

TABLE.—THE INCIDENCE OF FEDERAL REGULATIONS BY FIRM SIZE, ALL BUSINESS SECTORS *

Type of regulation	All firms	Cost per employee for firms with:		
		<20 employees	20–499 employees	500 + employees
All Federal Regulations	\$4,722	\$6,975	\$4,319	\$4,463
Environmental	1,213	3,328	1,173	717
Economic	2,065	1,616	1,648	2,485
Workplace	779	829	873	698
Tax Compliance	665	1,202	625	562

* **Note to Table 1:** These aggregate cost data use employment shares to weight the respective business sectors. The estimates are for 2000 and are denominated in 2000 dollars.

Source: The Impact of Regulatory Costs on Small Firms, an Advocacy-funded study by W. Mark Crain and Thomas D. Hopkins.

In a December, 2001, small business poll conducted by the National Federation of Independent Business (NFIB), respondents shared their perspectives on the impacts of the regulatory workload on their firms. When asked “is government regulation a very serious, somewhat serious, not too serious, or not at all serious problem for your business,” nearly half, or 43.6 percent, answered “very serious” or “somewhat serious.”¹¹ When asked “which level of government creates the most serious regulatory problems for you,” 49 percent chose the Federal government, 35 percent State government and 13 percent local government.¹²

When asked “What is the single greatest problem created for your business by government regulation,” the largest percentage of small businesses in three size groups singled out extra paperwork, with the number of votes increasing as the number of employees decreased.¹³ The second most frequently selected problems, sharing an equal number of votes, were: (1) difficulty understanding what (a business must do) to comply, and (2) dollars spent to comply.¹⁴ This poll supports the conclusion that SBPRA focuses on issues of importance to small business concerns.

Several factors contribute to the difficulty small businesses experience when trying to find out what they must do to comply with regulations and related information collections:

Volume—It is well known that the Code of Federal Regulations (CFR) continues to expand despite efforts to curtail further growth. The CFR grew from 71,000 pages in 1975 to 135,000 pages in 1998. Annually, there are more than 4,000 regulatory changes introduced by the Federal government alone. Businesses must find ways to navigate the maze of requirements to identify the rules and information collections that apply to them.

Multi-Jurisdictional System—Businesses are regulated by numerous agencies at Federal, State and local levels, all imposing separate requirements on individual businesses—adding to the confusion and time needed to become compliant. For example, for the trucking industry, there are over 40 information collection requirements from 11 federal entities and at least 5 standardized transactions imposed by every state.

Complexity—Many of the laws and regulations are extremely complex and difficult to understand, causing businesses to spend additional money hiring service providers such as attorneys, accountants, and permit agents. Paying taxes, acquiring licenses and permits, and managing employees are reportedly the three most burdensome areas of laws and regulations affecting businesses, particularly for the most regulated industries (e.g., transportation, food, chemicals, auto, and health care).

Inaccessibility—Currently, businesses must search through multiple sources of

information, such as the **Federal Register**, Federal/State/local agency and trade Web sites, and trade publications to try to locate all the rules and regulations that affect them. They may also learn of requirements through the media, at professional conferences and from other business persons. Not all sources are accessible 24/7, and many remain informational only, without the kind of compliance assistance many small businesses need.

Two Perspectives on the Regulatory Information

Regulatory agencies and small businesses have different perspectives on information collections associated with regulations. Understandably the regulator views the information burden from the perspective of its role in meeting the goals of each specific regulation, e.g., cleaner air, safer automobiles or workplaces, sounder financial practices. This burden is seen as part of the costs of regulatory compliance and is borne by small business and others who must comply. The analytical framework for reviewing the burden revolves around the regulation—can it be harmonized with other agency regulations, or do the societal benefits justify the societal costs, including the costs of paperwork and compliance efforts? The following chart depicts the regulator-centered point of views. In this case, reduction in burden focuses on individual regulations a, b, c, 1, 2, and 3.

¹¹ Coping with Regulation, NFIB National Small Business Poll, Volume 1, Issue 5 (2001), ISSN–1534–8326, at 9. The poll is available for viewing at <http://www.nfib.com>.

¹² *Id.*

¹³ *Id.*

¹⁴ *Id.* It is not clear whether the difficulty in understanding how to comply referred to compliance reporting, compliance with the substantive regulatory standards, or both.