



National Small Business Poll

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Coping with Regulation

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Executive Summary

- Seventeen (17) percent of small employers term regulation a “very serious” problem. Twenty-seven (27) see it as a “somewhat serious” problem while 26 percent believe the problem is “not too serious.” Twenty-nine (29) percent describe the problem as “not at all serious.” Owners of larger, small firms are more likely to describe regulation as a very serious or somewhat serious problem.
- Most small-business owners are unhappy with the hassles regulation creates for them rather than the limits it places on their freedom of action. Specifically, 26 percent identify the extra paperwork created by regulation as their primary concern; 22 percent note the difficulty understanding what is needed to be in compliance; the same number mention the dollars expended to comply; nine percent believe the primary problem associated with regulation is the time delay it causes; and seven percent each feel the difficulty locating new regulatory requirements and the limits placed on the actions they want to take are the principal difficulty regulation creates for them.
- The Federal government is considered the primary culprit (49 percent); state government follows in culpability (35 percent); state and local regulations create the fewest problems (13 percent).
- About half see their regulatory problem as the overall volume of regulations emanating from a plethora of government agencies. The other half view it as a few specific regulations coming from one or two agencies.
- Small-business owners most often (36 percent) identify tax-related regulations, federal, state, and local, as the most burdensome type of regulation. Operational regulations such as occupational licensing and rules governing the conduct of a particular industry are cited with next greatest frequency (21 percent). Environmental and land use regulations (17 percent), health or safety regulations (11 percent), and regulations associated with the terms and conditions of employment (9 percent) follow.
- Eighty-two (82) percent of small-business owners typically discover new regulatory requirements in the normal course of business activity. Twelve (12) percent periodically search relevant materials to locate new requirements.
- Small-business owners run across new or altered regulatory requirements in several locations with no single location dominating. Likely sources include: trade publications, newsletters or Web sites (68 percent), other affected business owners (66 percent), and outside advisors such as an accountant or lawyer (63 percent). Those who actively search for new regulations are most apt to do so using trade publications, trade Web sites, or conferences (71 percent) or special newsletters (61 percent).
- Once small-business owners are aware that they must comply with a particular regulation, they most frequently check out the compliance requirements themselves (62 percent). Twenty-one (21) percent of owners usually engage an expert and 13 percent customarily assign an employee to gather the information.
- One or more government officials entered 42 percent of the nation’s small businesses in the last 12 months to inspect them, examine their licenses or records or otherwise check on their compliance with a government rule.

Coping with Regulation

We know that the volume of government regulations is enormous. The Code of Federal Regulations alone extends 19 running feet and other governmental units add more length to the shelf space federal regulations already occupy. We know that the cost of regulation to small business, not just in terms of dollars expended but in hours consumed, aggravation encountered and opportunities lost, are vast drains on these operations. One responsible estimate places the dollar cost for small employers at \$5,500 per employee (in 1992). We know that many small-business owners consider government regulation one of their most formidable business problems. The problem also appears to be growing worse, at least compared to other small-business difficulties. Yet, despite its pervasiveness and importance, most of what we know about small business and its regulation is very general. We do not know, for example, why regulation is a concern for small-business owners. We do not know what specific regulatory areas, let alone specific regulations, are more burdensome than others. We do not even know if there are any overwhelmingly burdensome regulations or whether the problem is simply the plethora of rules that must be recognized, understood, and followed. We do not know how owners discover the existence of a new or changed rule and we do not know how they go about learning what they must do to comply. For such important subject matter, there is too much that we do not know. And if we do know little or nothing about such basic issues, our ability to respond with more intelligent regulatory policies is severely hampered. This issue of the *National Small Business Poll* is, therefore, devoted to gaining preliminary insight into the way small business copes with government regulation.

The Severity and Nature of the Small-Business Regulatory Problem

Seventeen (17) percent of small employers term regulation a “very serious” problem (Q#1). An additional 27 percent see it as a “somewhat serious” problem while 26 percent more believe the problem is “not too

serious.” Twenty-nine (29) percent describe regulation as “not at all serious.” Not surprisingly, size of firm is related to the owner’s view of the regulatory problem’s severity. Owners of larger firms are more likely to describe regulation as a very serious or somewhat serious problem than are owners of smaller firms. Since the smallest

firms are sometimes excluded from a particular regulation or are held to a lesser standard, they should be expected to report fewer difficulties.

The precise nature of the problem created by regulation is perhaps the most important, but the least addressed aspect of regulation, at least quantitatively. Small-business owners cite in the survey on which this report is based three primary business problems created by government regulation. Twenty-six (26) percent assert that the greatest single problem regulation generates is the “extra paperwork required” (Q#2). The “difficulty understanding what you have to do to comply” and the “dollars spent to comply” receive the second most frequent cites (22 percent). As a result, two of the three most mentioned specific difficulties with regulation, constituting almost three-quarters of all respondents, are fundamentally “hassle factors” rather than direct limitations on entrepreneurial opportunity. Only the dollars spent directly affect the expansion or innovative potential of the business.

The “time delays [regulation] causes” is cited by just nine percent. The “difficulty discovering new regulations” draws seven percent of respondents as does the “limits placed on actions you want to take.” The first and last of these three responses reflect limits on entrepreneurial activity. The other is another example of a regulatory hassle.

Limits are the most serious adverse consequence of government intervention on entrepreneurial endeavor because they put potential expansion and innovation out-of-bounds. Hassles are different; they are more likely to encumber expansion and innovation rather than stop them. However, there is an indirect effect; hassles undoubtedly raise costs and absorb a business owner’s most valuable resource, i.e., his time. They may, therefore, limit opportunities over time, particularly as more of the owner’s creative energies are diverted to regulatory activity.

Since many small-business owners do not want to grow let alone innovate, the data are likely to leave a false impression. They serve to minimize the impact of limits on growth and innovation because they are felt most strongly by those who want to grow and innovate.

The severity of the regulatory problem for the individual small employer and its nature are clearly associated. As a general rule, those who find their regulatory problem more severe are more likely to associate it with limits on entrepreneurial activity. Those who find their problem less severe are more likely to associate it with hassles. For example, 33 percent who say regulation is “very serious” also say that “the dollars spent to comply” is the basic issue; just 14 percent of those who reported regulation as “not too serious” identify “dollars.” Thirteen (13) percent of the former group cite “limits” on actions as the problem; only four percent of the latter group do. In contrast, 32 percent of small-business owners who judge regulation as “not too serious” identify added paperwork as the principal nature of the problem and another 30 percent say that it is understanding regulatory requirements. Those who report regulation “very serious” hold a much different view. Just 16 percent of that group mention the added paperwork and 13 percent note understanding regulations.

The Source of the Problem

Small-business owners cannot look to a single place for their regulatory requirements. Rather they must look to several bodies within at least three political jurisdictions — federal, state, and local. Of these three, owners most often identify the federal government as the major source of their problem. Forty-nine (49) percent say that the federal government creates the most serious regulatory problem for them (Q#3). Thirty-five (35) percent cite the state government and 13 percent local government, including cities and counties.

One important aspect of understanding the small-business problem is locating where it is generated. But many small-business owners argue that regulation is death by a thousand pin pricks; it is not so much a single regulation or regulatory agency but the sheer volume of them coming from every direction. When offered the choice of describing their regulatory problem as stemming from a small number of regulations and/or agencies or the overall volume promulgated from multiple sources, owners split almost evenly. Fifty (50) percent cite the overall volume from multiple agencies; fur-

ther, 38 percent of all small-businessmen and women hold this view strongly (Q#5). On the other hand, 47 percent note a more focused problem. They describe their problem as a limited number of regulations and agencies; 32 percent of all owners hold that view strongly.

A second manner of identifying the source of small-business regulatory problems is to address the functional areas regulated in contrast to the entity promulgating the regulations. Small-business owners name tax-related regulations most often (36 percent) as the type of regulation — federal, state, and local — providing them the greatest headaches (Q#4). The second most frequently cited type of regulation (by 21 percent of respondents) is operational regulations such as occupational licensing or rules governing conduct of a specific industry. These types of regulations are followed in frequency by environment and land use regulations (17 percent), health and safety regulations (11 percent), and regulations associated with the terms and conditions of employment (9 percent). Very few respondents volunteer another category.

The ordering of these functional areas probably will raise eyebrows. This is particularly true of the two least mentioned categories. Despite their ranking, the two seem to be the most common topics of owner conversational complaints. It is possible that this apparent contradiction occurs because the health and safety, and employment topics are the most narrowly defined in the questionnaire. It is also possible that small-business owners regard them more as problems inherent in the law rather than in their regulatory extension. It is further possible that they work with them most often and understand them best thereby reducing problems related to uncertainty. In any event, tax-related regulations most frequently cause the greatest difficulties and employment-related regulations the least.

Specific Areas of Regulatory Problems

The functional areas assessed above are still very broad. To narrow the problem, small-business owner respondents subsequently identify a specific type of regulation as the most difficult within the selected overarching functional area. Twenty-two (22) per-

cent of those who note tax-related regulations as their primary problem area, for example, select sales and use tax rules as their most difficult specific regulatory problem within the tax area (Q#4c).

This follow-up did not prove totally successful. Small-business owners often did not identify a particular regulation or use one of the available response categories. Instead, they frequently volunteered an item bothering them whether it fit or not. Eight percent who single out taxes as the most burdensome broad regulatory area, for example, also say their specific regulatory difficulty is with the “income tax” rather than a specific part of it, e.g., depreciation. These responses are not “wrong.” They just make tabulation and categorization more difficult. Several plausible explanations exist for this. However, they usually point to the complexity of the subject matter.

Though the tax area draws the most concern, there is little consensus within it. The most frequently cited specific problem is administering a sales and use tax. Forty-six (46) states and a host of localities employ sales and use taxes. But within those jurisdictions, administrative problems with the tax abound. They involve ascertaining what must be taxed (not everything is), how much the tax is to be (rates often differ by product) and who must be charged (not everyone is). Those decisions are continuous and arbitrary. They have even been known to require the small-business owner to recognize the purchaser’s intended use of the item bought. The fall-out for the small employer is endless confusion and notable uncertainty.

Opinion splinters after the sales and use tax. An artificially created category including withholding, employees, payroll taxes, and unemployment compensation is the second most frequently cited (16 percent). Ten (10) percent of respondents fall into another volunteered and arbitrary category termed “All.” This group includes small-business owners who feel that all of the listed responses are problems and one is no better or worse than the others. No other grouping contains even 10 percent of those who feel that tax regulations, broadly drawn, are their most difficult area.

As fragmented as taxes is the identification of regulations associated with operational regulations. That may be due, at least

in part, to the imprecision of the terminology employed (and available) and the large number of areas incorporated under the rubric. Twenty-six (26) percent who select operations rules also choose occupational licenses as the most difficult area of regulation. Occupational licenses, usually a state and/or local issue, have often been used to limit competition in the past. That means it has tended to be a problem of entrants rather than of established business owners. Since this is a population of established businesses and it identifies occupational licensing more often than many better known regulatory problems, the difficulties it creates clearly extend beyond entrants.

Operations rules are also noted by 26 percent of small-business owner respondents. Since the industry-specific possibilities are almost endless, no further inferences are feasible. They could be any one of many industry-specific rules. The exception is rules associated with the financial services industries that eight percent separately note. Given the number of volunteered answers, the entire category almost becomes a catch-all.

Most small-business owners primarily concerned with environmental or land use regulations have two specific issues in mind — zoning, land use, or run-off (38 percent) and hazardous or toxic substances (29 percent). The better known clean water (9 percent), solid waste disposal (8 percent) and clean air (6 percent) draw considerably less attention. While there are obvious overlaps, e.g., run-off and clean water, it seems clear that small-business owners are most concerned with environmental regulations that encroach on property rights.

One may question whether the overwhelming identification of land use issues is less the result of regulatory difficulty than disagreement with the intent of the regulations. However, it must be remembered that many small-business owners are directly impacted by such regulations. Respondents express less concern over the more popularly recognized water, air, and garbage disposal. Comparatively few small businesses emit things directly or have large volumes of waste to dispose. Thus, the frequency of direct impact may play a large role in the frequency that each specific set of rules is identified as most important.

Since relatively few identify two functional areas of regulation as being of primary concern, i.e., health and safety (11 percent) and regulations associated with terms and conditions of employment (9 percent), dividing them further into more specific topics is tenuous. However, workplace safety or health including Workers' Compensation issues dominate the area and would likely do so even if the number of respondents were larger. One likely reason for the topic's prominence is that it impacts everyone, though the legal authority to inspect the millions of home-based businesses is suspect. Other regulatory sets under the general heading are much more likely to be associated with a particular industry. For example, regulations involving drugs or medical treatments, the second most frequently noted set even with relatively few mentions, is of concern to owners in a limited number of industries.

In contrast, no specific regulations dominate the concern of those primarily interested in regulations associated with the terms and conditions of employment. Respondents volunteer specific regulatory measures in over half of the cases. One possible reason is that responding owners understand their problem so well that they want to be more specific than the questionnaire allowed. A second possibility is they are more inclined to identify overarching issues, e.g., paperwork, associated with many specific regulations. Regardless, the data are not constructive in identifying any particular regulatory problem within the broader category.

Discovering New and Altered Regulations

Since most small-business owners play no part in rule development, the first element in the regulatory process for the large majority is discovering or finding out about a regulation that potentially affects them. In this regard, owners can either actively go out and seek new or changed regulatory requirements or they can respond when they encounter previously unknown demands. The overwhelming majority not surprisingly follow the latter course. Eighty-two (82) percent report that their approach can best be described as “coming across new rules in the normal course of business

activity” (Q#6). In contrast, just 12 percent claim to “periodically search relevant materials or Web sites to locate a new rule or regulation” that they must observe. Employee size of firm is not tied to the basic approach used.

Small-business owners stumble over new regulations in a variety of settings and through a variety of means. They do not discover regulations in any particular place; in fact, only 11 percent use a single source (of the six possibilities listed). Rather surprisingly, owners cite almost all sources listed with similar frequency suggesting that these are the places they are most likely to find business-useful information generally. New regulatory requirements are just a piece of the information that they gather there.

Trade publications, newsletters, or Web sites is the most frequently noted “likely” source to discover the existence of new regulatory requirements. Sixty-eight (68) percent cite it (Q#6bC). But other affected business owners (66 percent) (Q#6bE) and outside advisors such as accountants or lawyers (63 percent) (Q#6bB) are mentioned nearly as often. Almost as frequently noted are direct contacts from a regulatory agency such as inspectors, advisory letters, or fliers (58 percent) (Q#6bD) and popular media such as radio or newspapers (55 percent) (Q#6bA). In contrast, the agency Web site is not a place that they often inadvertently pick up things (15 percent) (Q#6bF), but then one should not expect them to. Unless small-business owners are systematically searching for regulatory information, it is not likely that they would visit such a site.

Of those who use a single source exclusively, the most frequently named is direct contacts from a regulatory agency. That source draws over 40 percent of all mentions. Trade publications, etc., and outside advisors are the next two most frequent exclusive sources listed.

Small-businessmen and women who periodically search for new regulatory requirements also frequently review a variety of sources. The two most often used sources include trade publications, trade Web sites, or conferences (71 percent) (Q#6aD). Special newsletters is the second most frequently used source (61 percent) (Q#6aC). Notices from an agency mailing

list the owner is on (54 percent) (Q#6aE) and Web sites of pertinent agencies (51 percent) (Q#6aB) are also often identified by this group of small-business owners. Forty-five (45) percent say that they typically search the Federal Register or a similar state list of rule-makings (Q#6A). That number is surprisingly large, but it must be remembered that the percent claiming to use the Federal Register or state equivalents is 45 percent of 12 percent or about five percent of the population.

Implementing Regulations

Once a small-business owner discovers a new or different regulatory requirement, he must determine the specifics of the requirement including the means to implement it. Sixty-two (62) percent of the time, small-business owners accept the challenge personally and investigate how they are to comply themselves while 13 percent typically assign responsibility to an employee (Q#8). Another 21 percent find an expert of some type to ascertain compliance requirements.

The most frequent ways small employers learn about the specifics of implementation are very traditional. They read general business printed material, such as magazines, pamphlets, etc. (79 percent) (Q#7G). Almost as frequently they converse with other business owners who may be affected in the same way. Seventy-six (76) percent report using such discussions (Q#7A).

One frequency level lower (about 20 percentage points) are three other important sources of information on how to comply with regulatory requirements. Fifty-nine (59) percent say that they usually ask the agency making the rule for more information (Q#7B). Fifty-seven (57) percent say that they talk to an “expert” about the new or altered rules (Q#7D). And, 55 percent say that they check with an appropriate trade group (Q#7F). About one-third typically attend a relevant seminar or convention session (Q#7C) to learn about implementing new or changed regulations. The same proportion search the Web for relevant material (Q#7E).

Virtually all small-business owners investigate more than one information source. Just six percent rely exclusively on one of the sources listed.

The data reveal nothing about the information sources employed (and their frequency) by “outside experts” who advise small-business owners nor by employees who implement regulations on the owner’s behalf. While it is probably fair to assume that they are similar to those employed by small-businessmen and women, there could be differences. For example, an employee implementing regulations may not interact with “other” business owners as frequently and therefore might not be able to draw on the experience of others as often. The questions arising are, therefore, important and need to be addressed at some point.

Government Officials on the Business Premises

One or more government officials entered 42 percent of small businesses within the last 12 months to inspect them, examine their records and/or licenses, or otherwise check compliance with some government rule (Q#9). Larger firms experienced these visits more often than smaller ones. Sixty (60) percent of firms employing 20 or more people had at least one visit within the last year compared to 40 percent of those employing fewer than 10 people.

Not long ago, the Federal Occupational Safety and Health Administration (OSHA) announced that it had the power to inspect businesses located in the home. This trial balloon deflated very quickly. Yet, the data show that 11 percent of home-based employers already experienced one or more regulatory visits within the last 12 months. The data do not tell us the number of visits nor by whom.

Final Comments

The small business regulatory problem is huge and not likely to be resolved soon. However, the data presented here suggest more and less fruitful actions to pursue. For example, small-business owners tell us that much of their regulatory problem can be resolved by reducing the amount of paperwork that they are required to maintain and/or file, particularly paperwork required by the federal government. Superficially, reducing, if not eliminating, the paperwork problem would then seem to require only a modest effort by appropriate authorities. Past attempts to reduce

paperwork burdens have proven elusive unfortunately, largely because record-keeping is usually inherent in the law. A business requires proof of compliance and records become necessary to do so. That means paperwork is often the symptom of a more fundamental regulatory problem, the ultimate responsibility for which rests with the elected officials who enact the laws. While bureaucrats (civil servants) can and will stretch their authority beyond that originally intended by legislators, fair questions become ‘why was the law originally not drafted more tightly to capture the true intent of legislators?’ and ‘why do legislators infrequently make changes to laws inappropriately implemented?’ Thus, the paperwork problem, as other regulatory issues, is best addressed at the time legislation is considered.

Some agencies create and administer a more difficult regulatory structure than others. The data presented here suggest that the Internal Revenue Service (IRS) and comparable state entities are among the worst. However, the data contain a bias to those regulatory sets and agencies that impact everyone directly, e.g., IRS. Some regulatory sets and agencies impact relatively few small businesses, but impact them severely. The primary regulatory threat is to the latter, though the most noise will be heard about the former. Both regulators and those seeking to revise specific regulations must recognize the difference. The policy focus should be on the severe impacts, particularly when they serve to curb business expansion and limit entrepreneurial opportunity.

Small-business owners gather information about new and altered regulations including specific compliance requirements in much the same way that they gather it for other aspects of their businesses. Regulators who wish to communicate with small-business owners must, therefore, use the channels these people typically employ. That means it often takes time “to get the word out.” Despite the legal presumption that ignorance of the law is no excuse, the reality is that many small-businessmen and women will not even recognize a requirement until long after it has been “on the books” and then not completely understand what is required. The more routine

and more visible, e.g., tax deposit requirements, the more likely new or altered regulations will be quickly implemented. But many have puzzled over the means of rapid, effective communication with the mass of small-business owners and none have yet done so successfully.

Finally, those developing the survey questionnaire for this report had no idea how often inspectors or similar public officials visited small businesses. Statistics from the Federal Occupational Safety and Health Administration (OSHA), at least as they pertain to safety and health, suggest that such visits are rare. Communications with small-business owners present a much different portrait. The survey established that while a particular agency may not visit a small business often, the plethora of regulatory authorities result in government officials from some agency visiting with notable frequency. These visits are a good topic for future inquiry.

Coping with Regulation

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

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Is government regulation a very serious, somewhat serious, not too serious, or not at all serious problem for your business?				
1. Very serious	15.9%	17.3%	23.0%	16.8%
2. Somewhat serious	25.4	32.1	32.4	26.8
3. Not too serious	25.4	28.4	25.7	25.7
4. Not at all serious	32.0	19.8	17.6	29.3
5. (DK/Refuse)	1.3	2.4	1.4	1.4
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

2. What is the single greatest problem created for your business by government regulation? Is it the: (If "very," "somewhat," or "not too" in Q#1.)

1. Limits placed on actions you want to take	7.2%	6.7%	5.1%	6.9%
2. Extra paperwork required	26.6	25.0	18.6	25.5
3. Time delays that it causes	8.2	8.3	13.6	8.8
4. Difficulty discovering new regulations	6.7	8.3	6.8	6.9
5. Difficulty understanding what you have to do to comply	22.3	16.7	22.0	21.6
6. Dollars spent to comply	21.1	26.7	20.3	21.6
7. (Other)	4.7	5.0	8.5	5.2
8. (DK/Refuse)	3.2	3.3	5.1	3.4
Total	100.0%	100.0%	100.0%	100.0%
N	230	155	160	545

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

1. Federal government	47.9%	52.4%	50.0%	48.7%
2. State government	36.5	31.7	28.3	35.0
3. Local government (including city and county)	11.9	14.3	18.3	12.9
4. (DK/Refuse)	3.7	1.6	3.3	3.4
Total	100.0%	100.0%	100.0%	100.0%
N	230	155	160	545

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

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

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Health or safety regulations	9.0%	16.1%	19.0%	10.9%
2. Regulations associated with the terms and conditions of employment	8.0	9.7	19.0	9.4
3. Tax related regulations	37.9	37.1	20.7	35.9
4. Environment and land use regulations	17.7	14.5	10.3	16.5
5. Operational regulations such as occupational licensing or rules governing conduct of your industry	20.0	21.0	24.1	20.5
6. (Other)	2.4	—	3.4	2.4
7. (DK/Refuse)	5.0	1.6	3.4	4.4
Total	100.0%	100.0%	100.0%	100.0%
N	230	155	160	545

4a. What type of health or safety regulations? (If “health or safety regulations” in Q#4.)

1. Food related	3.8%
2. Workplace health or safety, including Workers’ Compensation	53.8
3. Construction design or quality	7.7
4. Drug or medical treatment	15.4
5. Highway or road safety	1.9
6. (Other)	9.6
7. (DK/Refuse)	7.7
Total	100.0%
N	78

4b. What type of regulations associated with the terms and conditions of employment? (If “terms and conditions of employment” in Q#4.)

1. Wages and hours	8.9%
2. Immigration	4.4
3. Disabilities or civil rights	6.7
4. Union organizing activity	4.4
5. Firing and unemployment	13.3
6. (Hiring)	13.3
7. (Associated paperwork)	11.1
8. (Associated insurance issue)	8.9
9. (Other)	24.6
10. (DK/Refuse)	4.4
Total	100.0%
N	64

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

4c. What type of tax-related regulations? (If “tax-related regulations” in Q#4.)

1. Depreciation rules	2.0%	5.6%	2.2%	
2. Capital gains rules	7.9	—	7.3	
3. Sales and use tax rules	21.9	27.8	22.3	
4. Inventory rules	4.0	5.6	3.9	
5. “Independent contractor” rules	2.6	—	2.2	
6. (Withholding/employment)	17.9	5.6	16.1	
7. (Reporting requirements)	7.9	11.1	8.4	
8. (Income taxes)	7.3	11.1	7.8	
9. (All)	11.3	5.6	10.0	
10. (Other)	13.2	5.4	13.1	
11. (DK/Refuse)	4.0	22.2	6.7	
<hr/>				
Total	100.0%	100.0%	100.0%	
N	87	54	170	

4d. What type of environmental or land use rules? (If “environmental or land use rules” in Q#4.)

1. Zoning, land use or run-off	37.5%
2. Hazardous or toxic substances	28.8
3. Clean water	8.8
4. Clean air	6.2
5. Solid waste disposal	7.5
6. (Other)	10.0
7. (DK/Refuse)	1.2
<hr/>	
Total	100.0%
N	76

4e. What type of operational regulations? (If “operational regulations” in Q#4.)

1. Occupational licenses	26.0%
2. Limits on production or work	2.1
3. Government reimbursement for services or procurement	5.2
4. Operations rules	26.0
5. Financial, insurance or securities requirements	7.3
6. (Americans with Disabilities Act)	3.1
7. (OSHA/Safety)	3.1
8. (FCC)	3.1
9. (International trade/travel)	3.1
10. (Keeping abreast of changes)	4.2
11. (Other)	14.6
12. (DK/Refuse)	1.1
<hr/>	
Total	100.0%
N	111

5. 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 problem?

1. A few specific regulations coming from one or two regulatory agencies	49.0%	42.9%	35.0%	46.7%
Strongly	[33.1]	[27.0]	[26.6]	[31.6]
Not too strongly	[15.2]	[15.9]	[8.3]	[14.5]
(DK/Ref)	[0.7]	[—]	[—]	[0.6]
2. The volume of regulations coming from many agencies	47.3	54.0	61.7	49.7
Strongly	[37.8]	[39.7]	[35.0]	[37.9]
Not too strongly	[9.4]	[12.7]	[25.0]	[11.6]
(DK/Ref)	[—]	[1.6]	[1.7]	[0.2]
3. (DK/Refuse)	3.7	3.2	3.4	3.7
Total	100.0%	100.0%	100.0%	100.0%
N	230	155	160	545

6. Which BEST describes how you find out about a new rule or regulation that you must follow?

1. You periodically search relevant materials or Web sites to locate a new rule or regulation that you must follow	12.3%	9.9%	13.7%	12.1%
2. You come across new rules in the normal course of business activity	81.3	87.7	80.8	81.9
3. (DK/Refuse)	6.4	2.4	5.5	5.9
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

6a. What sources do you typically search? Do you typically search: (If “periodically search” in Q#6.)

A. The Federal Register or a similar state list of rule-makings.

1. Yes	44.6%
2. No	50.0
3. (DK/Refuse)	5.5
Total	100.0%
N	95

B. Web sites of pertinent agencies.

1. Yes				51.2%
2. No				48.9
3. (DK/Refuse)				—
Total				100.0%
N				95

C. Special newsletters.

1. Yes				60.9%
2. No				39.1
3. (DK/Refuse)				—
Total				100.0%
N				95

D. Trade publications, trade Web sites, or conferences.

1. Yes				70.7%
2. No				26.1
3. (DK/Refuse)				3.3
Total				100.0%
N				95

E. Notices from an agency mailing list that you are on.

1. Yes				53.8%
2. No				46.2
3. (DK/Refuse)				—
Total				100.0%
N				95

6b. What are likely sources where you might first learn about a new regulation that impacts you? What about: (If “normal course of business activity” in Q#6.)

A. Popular media such as radio or newspapers.

1. Yes	55.8%	50.0%	50.8%	54.7%
2. No	43.8	50.0	49.2	45.0
3. (DK/Refuse)	0.4	—	—	0.3
Total				
N				
	100.0%	100.0%	100.0%	100.0%
	284	172	160	616

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

B. Outside advisors such as an accountant or lawyer.

1. Yes	62.9%	62.0%	65.0%	63.0%
2. No	36.7	38.0	35.0	36.7
3. (DK/Refuse)	0.4	—	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	284	172	160	616

C. Trade publications, newsletters, or Web sites.

1. Yes	66.6%	69.0%	79.7%	68.1%
2. No	33.0	31.0	20.3	31.6
3. (DK/Refuse)	0.4	—	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	284	172	160	616

D. Direct contacts from a regulatory agency such as inspectors, advisory letters, or fliers.

1. Yes	56.6%	57.7%	64.4%	57.5%
2. No	42.8	42.3	35.6	42.0
3. (DK/Refuse)	0.6	—	—	0.5
Total	100.0%	100.0%	100.0%	100.0%
N	284	172	160	616

E. Other affected business owners.

1. Yes	66.5%	66.2%	58.3%	65.7%
2. No	32.2	32.4	40.0	33.0
3. (DK/Refuse)	1.2	1.4	1.7	1.3
Total	100.0%	100.0%	100.0%	100.0%
N	284	172	160	616

F. The agency's Web site.

1. Yes	15.7%	11.6%	17.9%	15.3%
2. No	84.1	88.4	79.5	84.1
3. (DK/Refuse)	0.3	—	2.6	0.5
Total	100.0%	100.0%	100.0%	100.0%
N	284	172	160	616

7. Once you learn that a new government requirement affects you, how do you learn about the specific requirement? Do you usually: (If “check out the compliance requirements yourself” in Q#8.)

A. Talk to other business owners who might be affected in the same way?

1. Yes	76.0%	77.8%	79.4%	76.4%
2. No	23.5	22.2	20.6	23.1
3. (DK/Refuse)	0.5	—	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	209	102	76	387

B. Ask the agency that made the rule for more information.

1. Yes	58.1%	64.4%	55.9%	58.5%
2. No	41.1	35.6	44.1	40.8
3. (DK/Refuse)	0.8	—	—	0.6
Total	100.0%	100.0%	100.0%	100.0%
N	209	102	76	387

C. Attend a relevant seminar or convention session?

1. Yes	33.9%	37.8%	41.2%	34.8%
2. No	65.6	62.2	58.8	64.7
3. (DK/Refuse)	0.5	—	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	209	102	76	387

D. Talk to an “expert” about the rules?

1. Yes	56.2%	55.6%	65.7%	56.8%
2. No	42.8	44.4	34.3	42.3
3. (DK/Refuse)	1.0	—	—	0.9
Total	100.0%	100.0%	100.0%	100.0%
N	209	102	76	387

E. Search the Web for relevant material?

1. Yes	34.5%	33.3%	38.2%	34.7%
2. No	64.9	66.7	61.8	64.9
3. (DK/Refuse)	0.5	—	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	209	102	76	387

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
F. Check with an appropriate trade group?				
1. Yes	54.9%	51.1%	64.7%	55.2%
2. No	44.3	48.9	35.3	44.1
3. (DK/Refuse)	0.8	—	—	0.6
Total	100.0%	100.0%	100.0%	100.0%
N	209	102	76	387

G. Read general business printed material?

1. Yes	78.6%	73.3%	85.7%	78.6%
2. No	20.9	26.7	14.3	20.9
3. (DK/Refuse)	0.5	—	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	209	102	76	387

8. Who is responsible for investigating HOW you are supposed to comply? Do you usually:

1. Assign an employee to check out compliance requirements?	11.1%	18.5%	23.6%	13.1%
2. Check out the compliance requirements yourself?	64.5	55.6	47.2	61.9
3. Find an expert to check compliance requirements for you?	20.8	21.0	22.2	20.9
4. (Depends)	3.2	4.9	6.9	3.7
5. (DK/Refuse)	0.5	—	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

9. Within the last 12 months, did one or more government officials enter your place of business to inspect it, examine your records and/or licenses, or otherwise check on your compliance with some government requirement?

1. Yes	39.6%	44.4%	60.3%	42.1%
2. No	59.2	53.1	38.4	56.5
3. (DK/Ref)	1.2	2.5	1.4	1.3
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

Demographics

D1. Is your primary business activity:

1. Construction	9.6%	11.3%	10.8%	9.9%
2. Manufacturing	7.8	16.3	13.5	9.2
3. Wholesale	5.8	6.3	5.4	5.8
4. Retail	21.1	23.8	25.7	21.8
5. Transportation	4.3	2.5	5.4	4.2
6. Communication	3.5	1.2	2.7	3.2
7. Financial Services	6.8	3.8	2.7	6.1
8. Services	35.2	30.0	28.4	33.9
A. Non-professional, e.g., lodging, auto repair, garages, recreation	(19.2)	(33.3)	(27.3)	(21.2)
B. Professional, e.g., health, legal, education, engineering	(36.4)	(29.2)	(31.8)	(35.4)
C. Business, e.g., advertising, mail, employment agencies, computer services, security, equipment rental	(28.0)	(25.0)	(22.7)	(27.3)
D. Personal, e.g., laundries, beauty shop, photography, funeral services, child care	(16.4)	(12.5)	(18.2)	(16.2)
9. Agriculture, forestry, fishing	4.3	2.5	2.7	4.0
10. (Other)	1.0	1.2	1.3	1.1
11. (DK/Refuse)	0.7	1.2	1.3	0.8
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

D2. Over the last two years, have your real volume sales:

1. Increased by 30 percent or more?	16.7%	17.3%	26.0%	17.7%
2. Increased by 20 to 29 percent?	17.6	14.8	17.8	17.3
3. Increased by 10 to 19 percent?	27.9	28.4	21.9	27.3
4. Changed less than 10 percent one way or the other?	18.9	21.0	17.8	19.0
5. Decreased by 10 percent or more?	13.1	12.3	6.8	12.4
6. (DK/Refuse)	5.8	6.2	9.6	6.2
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

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

D3. Is this business operated primarily from the home, including any associated structures such as a garage or a barn?

1. Yes	26.4%	4.9%	2.7%	21.8%
2. No	72.0	92.6	94.5	76.4
3. (DK/Refuse)	1.7	2.5	2.7	1.8
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

D4. How long have you owned or operated this business?

1. < 6 years	32.0%	22.2%	21.9%	29.9%
2. 6-10 years	18.2	16.0	17.8	17.9
3. 11-20 years	30.0	29.7	20.5	29.0
4. 21-30 years	8.3	14.8	24.7	10.6
5. 31 years+	9.4	12.3	11.0	9.9
6. (DK/Refuse)	2.2	4.9	4.1	2.6
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

D5. What is your highest level of formal education?

1. Did not complete high school	2.7%	3.7%	2.7%	2.8%
2. High school diploma/GED	22.7	14.8	16.2	21.2
3. Some college or an associates degree	20.1	23.5	21.6	20.6
4. Vocational or technical school degree	3.3	3.7	2.7	3.3
5. College Diploma	33.8	39.5	39.2	35.0
6. Advanced or professional degree	15.8	11.1	14.9	15.2
7. (DK/Refuse)	1.7	3.7	2.7	1.9
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

D6. Please tell me your age.

1. <25	1.2%	2.5%	1.4%	1.3%
2. 25-34	11.3	14.8	11.1	11.7
3. 35-44	24.6	25.9	33.3	25.6
4. 45-54	31.7	27.2	26.4	30.7
5. 55-64	18.4	14.8	18.1	18.0
6. 65+	9.6	8.6	5.6	9.1
7. (DK/Refuse)	3.2	6.2	4.2	3.6
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

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

D7. What is the zip code of your business?

1. East (zips 010-219)	7.3%	12.3%	9.5%	8.0%
2. South (zips 220-427)	25.0	18.5	17.6	23.6
3. Mid-West (zips 430-567, 600-658)	26.0	30.9	24.3	26.4
4. Central (zips 570-599, 600-898)	25.0	22.2	28.4	25.0
5. West (zips 900-999)	16.7	16.0	20.3	17.0
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

D8. What were your gross sales in the most recent calendar or fiscal year?

1. <\$100,000	15.2%	1.2%	1.4%	12.4%
2. \$100,000 - \$249,999	15.4	3.8	2.7	12.9
3. \$250,000 - \$499,999	13.1	5.0	5.4	11.5
4. \$500,000 - \$999,999	7.1	16.3	2.7	7.7
5. \$1 million - \$4.9 million	14.9	38.8	37.8	19.7
6. \$5 million - \$9.9 million	1.7	2.5	12.2	2.8
7. \$10 million or more	0.3	1.2	8.1	1.1
8. (DK/Refuse)	32.3	31.3	29.8	32.0
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	200	752

D9. Sex

Male	75.7%	76.5%	74.3%	75.6%
Female	24.3	23.5	25.7	24.4
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	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 Education Foundation by the executive interviewing group of The Gallup Organization. The interviews for this edition of the Poll were conducted between September 7 and October 11, 2001 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 was employed to compensate for the highly skewed dis-

tribution 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 were 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	351	47
10-19	82	11	200	27	201	27
20-249	75	10	200	27	200	27
All Firms	750	100	750	101	752	101

*Sample universe developed from special runs supplied to the NFIB Education Foundation by the Bureau of the Census (1997 data).



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