. A significant share of the relative prominence of regulations, therefore, is the extent to which they are directly involved in complying with them.

d. Environmental, Land Use, and Zoning

Greatest concern in the narrow environmental category of regulation is expressed over zoning, land-use and run-off (8%) (Q#5e). This type of rule most directly impacts small employers in the construction industry, but indirectly it impacts any small employer wanting to construct a facility, including a paved parking lot.

The second most frequently cited set of rules in this category fall on hazardous and toxic substances (5%). Such substances are more common than people often think. Oil, paint, and fertilizers are three examples. Relatively many small-business owners are therefore likely to be affected. Additionally, their appropriate use, storage, and disposal can be thorny, complicated further by classifications about size of the "generator".

The three most commonly understood types of pollution, air, water, and solid waste, together have rules that small-business owners identify slightly more often than they do hazardous or toxic substances and notably less than land use. Three percent name regulations associated with solid waste, 2 percent with discharge into the water and 1 percent with discharge into the air.

e. Economic, Competition, Operational

Particular concern arises over two narrow areas of regulations in the broad economic area. The

first is general operating rules (9%) and the second is rules governing financial transactions, transparency and safety (9%) (Q#5f). Those related to occupational licenses (1%), limits on production, work or prices (1%), international trade or travel (*%) and security (*%) are cited much less often.

Operating rules can be anything from local regulations governing business opening hours to federal rules governing energy conservation. They also can overlap broader regulatory areas, such as health and safety with rubrics governing the hours driven by truckers. But as a rule they simply involve controlling some aspect(s) of the economic operations of a firm. Finance, insurance, and securities rules have recently been increased due to the financial issues involved in the Great Recession, though a large number of the rules to be imposed have yet to be written.

Since 2001 the relative concern over occupational licensing has fallen substantially while the relative concern over financial regulation has risen commensurately.

Discovery

Small-business owners spend extraordinary hours managing their business. They focus their physical and human resources on producing goods and/or services, selling them, and servicing customers. While regulators spend full-time developing, rolling-out and enforcing regulations, small-business owners count it as one of an entire series of responsibilities (and a drain on their limited resources). As a result, regulatory discovery and compliance are typically not the first business activity that comes to mind when they open the business every morning. The immediate question then becomes: how do small-business owners discover the rules they must follow, particularly when those rules may originate in an agency that is new or new to the regulated.

Seventy-one (71) percent of small employers usually discover the rules they must follow during the normal course of business activity (Q#7). They learn by word-of-mouth, reading business periodicals, etc. Effectively, they stumble on it (them). Just 21 percent come across rules by systematically searching relevant sources, such as agency Web sites, etc., on a periodic basis. The remaining 8 percent are not certain how they learn about relevant rules, learn by some combination of these two approaches, or refused to respond.

The 2012 data indicate that fewer small-business owners are systematically searching than they did a decade ago. The shift has been about 10 percentage points. Given the increasing integration of the Internet into business operations, the direction of the shift seems odd. However, the shift away from systematic search likely reflects frustration over the inability to productively use the Internet to locate relevant material. This, in turn, may be another manifestation of the increasing number of rules and sources producing them.

Larger, small firms generally have more resources than smaller, small firms. Yet, the former do not appear to search systematically any more than the latter. Employee size-of-business effectively appears to be unrelated to the manner in which small-business owners discover new regulations.

The method of discovering regulations also is unrelated to years in the business of current ownership (experience) and appears unrelated to industry.

Systematic Search

The sources that small-business owners use when systematically searching for new or modified regulations that may apply to them are straight-forward. Seventy-five (75) percent of them report searching the Web site of relevant agencies (Q#7a1). Sixty-eight (68) percent are likely to discover them from trade publications, industry Web sites, and business conferences (Q#7a3). Sixty-two (62) percent say that they are on an agency mailing list to receive notices of pending regulatory activity (Q#7a4). Finally, 56 percent claim to search for information from the Federal Register and/or the state equivalents (Q#7a2).

Most use multiple sources when they systematically search for new or changed regulatory requirements. Thirty-nine (39) percent indicate that they use three of the four sources mentioned above. Another 23 percent use two and 22 percent all four. Just 9 percent used a single source and 6 percent used a source(s) not mentioned.

The systematic approach is encouraged when the small-business owner is most likely to consistently find relevant material in the same places. That obviously does not mean small-business owners adopting the approach confine themselves to a single source as evidenced by the multiple sources “searchers” now use. But it does mean that an endless number of sources

yields diminishing returns to systematic search thereby becoming an increasingly less efficient way to proceed.

Stumbling Across Regulations

Small-business owners who do not engage in systematic search are likely to encounter new or modified regulations in the same manners that they often discover other relevant business information. The most common places are their business networks. For example, 66 percent say that they are likely to discover them through other affected business owners (Q#7b5). Sixty-one (61) percent identify outside advisors, such as an accountant or lawyer as a likely source (Q#7b2). And, 58 percent are likely to discover them from a trade association publication or Web site (Q#7b3). Another potential business source, suppliers, is less commonly a source (44%) (Q#7b6).

Though learning about applicable regulations through business sources does not mean that these small-business owners ignore other possible sources. Far from it! Sixty-six (66) percent claim that they obtain information from direct contacts made by regulatory agencies including flyers, advisory letters, or in the worst of cases, inspectors (Q#7b4). The latter may advise them of relevant rules after the fact. Popular media, such as radio or newspapers, is the least common source. Still, 37 percent say that the media is a likely source for them to discover new regulatory requirements (Q#7b1.).

Like those engaged in systematic search, small employers who stumble across new or modified regulations find multiple sources helpful. For example, 27 percent are likely to discover applicable regulation from three of the sources listed above; 25 percent four sources, 6 percent six sources, and 10 percent just one. One percent did not find them at any of the sources listed. These data suggest that regulators wishing to disseminate information to the regulated body of small-business owners would typically do well by promoting their product(s) directly through conventional business channels rather than more formal government ones. While the legal responsibility for compliance rests with the individual business, the best way to obtain compliance is to take advantage of the information channels the regulated inhabit.

Compliance

Once a small-business owner learns of a new rule or regulation that applies to his or her

enterprise, someone must have the responsibility to determine how the business will comply with it (them). While the owner will always bear ultimate responsibility, actual investigation of compliance requirements falls directly on the manager in 69 percent of cases (Q#8). The small employer will hire a professional expert to conduct the task 14 percent of the time, and will delegate the responsibility to an employee in 11 percent of cases. Five percent of owners say that different situations require different responses. The small-business owner, therefore, typically pays with his time to prepare for compliance rather than his cash, a cost either way.

Small employers use a variety of methods to determine the way (best way) to come into compliance. They use one of two basic methods: they use private business networks or they use public networks. Neither is mutually exclusive, but they lean heavily in one direction or the other. The former look to speaking with other business owners who may be affected the same way (21% always do so) (Q#9a); attending a relevant seminar or convention session (9% always do) (Q#9c); talking to an “expert” about the new rules (16% always do); and checking with an appropriate trade association or business organization (16% always do) (Q#9f).

The second group is more likely to rely on publicly available information resources. Thus, its members are more likely to ask the agency that made the rule for more information (Q#17% always do) (Q#9b) and search the Web for relevant material (25% always do) (Q#9e). Searching the Web is the one step where the two groups overlap.

There is no relationship between the person(s) responsible with determining how to comply with a regulation and the owner’s perception of regulation as a problem.

Final Comments

The Regulatory Flexibility Act, its subsequent updates and its adoption by many of the states, proved an innovative means to help small business cope with the increasingly complicated regulatory state. But as the number of agencies with regulatory powers proliferates along with expanded authority for them, small employers become increasingly reactive to regulatory initiatives, unable to stay abreast, let alone ahead, of the regulatory curve. This condition is in no one’s best interest.

The truth is that small-business owners are often compliant without knowing they are because the regulatory “correct” way fits the way they do business. The rules make good business sense. But regulations do not always make good business sense or fit their way of doing business. Those circumstances underscore the critical need for regulators to better communicate those rules (or proposed rules) before a small-business owner discovers it in an adversarial situation and understand the way small business operates. The former assures less surprise by the regulated and the latter assures there will be fewer requirements at odd with normal business processes. That is a difficult task, if for no other reason than communication between groups and becomes ever more difficult when the rules are increasingly technical, emanate from multiplying and varied – often unidentifiable - sources, and are more numerous.

This survey in conjunction with a similar one conducted in 2001 shows that a smaller proportion are involved in systematic search for new and/or modified now than 11 years ago. That, in spite of greater familiarity with, and access to, the Internet. It appears that effectively, the small employer’s circuits have become overloaded. The Great Recession has obviously contributed by adding atypically economic concerns. Still, “we have a failure to communicate.” And, the current prospects of that occurring do not appear bright.

Regulation

(Please review notes at the table's end.)

Employee Size of Firm

	1-9 emp	10-19 emp	20+ emp	All Firms
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1. Is government regulation in the United States a very serious, somewhat serious, not too serious, or not at all serious problem for your business?

1. Very serious	42.3%	50.6%	56.8%	44.6%
2. Somewhat serious	28.9	24.1	23.0	27.8
3. Not too serious	15.6	15.2	9.5	14.9
4. Not at all serious	10.4	10.1	10.8	10.4
5. (DK/Refuse)	2.8	—	—	2.3

Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

2. What is the single greatest problem created for your business by government regulation? Is it the:?

1. Limits placed on actions you want to take	7.7%	2.8%	7.5%	7.1%
2. The extra paperwork required	24.1	25.0	22.4	24.0
3. Time delays that it causes	10.0	8.3	10.4	9.9
4. Difficulty discovering new regulations	6.0	8.3	13.4	7.0
5. Difficulty understanding what you have to do to comply	18.1	18.1	17.9	18.1
6. Dollars spent to comply	21.6	26.4	19.4	21.9
7. (All of the above)	2.3	—	1.5	2.0
8. (Other) specify	5.8	6.9	6.0	5.9
9. (DK/Refuse)	4.4	4.2	1.5	4.1

Total	100.0%	100.0%	100.0%	100.0%
N	306	179	178	663

3. Which level of American government creates the most serious regulatory problems for you? Is it the:?

1. Federal government	48.6%	49.3%	51.5%	48.9%
2. State government	32.4	35.2	33.3	32.8
3. Local government	12.5	11.3	10.6	12.2
4. (DK/Refuse)	6.5	4.2	4.5	6.1

Total	100.0%	100.0%	100.0%	100.0%
N	306	179	178	663

Employee Size of Firm
1-9 emp 10-19 emp 20+ emp All Firms

4. What type of regulations, federal, state or local, cause the greatest difficulties for you? Is it:?

1. Health and safety	11.7%	19.4%	13.6%	12.8%
2. Employee-related, except health and safety	9.6	9.7	19.7	10.6
3. Tax-related	40.8	34.7	27.3	38.8
4. Environmental, land use, and zoning	17.3	15.3	10.6	16.4
5. Economic, competition, and operational	13.7	13.9	19.7	14.3
6. (DK/Refuse)	6.9	7.0	9.1	7.1
Total	100.0%	100.0%	100.0%	100.0%
N	306	179	178	663

5. Is there a second type of regulations that causes you considerable difficulty?

1. Yes	37.7%	43.9%	58.3%	40.4%
2. No	60.2	53.0	40.0	57.5
3. (DK/Refuse)	2.1	3.0	1.7	2.1
Total	100.0%	100.0%	100.0%	100.0%
N	287	167	163	617

5a. Would you describe them as:?

1. Health and safety	13.7%	20.7%	20.0%	15.4%
2. Employee-related, except health and safety	21.9	31.0	17.1	22.3
3. Tax-related	24.0	20.7	8.6	21.5
4. Environmental, land use, and zoning	12.0	10.3	20.0	13.0
5. Economic, competition, and operational	18.0	13.8	22.9	18.2
6. (DK/Refuse)	10.4	3.4	11.4	9.7
Total	100.0%	100.0%	100.0%	100.0%
N	117	74	96	287

Employee Size of Firm
1-9 emp 10-19 emp 20+ emp All Firms

5b. What type of health and safety regulations cause the greatest problems for you? (Combined answers for follow-ups to Q#4 and Q#5a.)

1. Highway, road and vehicle safety	—%	—%	—%	0.7%
2. Drug or medical	—	—	—	5.2
3. Construction design or quality	—	—	—	2.5
4. Workplace	—	—	—	4.4
5. Food safety or cleanliness	—	—	—	2.3
6. (Other) specify	—	—	—	4.3
Total	—%	—%	—%	—%
N (Q#4 and Q#5a)	56	49	44	149

5c. What type of employment-related regulations cause the greatest problems for you? (Combined answers for follow-ups to Q#4 and Q#5a.)

1. Wages, hours, and benefits	—%	—%	—%	5.4%
2. Immigration	—	—	—	1.1
3. Hiring and Firing	—	—	—	3.8
4. Disabilities or civil rights	—	—	—	1.5
5. Workers compensation or Unemployment compensation	—	—	—	6.4
6. (Other) specify	—	—	—	1.6
Total	—%	—%	—%	—%
N (Q#4 and Q#5a)	58	40	55	153

5d. What type of tax-related regulations cause the greatest problems for you? (Combined answers for follow-ups to Q#4 and Q#5a.)

1. Sales and use tax rules	—%	—%	—%	13.4%
2. Employee taxes and withholding	—	—	—	18.2
3. Capital gains rules	—	—	—	4.1
4. Independent contractors and 1099s	—	—	—	5.9
5. Depreciation	—	—	—	1.1
6. AMT (pronounced A-M-T)	—	—	—	0.3
7. (Other) specify	—	—	—	4.4
Total	—%	—%	—%	—%
N (Q#4 and Q#5a)	149	76	62	287

Employee Size of Firm
1-9 emp 10-19 emp 20+ emp All Firms

5e. What type of environmental regulations cause the greatest problems for you? (Combined answers for follow-ups to Q#4 and Q#5a.)

1. Zoning, land use, and run-off	—%	—%	—%	8.2%
2. Hazardous or toxic substances	—	—	—	5.4
3. Discharge into air	—	—	—	1.3
4. Discharge into water	—	—	—	2.0
5. Solid waste disposal	—	—	—	2.8
6. (Other) specify	—	—	—	1.5
Total	—%	—%	—%	—%
N (Q#4 and Q#5a)	62	35	41	138

5f. What type of economic, competition or operational regulations cause the greatest problems for you? (Combined answers for follow-ups to Q#4 and Q#5a.)

1. Occupational licenses	—%	—%	—%	1.1%
2. Operating rules	—	—	—	9.2
3. Finance, insurance or securities rules	—	—	—	9.0
4. Limits on production, work, or prices	—	—	—	1.1
5. Security requirements	—	—	—	—
6. International trade or travel	—	—	—	0.3
7. (Other) specify	—	—	—	0.5
Total	100.0%	100.0%	100.0%	100.0%
N (Q#4 and Q#5a)	67	37	49	153

Employee Size of Firm
1-9 emp 10-19 emp 20+ emp All Firms

6. Some identify their regulatory problems as a specific regulation or regulatory agency. Others identify their problems as the overall volume of regulations coming from many agencies. Which BEST describes the source of your regulatory problems? Do you think that way strongly or not too strongly?

1. A few specific regulations coming from one or two sources	27.2%	31.0%	28.8%	27.7%
(Strongly)	(17.2)	(17.9)	(22.8)	(17.9)
(Not so strongly)	(9.2)	(11.7)	(6.0)	(9.2)
(DK/Refuse)	(0.6)	(1.4)	(—)	(0.6)
2. The volume coming from many sources	61.5	62.0	68.2	62.2
(Strongly)	(48.3)	(47.8)	(59.5)	(49.2)
(Not so strongly)	(13.0)	(14.2)	(8.7)	(12.7)
(DK/Refuse)	(0.2)	(—)	(—)	(0.1)
3. (DK/Refuse)	11.3	7.0	3.0	10.0
Total	100.0%	100.0%	100.0%	100.0%
N	306	179	178	663

7. Which BEST describes how you typically discover a new rule or regulation that you must follow? Do you?:

1. Periodically search relevant materials or Web sites to locate applicable new rules and regulations	20.9%	22.2%	21.3%	21.1%
2. Come across new rules or regulations in the normal course of business activity	70.5	69.1	73.3	70.6
3. (DK/Refuse)	8.7	8.7	5.3	8.4
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

7a. What sources do you typically search?:

7a1. Web sites of pertinent agencies

1. Yes	75.8%	—%	—%	75.3%
2. No	22.6	—	—	22.8
3. (DK/Refuse)	1.6	—	—	1.9
Total	100.0%	100.0%	100.0%	100.0%
N	70	45	43	158

Employee Size of Firm
1-9 emp 10-19 emp 20+ emp All Firms

7a2. The Federal Register or a similar state list of agency rule-makings

1. Yes	57.6%	—%	—%	55.7%
2. No	38.4	—	—	41.1
3. (DK/Refuse)	4.0	—	—	3.2
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	70	45	43	158

7a3. Trade publications, trade Web sites or conferences

1. Yes	66.4%	—%	—%	67.9%
2. No	29.6	—	—	28.9
3. (DK/Refuse)	4.0	—	—	3.1
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	70	45	43	158

7a4. Notices from an agency mailing list that you are on

1. Yes	60.0%	—%	—%	62.3%
2. No	38.4	—	—	36.5
3. (DK/Refuse)	1.6	—	—	1.3
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	70	45	43	158

7b. What are likely sources where you might first learn about a new regulation that impacts you? What about:?

7b1. Popular media such as radio or newspapers

1. Yes	37.2%	37.5%	34.5%	37.0%
2. No	62.8	62.5	65.5	63.0
3. (DK/Refuse)	—	—	—	—
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	251	140	143	534

7b2. Outside advisors such as an accountant or lawyer

1. Yes	60.7%	60.0%	64.8%	61.0%
2. No	39.3	40.0	35.2	39.0
3. (DK/Refuse)	—	—	—	—
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	251	140	143	534

Employee Size of Firm
1-9 emp 10-19 emp 20+ emp All Firms

7b3. Trade publications or trade Web sites

1. Yes	58.1%	53.6%	57.4%	57.5%
2. No	41.7	46.4	42.6	42.3
3. (DK/Refuse)	0.2	—	—	0.2
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	251	140	143	534

7b4. Direct contacts from a regulatory agency, such as inspectors, advisory letters OR flyers

1. Yes	64.9%	69.1%	70.9%	66.0%
2. No	34.8	30.9	29.1	33.8
3. (DK/Refuse)	0.2	—	—	0.2
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	251	140	143	534

7b5. Other affected business owners

1. Yes	66.3%	64.3%	65.5%	66.0%
2. No	33.3	33.9	34.5	33.5
3. (DK/Refuse)	0.5	1.8	—	0.6
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	251	140	143	534

7b6. Suppliers

1. Yes	43.8%	46.4%	46.3%	44.4%
2. No	56.2	53.6	53.7	55.6
3. (DK/Refuse)	—	—	—	—
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	251	140	143	534

Employee Size of Firm
1-9 emp 10-19 emp 20+ emp All Firms

8. Once you have learned there is a rule you probably must comply with, who is responsible for investigating HOW you are supposed to comply with it: Do you usually?:

1. Assign an employee to check out compliance requirements	9.2%	17.7%	20.3%	11.2%
2. Check out compliance requirements yourself	71.9	58.2	55.4	68.8
3. Find an expert to check out the compliance requirements for you	14.4	11.4	13.5	4.8
4. (Depends)	2.8	11.4	13.5	4.8
5. (DK/Refuse)	1.7	1.3	—	1.4
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

9. Once you learn that a new government requirement affects you, how do you learn about the specific requirements? Do you always, usually, sometimes, or never?:

9a. Talk to other business owners who might be affected in the same way

1. Always	21.2%	17.4%	26.8%	21.3%
2. Usually	17.5	21.7	17.1	17.8
3. Sometimes	40.8	41.3	41.5	40.9
4. Never	20.0	19.6	14.6	19.6
5. (DK/Refuse)	0.5	—	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	247	115	105	467

9b. Ask the agency that made the rule for more information

1. Always	15.6%	19.6%	30.0%	17.1%
2. Usually	13.8	17.4	10.0	13.8
3. Sometimes	41.3	41.3	32.5	40.6
4. Never	28.4	21.7	27.5	27.8
5. (DK/Refuse)	1.0	—	—	0.8
Total	100.0%	100.0%	100.0%	100.0%
N	247	115	105	467

Employee Size of Firm
1-9 emp 10-19 emp 20+ emp All Firms

9c. Attend a relevant seminar or convention session

1. Always	9.1%	4.3%	7.3%	8.5%
2. Usually	6.7	8.7	12.2	7.4
3. Sometimes	32.6	45.7	48.8	35.0
4. Never	51.6	41.3	31.7	49.1
5. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	247	115	105	467

9d. Talk to an “expert” about the rules

1. Always	14.4%	17.8%	27.5%	15.7%
2. Usually	14.2	13.3	15.0	14.2
3. Sometimes	47.0	46.7	45.0	46.8
4. Never	24.0	22.2	12.5	22.9
5. (DK/Refuse)	0.5	—	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	247	115	105	467

9e. Search the Web for relevant material

1. Always	24.2%	28.3%	27.5%	24.9%
2. Usually	19.8	15.2	15.0	19.0
3. Sometimes	36.1	41.3	35.0	36.5
4. Never	19.8	15.2	22.5	19.6
5. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	247	115	105	467

9f. Check with an appropriate trade association or business organization

1. Always	15.6%	15.2%	15.0%	15.5%
2. Usually	14.0	17.4	22.5	14.9
3. Sometimes	35.3	37.0	37.5	35.7
4. Never	34.4	30.4	25.0	33.3
5. (DK/Refuse)	0.7	—	—	0.6
Total	100.0%	100.0%	100.0%	100.0%
N	247	115	105	467

Employee Size of Firm
1-9 emp 10-19 emp 20+ emp All Firms

Demographics

D1. Which best describes your position in the business?

1. Owner/Manager	84.6%	77.5%	72.0%	82.6%
2. Owner, but not manager	7.7	11.3	9.3	8.2
3. Manager, but not owner	7.7	11.3	18.7	9.2
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	201	751

D2. Is your primary business activity: (NAICs code)

1. Agriculture, forestry, fishing	3.8%	1.3%	2.7%	3.4%
2. Construction	15.0	7.5	5.3	13.3
3. Manufacturing, mining	8.5	11.3	6.7	8.5
4. Wholesale trade	1.7	5.0	6.7	2.5
5. Retail trade	14.2	16.3	10.7	14.1
6. Transportation and warehousing	2.0	1.3	2.7	2.0
7. Information	1.5	1.3	1.3	1.5
8. Finance and insurance	3.2	3.8	1.3	3.1
9. Real estate and rental/leasing	4.8	2.5	1.3	4.2
10. Professional/scientific/ technical services	10.0	10.0	8.0	9.8
11. Admin. support/waste management svcs.	7.0	2.5	4.0	6.2
12. Educational services	2.8	3.8	6.7-	3.3
13. Health care and social assistance	5.8	10.0	13.3	7.0
14. Arts, entertainment or recreation	2.2	3.8	1.3	2.3
15. Accommodations or food service	4.0	8.8	18.7	6.0
16. Other service, incl. repair, personal svc.	13.0	11.1	9.3	12.5
17. Other	0.2	—	—	0.2
18. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	201	751

Employee Size of Firm
1-9 emp 10-19 emp 20+ emp All Firms

D3. Which of the following best describes the place your business is located?

1. Highly urban city	18.4%	16.3%	13.5%	17.7%
2. Suburb of highly urban city	19.7	18.8	14.9	19.1
3. Mid-sized city (250,000 people) or surrounding area	14.2	13.8	20.3	14.8
4. Small city (50,000 people) or surrounding area	16.4	18.8	16.2	16.6
5. Town or rural area	30.4	30.0	35.1	30.9
6. (DK/Refuse)	0.9	2.5	—	0.9
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	201	751

D4. Regions (based on zip codes).

1. East (zips 010-219)	18.8%	17.5%	16.4%	18.4%
2. South (zips 220-427)	24.1	21.3	15.1	22.9
3. Mid-West (zips 430-567, 600-658)	22.1	26.3	26.0	22.9
4. Central (zips 570-599, 660-898)	19.8	22.5	24.7	20.5
5. West (zips 900-999)	15.2	12.5	17.8	15.2
6. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	201	751

D5. How long have you owned/operated this business?

1. < 4 years	13.2%	8.6%	11.0%	12.5%
2. 4 – 6 years	10.9	12.3	9.6	10.9
3. 7 – 9 years	10.4	4.9	5.5	9.3
4. 10 – 14 years	14.7	14.8	9.6	14.2
5. 15 – 19 years	12.7	12.3	8.2	12.2
6. 20 – 29 years	20.7	22.3	24.6	21.3
7. 30 – 39 years	9.5	16.1	19.2	11.2
8. 40+ years	6.7	8.6	12.3	7.4
9. (DK/Refuse)	1.2	—	—	0.9
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	201	751

Employee Size of Firm
1-9 emp 10-19 emp 20+ emp All Firms

D6. What is your highest level of formal education?

1. < H.S.	1.7%	—%	—%	1.3%
2. H.S. diploma/GED	18.7	13.9	9.5	17.3
3. Some college or associate's degree	26.6	26.6	27.0	26.6
4. Vocational or technical school degree	3.8	5.1	2.7	3.9
5. College diploma	28.9	30.4	35.1	29.7
6. Advanced or professional degree	19.9	24.1	25.7	20.9
7. (DK/Refuse)	0.4	—	—	0.2
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	201	751

D7. Please tell me your age.

1. < 25 years	0.3%	—%	—%	0.3%
2. 25 – 34 years	5.5	3.8	5.3	5.3
3. 35 – 44 years	15.2	10.0	14.7	14.6
4. 45 – 54 years	31.0	28.8	21.3	29.8
5. 55 – 64 years	28.1	35.0	40.0	30.1
6. 65 — 74 years	13.7	18.8	14.7	14.4
7. 75+ years	5.4	2.5	2.7	4.8
8. (Refuse)	0.7	1.3	1.3	0.8
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	201	751

D8. Compared to last year at this time, is this business currently much more profitable, somewhat more profitable, about as profitable, somewhat less profitable, or much less profitable?

1. Much more profitable	7.4%	7.5%	8.1%	7.5%
2. Somewhat more profitable	19.3	23.8	28.4	20.6
3. About as profitable	32.3	32.5	35.1	32.6
4. Somewhat less profitable	20.8	22.5	14.9	20.4
5. Much less profitable	16.8	12.5	10.8	15.7
6. (DK/Refuse)	3.5	1.3	2.8	3.2
Total	100.0%	100.0%	100.0%	100.0%
N	300	184	179	663

Employee Size of Firm
1-9 emp 10-19 emp 20+ emp All Firms

D9. Net employment change over the last three years (Calculated. Only firms more than three years old.)

1. 10 or more employee gain	—%	4.1%	18.2%	2.3%
2. 5 – 9 employee gain	0.8	6.8	10.6	2.5
3. 1 – 4 employee gain	19.6	16.2	9.1	18.2
4. No change in employees	35.3	36.5	33.3	35.2
5. 1 – 4 employee loss	25.3	17.6	3.0	22.2
6. 5 – 9 employee loss	8.8	9.5	4.5	8.5
7. 10 employee or more loss	8.4	8.1	18.2	9.4
8. (DK/Refuse)	1.8	1.4	3.0	1.8
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	201	751

D10. In the next three to five years, do you want this business to grow a lot, grow a little, stay about the same size, contract a little, or contract a lot?

1. Grow a lot	42.8%	43.2%	46.7%	43.2%
2. Grow a little	30.1	37.0	34.7	31.3
3. Stay the same	20.1	14.8	12.0	18.7
4. Contract a little	1.0	1.2	1.3	1.1
5. Contract a lot	3.8	1.2	—	3.2
6. (DK/Refuse)	2.2	2.4	5.3	2.5
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	201	751

D11. Sex

1. Male	64.0%	67.5%	68.0%	64.8%
2. Female	36.0	32.5	32.0	35.2
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	201	751

Table Notes

1. All percentages appearing are based on **weighted** data.
2. All “Ns” appearing are based on **unweighted** data.
3. Data are not presented where there are fewer than 50 unweighted cases.
4. ()s around an answer indicate a volunteered response.

WARNING – When reviewing the table, care should be taken to distinguish between the percentage of the population and the percentage of those asked a particular question. Not every respondent was asked every question. All percentages appearing on the table use the number asked the question as the denominator.

Data Collection Methods

The data for this survey report were collected for the NFIB Research Foundation by Left Right Research of Ronkonkoma, New York. The interviews for this edition of the *Poll* were conducted in September and October 2012 from a sample of small employers. “Small employer” was defined for purposes of this survey as a business owner employing no fewer than one individual in addition to the owner(s) and no more than 250.

The sampling frame used for the survey was drawn at the Foundation’s direction from the files of the Dun & Bradstreet Corporation, an imperfect file but the best currently available for public use. A random stratified sample design is typically employed to compensate for the highly skewed distribution of small-

business owners by employee size of firm (Table A1). Almost 60 percent of employers in the United States employ just one to four people meaning that a random sample would yield comparatively few larger, small employers to interview. Since size within the small-business population is often an important differentiating variable, it is important that an adequate number of interviews be conducted among those employing more than 10 people. The interview quotas established to achieve these added interviews from larger, small-business owners are arbitrary but adequate to allow independent examination of the 10-19 and 20-250 employee size classes as well as the 1-9 employee size group.

TABLE A1
SAMPLE COMPOSITION UNDER VARYING SCENARIOS

Employee Size of Firm	Expected from Random Sample*		Obtained from Stratified Random Sample			
	Interviews Expected	Percent Distribution	Interview Quotas	Percent Distribution	Completed Interviews	Percent Distribution
1-9	593	79	350	47	350	52
10-19	82	11	200	27	200	25
20+	75	10	200	27	201	23
All Firms	750	100	750	101	751	100

* Sample universe developed from the Bureau of the Census (2007 data) and published by the Office of Advocacy at the Small Business Administration.

The Sponsors

The **NFIB Research Foundation** is a small-business-oriented research and information organization affiliated with the National Federation of Independent Business, the nation's largest small and independent business advocacy organization. Located in Washington, DC, the Foundation's primary purpose is to explore the policy-related problems small-business owners encounter. Its periodic reports include **Small Business Economic Trends, Small Business Problems and Priorities**, and now the **National Small Business Poll**. The Foundation also publishes ad hoc reports on issues of concern to small-business owners.

The study was conducted with support from **Goldman Sachs 10,000 Small Businesses**, a \$500 million initiative designed to help small businesses create jobs and economic growth by providing greater access to business education, financial capital and business support services. More information about **10,000 Small Businesses** can be found at, gs.com/10000smallbusinesses.



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