



National Small Business Poll

NFIB National

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Small Business Poll

Unemployment Compensation

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. Eight reports are produced annually with the initial volume 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.

Current individual reports are publicly accessible on the NFIB Web site (www.nfib.com/research) without charge. 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. It must be emphasized that these data sets do NOT contain information that reveals the identity of any respondent. Custom cross-tabulations will be conducted at cost only for NFIB members on a time available basis. Individuals wishing to obtain a data set(s) should write the *Poll* at the above address identifying the prospective use of the set and the specific set desired.

NFIB National
Small Business
Poll



*Unemployment
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Executive Summary

- Forty-nine (49) percent of employing small businesses had no employee turn-over in the last 12 months. Fifty-nine (59) percent experienced no quits; 73 percent fired no one; and, 87 percent did not lay anyone off for economic reasons. Still, the average number of turn-overs in the year amounted to 3.2 employees per firm.
- Twenty-two (22) percent of small employers with one or more fired employees in the last 12 months attributed at least one of those discharges to unsafe work practices by the fired employee and 2 percent attributed at least one to harassment over sex, race, etc.
- Twenty-two (22) percent of all small businesses or 41 percent of those that had an employee leave for any reason had an unemployment compensation claim filed against them in the last year.
- Small employers usually challenge the unemployment claims they think are unjustified. Fifty-three (53) percent of small employers do not think the last unemployment claim filed against them was justified. Small employers challenged 51 percent of the most recent unemployment compensation claims filed against them.
- The most frequent reason to challenge an unemployment claim (51%) was that an employee was fired for cause. The second most common reason was that an employee voluntarily quit (36%). The most common reason (70%) a small employer did not challenge the most recent unemployment claim was because the claim was justified.
- Over three in four (78%) small employers challenged the most recent claim in writing only. In about one of 10 challenges (11%), the small employer or a designate appeared at the hearing. A lawyer represented them in only about 5 percent of cases.
- Small employers, as a group, know comparatively little about the unemployment (FUTA) taxes they pay. Two-thirds could not or would not estimate the amount of FUTA taxes they pay per employee per year. Further, about half did not have a general idea of how their FUTA taxes are calculated.
- Small employers often take steps that directly and indirectly minimize their experienced-based FUTA taxes. Examples include: annually verifying their unemployment compensation account to ensure its accuracy (59%); obtaining resignation letters from employees who voluntarily quit (36%); examining every unemployment compensation claim whether or not challenged (59%); and, maintaining records of events or circumstances leading to and including employee termination (67%).
- Fifty-six (56) percent of small businesses have written employment policies that are available to employees. Ninety-four (94) percent of those employing 20 or more have them.
- Fifteen (15) percent of small businesses have an employment contract with one or more employees.
- Three percent of small businesses have some unionized employees, but virtually none employ an entirely unionized staff.

Unemployment Compensation

Small employers face a tight labor market. The unemployment rate remains low and the labor force participation rate hovers near an historic high. During this and similar periods, financial pressure on state Unemployment Insurance (UI) trust funds is modest. Differing from periods of high unemployment and debates over extended unemployment benefits among other things, relatively little controversy now surrounds the program. A modest federal siphon skimming monies from the program to feed the deficit continues to grate, but the lack of current attention and controversy makes the present a good time for the *National Small Business Poll* to review an employer-funded part of the social safety net, Unemployment Compensation.

The Unemployment Insurance (UI) system, more popularly known as unemployment compensation, is a joint federal-state program designed to provide people who are unemployed, through no fault of their own, financial support until they can find new employment. Employees losing their jobs are generally eligible for benefits unless they voluntarily quit or were fired for cause. Employer taxes fund the benefits. The amount of unemployment taxes (FUTA) employers' pay are typically based on the employers' experience-rating, that is, the frequency and duration of unemployment compensation payments made to the former employee-beneficiaries. Purposefully, experience-rated taxes give employers an incentive to police the system. They offer an incentive to challenge unjustified claims and a disincentive to lay-off employees. There are limited exceptions to this tax regimen, particularly involving new businesses. Those firms are administratively-rated, meaning the appropriate state authority arbitrarily establishes rates until a history or experience can be built.

Employee Turnover

Considerable employee turn-over occurs within the small-business population, but the distribution is not even. Forty-nine (49) percent of all small businesses experienced

no employee turn-over in the last 12 months (Q#5). Thirteen (13) percent lost just one employee during the year and another 11 percent lost two. Fifteen (15) percent experienced between three and five leaving. However, the average number turning over in the past year was 5.9 employees per small firm experiencing turn-over and 3.0 employees among all small businesses.

The most frequent reason that employees left was a voluntary quit. Still, 59 percent of small employers experienced no quits in the prior 12 months and another 13 percent experienced only one (Q#2). Among those experiencing at least one quit, an average of 4.5 employees per firm voluntarily left their jobs during the year. That figure translates into 1.8 employees across all small businesses.

The second greatest number of employees leaving were involuntarily terminated, that is to say, they were fired. Twenty-seven (27) percent of small employers fired at least one employee in the last 12 months, but almost half of that number (13%) fired just one (Q#3). An average of 2.9 employees per firm left under those circumstances. The average across all small businesses, however, was 0.6 employees per small business.

There are many possible reasons for firing an employee. Two of the more high-profile reasons and causes for which employers

can be sued for negligence are employee harassment of other employees on the basis of sex, race, etc., and unsafe work practices, practices that potentially endanger other employees. Two percent of all small employers who fired someone for cause in the last year, or less than one percent of all small employers, fired one or more employees for harassment (Q#3a). However, 22 percent of all small employers who fired someone for cause in the last year, or six percent of all small employers, fired one or more employees for unsafe work practices (Q#3b).

The third reason to leave, and the one for which unemployment compensation is principally intended to address, is a layoff or dismissal for economic reasons. Thirteen (13) percent of small firms laid-off one or more employees for economic reasons in the last year (Q#4). The average number of layoffs per small business with at least one was 4.3 or 0.6 employees across all small businesses. But these numbers are significant undercounts because they exclude employees who left because a small business did not survive. That fact raises the number of firms that let employees go for economic reasons notably. It also substantially increases the number of employees laid-off per firm.

Unemployment Compensation

Not all employees who leave their jobs are eligible for unemployment benefits. Not all departing employees who are eligible for benefits file for them. Still, 41 percent of small employers who saw one or more employees leave in the last year or 22 percent of all small employers had at least one former employee who attempted to collect unemployment benefits (Q#6). Fifty-five (55) percent who had one or more employee(s) leave did not experience such an attempt and the remainder did not know or refused to answer.

Those small employers who experienced an unemployment claim in the last year typically experienced just one (44%) or two (20%) (Q#6a). The average among those experiencing at least one claim was just 2.9 claims per firm. There was a notable disparity by size of firm as expected with larger firms experiencing them more frequently than smaller ones, 2.1 claims for firms employing less than 10 people compared to

5.4 for those employing 20 people or more. Thus, the typical small firm appears to experience about 0.6 claims per year.

One non-intuitive aspect of the unemployment compensation program allows an employee who is released by one employer to draw benefits on the account of his previous employer. This situation can occur when the employee is terminated (without cause) soon after accepting a new position. The employee is eligible for benefits because he is terminated at the present job without cause, but can't claim benefits against his current employer's account; he has not worked for that employer long enough; so, the unemployed worker can claim unemployment benefits on the account of his prior employer, even if he would not have been previously eligible. This situation is not a rarity, either. Twenty-nine (29) percent of small employers with an unemployment claim in the last year (6% of the total population) indicate they had at least one claim of this nature. Another 20 percent did not know suggesting that a number of others encountered a similar situation (Q#6b).

a. Challenging Unemployment Claims

Employers can and do challenge unemployment claims that they believe are unjustified. Fifty-three (53) percent of small employers who experienced one or more claims in the last year made at least one challenge (Q#6c). That does not mean small employers challenged 53 percent of claims made, however. The percent of claims challenged is likely smaller given that more than one claim can be filed against them. However, the precise number of challenges was not captured by the survey.

Small employers have different policies about challenging unemployment claims. Five percent challenge all claims as a matter of policy (Q#6d). Another 11 percent challenge all but the most legitimate claims. Sixteen (16) percent selectively challenge them. Twelve (12) percent do not usually challenge claims and 5 percent never challenge them. However, 47 percent of small employers report that they have not had an unemployment claim; they therefore have no policy.

The significant portion never having experienced a claim seems suspect. But a careful review of the data suggest that 56

percent of those employing fewer than 10 employees fall into this group compared to 9 percent of those with 20 or more. Moreover, the datum is consistent with others collected by the survey. It is also likely that a small percentage assumed that the question covered only the last year.

b. Most Recent Unemployment Claim

Sixty-two (62) percent of small businesses who experienced a claim have had a claim for unemployment compensation filed against their account in the last three years (Q#7). Another 29 percent have had at least one filed against them, but it was filed more than three years ago. Five percent, who have a policy about unemployment compensation claims, have not had one filed against them.

The survey probed the most recent claim more carefully if filed in the last three years. The first issue in the most recent claim is whether the small employer thinks the claim is justified. The employer's attitude on the issue should be associated with his subsequent behavior. Forty-three (43) percent did, in fact, think the former employee's claim was justified, though 15 percent did not think so strongly (Q#7a). Fifty-three (53) percent, in contrast, did not think the claim was justified, virtually all of which believed that strongly.

The number of small employers who decided to challenge the most recent claim filed against them (51%) is almost identical to the portion who thought the claim unjustified (Q#7b). The most common reason for a challenge was that the employee was fired for cause. Just over half (51%) of those who challenged the claim offered cause as the primary reason (Q#7c). The second most frequently cited reason for challenging a claim was that the employee voluntarily quit (36%). Five percent indicated the employee filing a claim abandoned the job, which is another version of a voluntary quit. Thus, firing for cause and voluntary quits were the basis for over 90 percent of challenges. Other reasons for a challenge occur infrequently.

The most common medium of challenge was a letter or similar form of written communication. Seventy-eight (78) percent made their challenge in writing only (Q#7c1). In about one of 10 cases (11%),

the employer or an employee on the employer's behalf appeared at the hearing to challenge a former employee's claim. A lawyer appeared on the employer's behalf in only 5 percent of cases.

Challenging claims can pay for a small employer. Small employers won decisions in 55 percent of the most recent cases they challenged (Q#7c2). The claimant won in 32 percent of cases. Twelve (12) percent of challenging small employers did not know the outcome. A few of those challenges could be pending and some had agents making the challenge. It is otherwise difficult to understand why small employers would not know its outcome.

Though just over half challenged the most recent unemployment compensation claim made against them, 46 percent did not. The reason for not challenging in 70 percent of those instances was the belief that the employee had a legitimate claim (Q#7d). The second most frequent reason (16%) was that challenging a claim is not worth the cost and hassle. The defeatist "employers never win" reason was cited by 6 percent.

c. Steps to Control UC Costs

Small employers can take a variety of steps to control their unemployment compensation costs. Most are common sense, but a few require an understanding of the system and how it works.

One step simply involves periodically verifying the firm's account with the state unemployment compensation authority to ensure its records are correct. For example, a claim may have been erroneously charged to the firm's account. Fifty-nine (59) percent of small employers check their account annually (Q#9A). Those operating larger, small firms, more likely to experience claims, are also more likely to annually check. Still, only 73 percent of those employing 20 or more people do so.

An indirect technique that is likely to be more effective in larger, small firms is to periodically explore the reasons for employee turnover. The purpose of the measure is to identify causes for turn-over and subsequently take steps to reduce it. Draws on the firm's unemployment account should thereby decline causing costs (taxes), in turn, to fall. Thirty-five (35) percent of

small employers claim to make such reviews periodically (Q#9B). Sixty-four (64) percent of those employing 20 or more people do so.

Some states give discounts for prepayment of unemployment taxes. If a state allows prepayment, cash flow is good, and the firm has a strong likelihood of surviving the year, prepayment may be advisable. However, just 18 percent use the tactic (Q#7C).

Voluntary quits are not typically eligible for unemployment benefits. Therefore, employment of “job-hoppers” should not affect an employer’s unemployment account. But as a practical matter it may because the line between discharge and quit is not always clear. Possible unemployment consequences, therefore, become yet another reason not to hire job-hoppers. Still, just 31 percent of small employers follow this course (Q#7D), likely due to the difficulty of locating employees with a record of greater stability.

A seemingly elementary step to control unemployment compensation costs is to examine all unemployment claims carefully. Examination of a claim is not tantamount to challenging it. Rather the step is a way to weed out unjustified claims. Fifty-nine (59) percent take it, including 84 percent of those employing 20 or more people (Q#7E).

Employees are not assigned to an employer’s unemployment account until completion of a type of probationary period. If an employer terminates an employee before the period expires, the employee is not charged to the employer. Thus, it makes sense to review an employee’s job performance just prior to the probationary period’s end. If the relationship does not appear promising, its immediate termination may be advisable. Twenty-four (24) percent of small employers review a new employee’s job performance at this time (Q#7F).

A sound human resources practice is to have employees departing voluntarily sign a resignation letter. If questions should subsequently arise about the reason for departure, the employer has evidence of its voluntary nature. Still, just 36 percent of small employers use this practice (Q#7G).

Firing for cause can be a difficult situation to prove before unemployment compensation administrative officials. Further, it is unlikely the tribunal’s sympathies will lie

with the employer. But the possibility the employer can prove his case rises substantially if events leading to the termination are periodically recorded (or documented). Sixty-seven (67) percent of small employers do so, including 92 percent of those employing 20 or more people (Q#7H).

c. FUTA Taxes

Small employers are remarkably unaware of the unemployment taxes that they pay – both in terms of the amount and the way those taxes are calculated. When asked to estimate the amount of unemployment compensation (FUTA) taxes they paid per employee over the last year, 68 percent could not provide an estimate (Q#1). Another 16 percent paid nothing. That leaves only 16 percent who would make a dollar estimate. The questionnaire followed up by asking those who could not make an estimate if they would make an estimate from broad categories, for example, \$100 - \$199 per employee or \$300 - \$399 per employee. Forty-six (46) percent of that group would not make an estimate in this format, either (Q#1a). Thus, 32 percent of the small-employer population cannot estimate the amount of FUTA taxes that they are paying (Q#1b).

The estimates small employers make suggest a considerable divergence in the unemployment compensation premiums they pay. Twenty-eight (28) percent (or 41% of those making an estimate) pay less than \$100 per employee/per year. In contrast, 20 percent (or 29% of those making an estimate) pay more than \$400. The substantial difference is not surprising given the variation in employee turn-over, and to a lesser extent, state unemployment rates.

Despite the incentives inherent in FUTA’s experience-rated tax regimen, less than half (49%) knew how their tax is calculated (Q#1c). Twenty-seven (27) percent of small employers think that their firms are experience-rated and another 22 percent think that they are administratively-rated. The plurality (48%) simply does not know and 3 percent refused to answer. Perhaps, the terminology used to describe the approach to tax calculation rather than the concept led to such a high number who cannot identify the approach applying to them. But if terminology is not the issue, the incen-

tive structure of the tax cannot be working properly, at least for small employers.

There is a quirk in the FUTA tax system of which many small employers do not appear aware. Small-business owners are sometimes required to pay unemployment compensation taxes on themselves, even if their chances of ever collecting benefits are remote for both social and economic reasons. Thirty-four (34) percent of small employers indicate that owners of their enterprise pay such taxes (Q#8). Another 16 percent do not know. Again, this is a relatively high percentage of those without knowledge, indicating that this question receives little attention.

Employment Policy

Large employing institutions typically have explicit employment policies written and available to employees. The need appears less in smaller organizations where the employer is accessible to answer employment-related questions. Still, 56 percent of small businesses have a written employment policy or policies (Q# 11). The presence of such a written policy is highly related to employee size-of-firm. Ninety-four (94) percent of those small businesses employing 20 or more people have a written policy, while just 48 percent of those employing nine or fewer do.

Employment contracts are often associated with highly skilled and/or compensated employees. However, only 15 percent of small businesses have an employment contract with any employee (Q#10). Employee size-of-business is again closely associated with their presence. A quarter (25%) of small businesses employing 20 or more people has at least one employee under contract, while 13 percent of those employing nine or fewer do.

Few employees working in small businesses are members of trade unions. Three percent of small businesses have any unionized employees (Q#12); virtually no small employer is totally unionized. Nor does it appear at this point that unions are making a concerted effort to organize small employers. Two percent of small employers report one or more attempts to unionize their employees in the last three years (Q#12a). An equivalent number do not know whether an attempt has been made or not. However, organized labor's current effort to change

the basic rules of union certification potentially changes the situation considerably.

Final Comments

Small-business owners traditionally have been very interested in the unemployment compensation program. Whether that interest stems from its employer costs or the injustice of benefits paid to former employees whose reason for leaving is in doubt is not clear. Perhaps a hint is present in the fact that half of small employers strongly believe the last claim filed against them was not justified while one-third cannot even estimate annual FUTA taxes on a per employee basis. The current tight labor market and new policy emphasis seems to have refocused their interest elsewhere. The high unemployment rates of the mid-1970s to the mid-1980s and again in the early 1990s that drove program use and costs are simply no longer relevant. Even the 2003, the post 9-11 unemployment peak, was modest in comparison. In addition, the labor policy agenda has shifted to emphasize legislatively-established (rather than bargaining or market-established) wage and benefit packages as well as new means to organize employees.

Still, small employers retain the idea that their actions matter in unemployment compensation outcomes. They often take steps to reduce their liability to claims, though probably not as often or as widely as they should. Moreover, they almost always challenge claims that they think cannot be justified. Both act as deterrents to abuse of the UI system, making small employers more receptive to it than they otherwise would be.

Unemployment Compensation

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

Employee Size of Firm
 1-9 emp 10-19 emp 20-249 emp All Firms

I. Approximately how much PER EMPLOYEE per year do you pay in unemployment compensation taxes?

1. Nothing	19.1%	5.0%	2.9%	16.2%
2. < \$100	2.0	1.3	—	1.7
3. \$100 - \$199	1.3	1.3	2.9	1.4
4. \$200 - \$299	1.1	—	1.4	1.1
5. \$300 - \$399	6.5	1.3	—	2.4
6. \$400 - \$999	2.3	6.2	5.7	3.5
7. \$1,000 or more	4.7	10.0	4.3	5.3
8. (DK/Refuse)	66.0	75.0	82.9	68.5

Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

Ia. Which would be the closest to what you pay in unemployment compensation taxes PER EMPLOYEE per year? Would it be?: (If Don't Know in Q#1.)

1. < \$100	14.9%	13.6%	10.7%	14.3%
2. \$100 - \$199	8.7	8.5	10.7	8.9
3. \$200 - \$299	9.9	5.1	8.9	9.3
4. \$300 - \$399	5.0	5.1	3.6	4.8
5. \$400 or more	16.6	13.6	14.3	16.6
6. (DK/Refuse)	44.9	54.2	51.8	46.7

Total	100.0%	100.0%	100.0%	100.0%
N	403	60	58	521

Ib. Unemployment compensation taxes per employee per year? (Combination of Q#1 and Q#1a.)

1. < \$100	30.9%	16.5%	11.8%	27.7%
2. \$100 - \$199	7.0	7.6	11.8	7.5
3. \$200 - \$299	7.7	3.8	8.7	7.4
4. \$300 - \$399	6.1	5.1	2.9	5.7
5. \$400 or more	18.7	26.6	22.1	19.7
6. (DK/Refuse)	29.6	40.5	42.6	32.0

Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms

1c. Are your unemployment compensation premiums administratively set, that is, a fixed percentage; experience-rated, that is, higher or lower depending on the number of your former employees who claim unemployment benefits; or don't you know?

1. Administratively -set/calculated/ fixed percent	21.3%	23.8%	20.8%	21.5%
2. Experience-rated	23.7	40.5	41.6	27.3
3. Don't know	51.7	34.5	36.4	48.3
4. (Refuse)	3.3	1.2	1.3	2.8
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

2. In the last year, how many of your employees voluntarily quit? An estimate is fine.

1. None	67.8%	34.1%	10.7%	58.6%
2. One	12.4	18.3	10.7	12.9
3. Two	7.8	18.3	14.7	9.6
4. Three	5.9	11.0	10.7	6.9
5. 4 – 5	2.8	9.8	13.3	4.6
6. 6 – 10	2.1	7.3	16.0	4.0
7. > 10	1.0	1.2	16.0	2.5
8. (DK/Refuse)	0.2	—	8.0	0.9
Total	100.0%	100.0%	100.0%	100.0%
N	351	199	185	735

3. In the last year, how many of your employees were fired or let go for cause? An estimate is fine.

1. None	80.9%	49.4%	27.8%	72.1%
2. One	11.7	21.2	17.7	13.4
3. Two	2.9	14.1	12.7	5.1
4. Three	2.1	9.4	14.4	3.9
5. 4 – 5	1.4	4.7	11.4	2.7
6. 6 – 10	0.5	1.2	8.9	1.4
7. > 10	—	—	8.9	0.9
8. (DK/Refuse)	0.2	—	1.3	0.6
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	196	746

Employee Size of Firm
 1-9 emp 10-19 emp 20-249 emp All Firms

3a. Were any of those terminations related to harassment or inappropriate conduct associated with sex, race, disability, etc.?

1. Yes	0.9%	2.3%	5.7%	2.4%
2. No	99.1	97.7	94.3	97.6
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	66	99	138	303

3b. Were any of those terminations related to unsafe work habits, practices, or incidents?

1. Yes	23.5%	18.6%	22.6%	22.3%
2. No	75.7	81.4	77.4	77.3
3. (DK/Refuse)	0.9	—	—	0.5
Total	100.0%	100.0%	100.0%	100.0%
N	66	99	138	303

4. In the last year, how many of your employees were laid-off as a result of slow sales or poor economic conditions? An estimate is fine.

1. None	87.9%	80.2%	86.7%	87.0%
2. One	5.1	7.4	1.3	4.9
3. Two	3.3	4.9	4.0	3.5
4. Three	1.0	1.2	1.3	1.0
5. 4 – 5	0.6	3.7	4.0	1.4
6. 6 – 10	1.3	1.2	1.3	1.3
7. > 10	0.3	1.2	1.3	0.5
8. (DK/Refuse)	0.5	—	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	350	199	199	748

5. Employee turn-over in the last year. (Total of employees who quit [Q#2], were fired [Q#3], or were laid-off [Q#4]).

1. None	56.7%	26.1%	11.4%	48.6%
2. One	13.3	13.8	10.0	13.0
3. Two	10.0	16.3	10.0	10.6
4. Three	5.4	12.5	8.6	6.4
5. 4 – 5	6.7	12.5	20.0	8.5
6. 6 – 10	5.9	18.8	18.6	8.4
7. > 10	2.0	8.8	21.4	4.5
8. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

6. Did any of these former employees attempt to collect unemployment compensation benefits in the last year?

1. Yes	33.7%	50.7%	57.5%	40.9%
2. No	67.2	45.1	35.6	54.5
3. (DK/Refuse)	4.1	4.2	6.8	4.6
Total	100.0%	100.0%	100.0%	100.0%
N	152	166	187	506

6a. About how many of these former employees claimed unemployment compensation benefits in the last year? An estimate is fine.

1. One	56.8%	41.2%	19.0%	43.9%
2. Two	15.9	26.5	21.4	19.5
3. Three	4.5	14.7	9.5	7.9
4. 4 - 5	6.8	8.8	14.3	9.1
5. > Five	5.8	—	21.5	8.6
6. (DK/Refuse)	10.2	8.8	14.3	11.0
Total	100.0%	100.0%	100.0%	100.0%
N	51	83	109	243

6b. To the best of your knowledge were any of these former employees who claimed benefits on your account unemployed because they were laid-off by another employer after he or she left you?

1. Yes	—%	36.4%	28.2%	28.6%
2. No	—	48.5	46.2	51.9
3. (DK/Refuse)	—	15.2	25.6	19.5
Total	100.0%	100.0%	100.0%	100.0%
N	47	77	100	224

6c. Did you challenge ANY of the unemployment claims made against your business in the last year?

1. Yes	—%	54.5%	60.5%	53.2%
2. No	—	45.5	39.5	46.1
3. (DK/Refuse)	—	—	—	0.6
Total	100.0%	100.0%	100.0%	100.0%
N	47	77	100	224

6d. Which best describes your policy toward challenging unemployment compensation claims?

1. Challenge all claims	3.6%	9.4%	15.2%	5.4%
2. Challenge all but the most legitimate claims	8.5	20.0	24.1	11.3
3. Selectively challenge claims	13.1	30.6	26.6	16.4
4. Don't usually challenge claims	10.8	10.6	17.7	11.5
5. Never challenge claims	4.6	3.5	5.1	4.5
6. Haven't had a claim	55.6	24.7	8.9	47.4
7. (DK/Refuse)	3.9	1.2	2.5	3.5
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

7. Think of the most recent claim for unemployment benefits filed against you. How long ago was that? Was it within the last year, the last two years, the last three years or longer than that? (If experienced a claim in Q#6d.)

1. Last year	33.2%	57.1%	62.9%	42.0%
2. Last two years	9.5	17.5	11.4	11.1
3. Last three years	11.3	6.3	7.1	9.8
4. Longer than three years	36.1	14.3	12.9	28.7
5. (Never had one)	7.7	1.6	—	5.4
6. (DK/Refuse)	2.2	3.2	5.7	2.9
Total	100.0%	100.0%	100.0%	100.0%
N	154	148	182	484

7a. To be eligible to collect unemployment compensation benefits, a former employee must be unemployed through no fault of his or her own. Given that qualification, should the most recent former employee who claimed unemployment benefits have been eligible to receive those benefits or not?

1. Yes, strongly	28.4%	31.3%	22.0%	27.6%
2. Yes, not so strongly	13.5	16.7	16.0	14.6
3. No, not so strongly	—	8.3	6.0	2.9
4. No, strongly	52.5	41.7	52.0	49.8
5. (DK/Refuse)	5.6	2.1	4.0	5.0
Total	100.0%	100.0%	100.0%	100.0%
N	86	119	146	351

Employee Size of Firm
 1-9 emp 10-19 emp 20-249 emp All Firms

7b. Did you challenge that claim?

1. Yes	51.7%	50.0%	50.0%	51.0%
2. No	44.9	48.1	46.4	45.9
3. (DK/Refuse)	3.4	1.9	3.6	3.1
Total	100.0%	100.0%	100.0%	100.0%
N	86	119	146	351

7c. Which best describes the reason you challenged the claim?

1. Employee voluntarily quit	—%	44.0%	42.9%	36.4%
2. Job was supposed to be temporary	—	4.0	3.6	2.3
3. Employee hadn't worked here long enough	—	—	—	0.8
4. Employee fired for cause	—	44.0	50.0	51.2
5. Employee abandoned job	—	8.0	—	4.7
6. Other	—	—	3.6	4.7
7. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	43	59	73	175

7c1. Did you challenge the claim in writing only, by appearing at the hearing, or by having a lawyer appear at the hearing for you?

1. Writing only	—%	76.0%	75.9%	78.3%
2. Appearance at hearing (you or employee)	—	16.0	13.8	10.9
3. Lawyer at hearing	—	—	6.9	4.7
4. (DK/Refuse)	—	8.0	3.4	6.2
Total	100.0%	100.0%	100.0%	100.0%
N	43	59	73	175

Employee Size of Firm
 1-9 emp 10-19 emp 20-249 emp All Firms

7c2. What was the outcome of the challenge? Did you win or did the claimant win?

1. Employer won	—%	68.0%	64.3%	53.8%
2. Claimant won	—	28.0	25.0	31.8
3. (DK/Refuse)	—	4.0	10.7	12.4
Total	100.0%	100.0%	100.0%	100.0%
N	43	59	73	175

7d. Why didn't you challenge the claim? Was it because:?

1. Employee had legitimate claim	—%	73.9%	52.0%	69.9%
2. Wasn't worth the cost and hassle	—	21.7	28.0	15.9
3. Employers never win	—	4.3	16.0	6.2
4. Didn't know I could	—	—	—	1.8
5. Other	—	—	4.0	3.5
6. (DK/Refuse)	—	—	—	1.8
Total	100.0%	100.0%	100.0%	100.0%
N	40	58	68	166

8. Do you pay unemployment compensation taxes on the owner or owners who work in the business?

1. Yes	32.5%	44.2%	35.1%	34.0%
2. No	51.1	36.0	40.3	48.3
3. (Not applicable; owners don't work in the business)	1.0	3.5	5.2	1.7
4. (DK/Refuse)	15.5	16.3	19.3	16.0
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

9. Do you:?

A. Verify your unemployment compensation account to ensure its accuracy at least once annually.

1. Yes	57.0%	63.5%	72.7%	59.3%
2. No	30.6	27.1	16.9	28.9
3. (Not applicable)	8.3	1.2	2.6	7.0
4. (DK/Refuse)	4.1	8.2	7.8	4.9
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

B. Periodically explore employee turn-over and the reasons for it.

1. Yes	30.2%	44.2%	63.6%	35.1%
2. No	53.8	48.8	32.5	51.2
3. (Not applicable)	14.3	7.0	2.6	12.3
4. (DK/Refuse)	1.6	—	1.3	1.4
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

C. Voluntarily contribute or prepay your unemployment compensation taxes to get a better rate.

1. Yes	16.0%	24.7%	24.7%	17.8%
2. No	59.0	52.9	50.6	57.5
3. (Not applicable)	8.5	2.4	5.2	7.5
4. (DK/Refuse)	16.6	20.0	19.5	17.2
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

D. Refuse to hire people with a history of job hopping.

1. Yes	31.3%	32.9%	31.2%	31.4%
2. No	52.3	60.0	59.7	53.9
3. (Not applicable)	13.4	4.7	5.2	11.6
4. (DK/Refuse)	3.1	2.4	3.9	3.1
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

E. Examine every unemployment compensation claim made whether or not you challenge it.

1. Yes	53.7%	71.8%	84.4%	58.7%
2. No	12.8	14.1	9.1	12.6
3. (Not applicable)	31.9	10.6	5.2	26.9
4. (DK/Refuse)	1.6	3.5	1.3	1.8
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

F. Review an employee's performance just before he or she qualifies for unemployment coverage.

1. Yes	21.3%	37.6%	34.2%	24.4%
2. No	55.4	54.1	59.2	55.7
3. (Not applicable)	18.9	5.9	3.9	16.0
4. (DK/Refuse)	4.4	2.4	2.6	4.0
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

G. Obtain resignation letters from employees who quit.

1. Yes	32.4%	42.9%	57.1%	36.0%
2. No	53.8	53.6	39.0	52.3
3. (Not applicable)	12.4	3.6	1.3	10.3
4. (DK/Refuse)	1.5	—	2.6	2.4
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

H. Keep records of events or circumstances leading to and including employee termination.

1. Yes	61.4%	85.9%	92.2%	67.1%
2. No	24.9	8.2	6.5	21.3
3. (Not applicable)	12.5	3.5	1.3	10.4
4. (DK/Refuse)	1.1	2.4	—	1.1
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

10. Do you have an employment contract with any of your employees?

1. Yes	13.2%	21.2%	25.0%	15.2%
2. No	86.0	77.6	75.0	84.0
3. (DK/Refuse)	0.8	1.2	—	0.8
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

11. Do you have written employment policies or an employee handbook?

1. Yes	48.0%	82.4%	93.5%	56.3%
2. No	51.8	17.6	6.5	43.6
3. (DK/Refuse)	0.2	—	—	0.1
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

12. Are all of your employees, some of your employees, or none of your employees members of a labor union in the jobs they hold at your firm?

1. All	—%	1.2%	—%	0.1%
2. Some	2.8	1.2	3.9	2.7
3. None	96.3	97.6	94.8	96.3
4. (DK/Refuse)	1.0	—	1.3	0.9
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms

12a. Were any attempts made in the last three years to unionize your non-union employees?

1. Yes	2.3%	—%	1.3%	1.9%
2. No	95.8	98.8	96.1	96.1
3. (DK/Refuse)	2.0	1.2	2.6	1.9
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

Demographics

D1. Which best describes your position in the business?

1. Owner/manager	81.9%	75.3%	68.8%	79.9%
2. Owner, but NOT manager	5.4	7.1	11.7	6.2
3. Manager, but NOT owner	12.7	17.6	19.5	13.9
4. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

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

1. Agriculture, forestry, fishing	3.9%	1.2%	2.6%	3.5%
2. Construction	9.4	13.4	11.8	10.1
3. Manufacturing, mining	8.1	8.5	10.5	8.4
4. Wholesale trade	6.8	6.1	7.9	6.9
5. Retail trade	15.8	13.4	14.5	15.3
6. Transportation and warehousing	3.6	3.7	1.3	3.4
7. Information	1.8	1.2	1.3	1.7
8. Finance and insurance	3.7	3.7	2.6	3.6
9. Real estate and rental/leasing	6.7	2.4	3.9	6.0
10. Professional/scientific/ technical services	12.8	7.3	9.2	11.9
11. Admin. support/waste management services	5.2	4.9	1.3	4.8
12. Educational services	0.8	1.2	1.3	0.9
13. Health care and social assistance	4.7	6.1	11.8	5.6
14. Arts, entertainment or recreation	1.0	2.4	3.9	1.4
15. Accommodations or food service	6.0	15.9	13.2	7.8
16. Other service, incl. repair, personal service	8.9	8.5	2.6	8.3
17. Other	0.7	—	—	0.4
18. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

D3. Over the last two years, have your real volume sales:?

1. Increased by 30 percent or more	15.5%	12.9%	19.5%	15.6%
2. Increased by 20 – 29 percent	10.6	12.9	10.4	10.8
3. Increased by 10 – 19 percent	23.8	29.4	26.0	24.6
4. Increased by < 10 percent	17.8	17.6	24.7	18.4
5. Decreased by < 10 percent	11.1	10.6	7.8	10.7
6. Decreased by more than 10 percent	14.7	9.4	6.5	13.0
7. (DK/Refuse)	7.0	7.0	5.2	6.8
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

D4. Is this business operated primarily from the home, including any associated structures such as a garage or a barn?

1. Yes	23.9%	7.1%	2.6%	20.0%
2. No	75.1	92.9	97.4	79.2
3. (DK/Refuse)	1.0	—	—	0.8
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

D5. How long have you operated this business?

1. < 6 years	25.2%	26.2%	19.2%	24.7%
2. 6 – 10 years	19.5	17.9	20.5	19.4
3. 11 – 20 years	27.2	23.8	20.5	26.1
4. 21 – 30 years	20.0	19.0	19.2	19.8
5. 31 + years	6.3	13.1	19.2	8.4
6. (DK/Refuse)	1.8	—	1.3	1.5
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

D6. What is your highest level of formal education?

1. < H.S.	1.0%	2.4%	—%	1.0%
2. H.S. diploma/GED	19.0	16.5	13.0	18.1
3. Some college or associate's degree	21.3	23.5	16.9	21.1
4. Vocational or technical school degree	3.1	2.4	2.5	3.0
5. College diploma	35.4	37.6	46.8	36.8
6. Advanced or professional degree	18.7	16.5	20.8	18.7
7. (DK/Refuse)	1.5	1.2	—	1.3
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms

D7. Please tell me your age

1. < 25 years	0.7%	1.2%	—%	0.6%
2. 25 – 34 years	5.9	7.1	6.4	6.1
3. 35 – 44 years	20.7	17.6	21.8	20.5
4. 45 – 54 years	33.6	32.9	32.1	33.4
5. 55 – 64 years	25.8	27.1	26.9	28.0
6. 65+ years	10.3	11.8	11.5	10.6
7. (Refuse)	3.1	2.4	1.3	2.8
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

D8. What is the zip code of your business? (Regions)

1. East (zips 010-219)	17.1%	15.3%	22.1%	17.4%
2. South (zips 220-427)	16.9	17.6	19.5	17.2
3. Mid-West (zips 430-567, 600-658)	24.6	25.9	20.8	24.3
4. Central (zips 570-599, 660-898)	23.6	25.9	26.0	24.1
5. West (zips 900-999)	16.4	14.1	11.7	15.7
6. (DK/Refuse)	1.5	1.2	—	1.3
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

D9. Urbanization (Derived from zip code.)

1. Highly Urban	13.4%	9.3%	12.8%	12.9%
2. Urban	17.8	19.8	16.7	17.9
3. Fringe Urban	18.1	19.8	19.2	18.4
4. Small Cities/Towns	18.1	23.3	23.1	19.2
5. Rural	28.4	20.9	24.4	27.2
6. (Not Known)	4.2	7.0	3.8	4.5
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

D10. Compared to your competitors over the last three years, do you think the overall performance of your business in terms of sales and net profits makes it a:?

1. High performer	21.3%	17.6%	33.8%	22.1%
2. Somewhat high performer	19.8	28.2	28.6	21.6
3. Moderate performer	43.7	40.0	27.3	41.6
4. Somewhat low performer	2.6	1.2	1.3	2.3
5. Low performer	6.7	5.9	5.2	6.4
6. (Haven't been in business three years)	1.5	1.2	—	1.3
7. (DK/Refuse)	4.5	5.9	3.9	4.6
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

D11. Sex

1. Male	77.5%	82.4%	87.0%	79.0%
2. Female	22.5	17.6	13.0	21.0
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

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 the executive interviewing group of The Gallup Organization. The interviews for this edition of the *Poll* were conducted between April 27 - May 10, 2007 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 249.

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 20-249 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	352	46
10-19	82	11	200	27	200	27
20-249	75	10	200	27	200	27
All Firms	750	100	750	101	752	100

* Sample universe developed from the Bureau of the Census (2002 data) and published by the Office of Advocacy at the Small Business Administration.

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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 Foundation's functions were recently transferred from the NFIB Education Foundation.



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