NFIB Research Foundation
The Voice of Small Business.

Small Business Problems & Priorities

June 2008

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Foreword

This is the seventh edition in the *Problems and Priorities* series. The first edition was published in 1982 followed by editions in 1986, 1991, 1996, 2000, and 2004. The volumes are among the NFIB Research Foundation's most popular publications and therefore have become a staple. Current plans project an eighth edition to be published in the spring of 2012.

This publication is based on a research procedure that has remained fundamentally unchanged from the beginning. A large sample of small business owners, all members of the National Federation of Independent Business (NFIB), is sent a mail questionnaire. The questionnaire presents 75 potential business problems, public policy-related and not. Respondents are asked to rate the severity of each potential problem on a scale of 1 to 7 anchored by "Critical Problem" on one end and "Not a Problem" on the other.

The array of potential problems presented small business owners for evaluation has undergone minor changes over the years to account for changes in business conditions, technologies, and expressed concerns. The 2008 survey substituted six new problems for six that elicited minimal interest or concern in 2004. The wording was changed on two problems to produce greater clarity for the respondent or to consolidate disparate material. But, the list of potential business problems assessed in 2008 closely resembles the list produced in prior years. The publication format is also similar in all editions.

The publications begin with an overview of results from the total population of small business owner respondents. They then examine the most important problems, the least important problems, problems on which there is most and least agreement, the relative importance of various problems clustered by topic, changes in ranking from prior surveys, etc. The bulk of the publication reviews owner assessments of the problem list with respondents divided by standard owner and firm classifications, such as employment size and primary industry of the business.

The purpose of this research has been constant from the outset. NFIB was founded on the principle that the membership governs. Policy positions are established by member vote rather than by committee (staff, member, or expert) decision. However, the organization's leadership thinks that NFIB's priorities also should reflect member priorities. *Small Business Problems and Priorities* is designed to accomplish that objective. The survey and publication establish the relative importance of small business owner concerns and thereby a de facto issues priority list for NFIB.

A second purpose for conducting the survey is to provide affected parties outside NFIB an accurate list of small business owner concerns. Assertions are often made regarding the problems and interests of small business owners with little or no empirical evidence to support them. If there is no systematically collected data to establish a benchmark, these assertions can mislead and attribute interest when none exists (and vice versa). The data in *Problems and Priorities* therefore provide a standard against which others can measure their impressions.

It is important to note that *Problems and Priorities* focuses on problems, not solutions. The survey is intended to establish the relative importance of business problems as small business owners see them. It is not intended to develop solutions or to argue for one solution

over another. A problem list can suggest that certain problems should be addressed which can indirectly imply a solution. But the data and arguments for a particular solution to a problem and establishing the problem are separate issues.

Small Business Problems and Priorities has three characteristics that make it unique. The first is that the survey has a very large number of respondents. Three thousand five hundred and thirty (3,530) small business owners returned useable questionnaires. The sizeable response allows break-outs into a large number of respondent categories or groups with adequate returns to analyze and compare them. It is thereby possible and appropriate to note where the responses of those in different categories or groups vary from the population and among themselves.

The second characteristic making the study unique is that most surveys of the genre are limited to a comparatively few problems. *Small Business Problems and Priorities* lists 75 for evaluation. The list includes problems with obvious public policy implications and those that are highly related to small business owners as managers and entrepreneurs. The combination provides broad context and allows observers and analysts to witness the relative priorities that small business owners assign problems internally and externally generated.

Finally, the sample for this study is one of the most representative groups of small business owners used to produce problem rankings and priorities. Many published surveys of this nature confine themselves to particular segments of the small business population. Focus on one component is not debilitating for the survey per se. It simply warrants caution and an appreciation for what the survey does and does not represent. A brief comparison between respondents and the small business population produced by administrative records of federal agencies can be found in the Appendix. The major variance between the small-business population and the NFIB population for the survey is the latter's inclusion of farmers and related businesses.

The data for *Small Business Problems and Priorities* are presented in 14 tables. The tables constitute the most important part of the publication. Text is limited. Commentary is intended to point out differences and patterns of differences in the tables that may not be immediately obvious to the reader. Explanation or background for a particular ranking is minimal. The tables are the star of the publication and should be the focus of the reader's attention.

Special mention must be made of NFIB personnel, particularly those in Mail and Supply, who participated in this project. This publication would not have been possible without their capable hard work. It is recognized and appreciated.

Wells Fargo and NFIB have had a long-standing relationship to promote the betterment of small business. Wells Fargo's sponsorship of the *Problems and Priorities* project is part of its commitment to service the small business community. The Foundation thanks Wells Fargo for its continued active interest.

Copies of *Small Business Problems and Priorities* can be obtained from the NFIB Research Foundation, 1201 "F" Street, NW, Suite 200, Washington, DC 20004.

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Executive Summary

The 10 most severe problems for small business owners of the 75 business problems assessed are in order: "Cost of Health Insurance," "Cost of Natural Gas, Propane, Gasoline, Diesel, Fuel Oil,"[1] "Federal Taxes on Business Income," "Property Taxes (Real, Inventory, or Personal Property)," "Tax Complexity," "Unreasonable Government Regulations," "State Taxes on Business Income," "Cost of Supplies/Inventories," "Electricity Costs (Rates)," and "Workers' Compensation Costs." Health insurance costs are a critical problem, the most severe assessment, for 56 percent of survey respondents, a slight reduction from the record 66 percent of owners who thought the problem critical in 2004. Energy costs are critical for 42 percent of owners. Taxes and tax-related issues are critical for one-quarter of them.

- The 10 least severe problems for small business owners of the 75 business problems assessed, beginning with the least severe and moving up the list, are: "Exporting My Products/Services," "Access to High-Speed Internet," "Obtaining Long-Term (5 Years or More) Business Loans," "Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans," "Winning Contracts From Federal/State/Local Governments," "Undocumented Workers (Illegal Aliens)," "Competition From Internet Businesses," "Increased National Security Requirements," "Credit Rating/Record Errors," and "Competition From Imported Products." Exporting, the least severe problem proves critical for 2 percent of small business owners, unchanged from 2004. High-speed Internet access is critical for 6 percent of respondents. Five percent of small business owners find obtaining each short-term and long-term loans a critical problem.

- Small business owners evaluate most problems in the 2008 survey as they did in 2004, the date of the last *Problems and Priorities* survey. The major changes that did occur are often associated with taxes, regulatory liabilities, imports and labor issues. Among problems rising in importance, "Interest Rates" has the largest increase, rising 26 positions from 58th to 32nd place in 2008. "Finding and Keeping Skilled Employees" follows by increasing 11 positions, from 28th position to 17th. "The Cost and Availability of Liability Insurance" and "Delinquent Accounts/Customer Financing" tie for the largest decline in the ranking, falling 11 positions from 2004 to 2008, the former from 2nd to 13th and the later from 34th to 45th. The second largest drop belongs to "Health/Safety Regulations" which fell to 40th place from 30th.

- The 75 business problems evaluated are organized into 10 problem clusters. "Costs" displaced "Taxes" as the most severe problem cluster in the 2008 survey. Five of the 10 most severe problems are included in the "Costs" cluster. Tax-related problems comprise the second most severe cluster followed by "Employee"-related problems. The "Regulations" and "Management" clusters round out the first five.

[1] Hereafter called "Energy Costs, Except Electricity"

- The classifications most likely to yield significant differences among identifiable groups of small businesses are industry, employee size of business, and years of business ownership. The other classifications examined, for example legal form of business, infrequently exhibit substantial differences among their components and even when they do, the differences are often functions of variations among groups in the aforementioned classifications. Industry produces the most divergent evaluation of problems, though the broad production, distribution and service industries have similarities. Problems are also directly related to employee size of business. At times, problem severity will be directly related to size and other times it will be inversely related. Problems by years of business ownership are often divided by those in business less than four years and the rest, or those in business less than six years and the rest.

- The findings of this publication are based on the responses of 3,530 NFIB small business owner/members to a mail survey conducted from mid-January through March 2008 (a response rate of 18 percent). Owners evaluated 75 potential business problems individually and assessed their severity on a scale of "1" for a "Critical Problem" to "7" for "Not a Problem." A mean (average) was calculated from the responses for each problem. Problems are ranked by mean score.

Small Business Problems and Priorities

The economy has been relatively strong since the last *Problems and Priorities* survey was conducted in early 2004. As consumers continued to spend, real gross domestic product (GDP) increased 3.6 percent (2004), 3.1 percent (2005), and 2.9 percent (2006). Proprietor's income, or small business income, reached $1.1 trillion for the first time at the end of 2006. With annual inflation at about 2.5 percent and unemployment below 5 percent the last four years, small business owners have had a good, stable economy from which to do business.

The economy turned decisively negative though in the second half of 2007. Real GDP increased only 0.6 percent in the last quarter of 2007 and the NFIB Small Business Optimism Index dropped to 94.6 in December 2007, the lowest since 2001. By March 2008, small business owners had turned decidedly more pessimistic, buffeted by a major housing contraction, oil prices over $115 per barrel, stagnant retail sales, and higher inflation. Thus, survey respondents could not avoid the impact of a rapidly deteriorating economy when evaluating the list of 75 business problems.

Problems of Greatest Concern

The "Cost of Health Insurance" continues its reign as the number one small business problem, a position it has held for over 20 years. The number one ranking is nearly unanimous across all 53 sub-categories of businesses analyzed in this survey, e.g., S-corporations, manufacturers, 10 - 19 employees. The three defectors are the transportation and warehousing, and agriculture, forestry, fishing industries and non-employer firms where "Energy Costs, Except Electricity" ranks number one. And although the percent of business owners who cite it as a "critical" problem fell from 66 percent in 2004 to 56 percent in 2008, the "Cost of Health Insurance" problem still overshadows its number two rival, "Energy Costs, Except Electricity," by 14 percentage points.

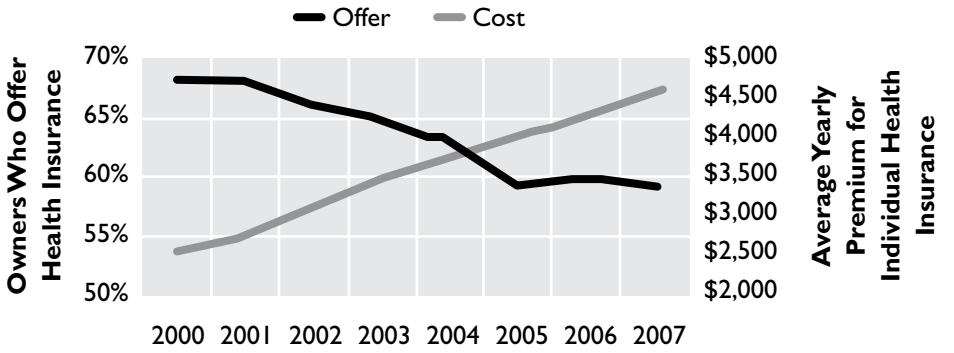
Health insurance costs have risen 129 percent since 1999, 84 percent since 2001. These huge cost increases have forced some small business owners to terminate their employee health plans while preventing others, including new entrants, from instituting one in the first place. The result is that approximately 59 percent of the small firms (3 - 199 employees) now offer a health plan, down from 68 percent in 2000 (Chart 1).

Federal and state efforts to curb the rising cost of health insurance have been modest, if not non-existent. The focus has been increasing coverage, often driving costs even higher. Without a major refocus of current thinking, the cost of health insurance will almost certainly be in the number one position again in four years as insurance and health care cost increases continue to outpace, by wide margins, change in both earnings and GDP.

"Energy Costs, Except Electricity" ranks as the second most-pressing problem for small business owners in 2008, two positions higher than in 2004. Forty-three (43) percent evaluate the problem as critical, compared to one-quarter of owners in 2004. According to NFIB's *Energy Consumption* poll, energy costs are one of the top three business expenses in 35 percent

of small businesses. Owners use energy for a number of purposes essential to the business. The primary energy cost for 38 percent of small firms is operating vehicles, for one-third heating and/or cooling, and for one-fifth operating equipment. However, the amount of energy used fluctuates greatly by industry and region.

Chart 1
Health Insurance Offer Rates and Average Yearly Premiums for Businesses with 3 - 199 Employees, 2000 - 2007



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, various issues

The problems created for small business owners by the current rise in energy costs are two-fold. First, energy costs have increased rapidly over the last two years and even more so in the last six months. Small business owners are not able to adjust the price of their goods and services quickly enough to match the steep energy cost increases without hurting their customer base. Second, owners are not able to change business practices fast enough to offset the increases. For example, most owners cannot afford to buy new, more energy efficient equipment if current equipment still has useful life. They are effectively caught in a squeeze that only time and/or good fortune will release.

A second energy-related problem addressed in the survey is "Electricity Costs (Rates)." It ranks 9th in 2008, up from 10th in 2004 and 19th in 2000. Sixteen (16) percent of business owners rank "Electricity Costs (Rates)" as a critical problem. Rising electricity costs have the same consequences for small businesses as do rising costs of other energy forms.

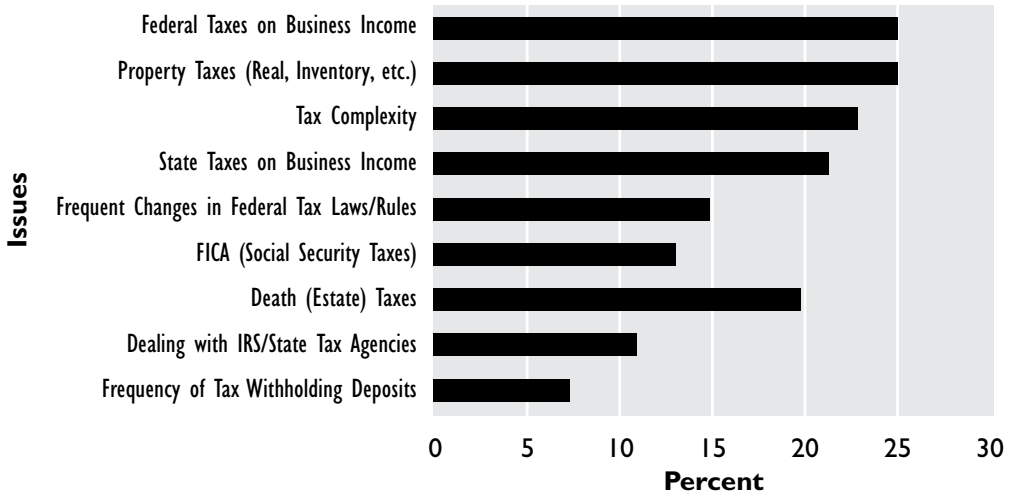
Four of the top-10 ranked problems in the survey are tax related. In total, the survey lists nine tax-related questions including federal and state taxes on business income, property taxes, tax complexity and frequent changes in federal tax laws and rules (Chart 2). If combined into one problem, the ranking would likely be different. NFIB's *Small Business Economic Trends* ranked the overall burden of a generic "taxes" above the cost of insurance as the number one problem for a large portion of the last decade.

"Federal Taxes on Business Income" ranks 3rd, up from 5th in 2004. Income taxes remain a critical problem for one-quarter of small business owners, nearly the same as four years ago where it was critical for 23 percent. Its state equivalent, "State Taxes on Business Income" ranks 7th compared to 8th in 2004, and is critical for 21 percent of owners. The ranking difference between state and federal taxes on business income is likely due to lower tax rates in the states and federal-state tax conformity in many places.

"Property Taxes (Real, Inventory or Personal Property)" ranks 4th in the 2008 *Problems and Priorities*, up from 6th in 2004. Twenty-five (25) percent of owners think this a criti-

cal problem. Most small business owners pay property taxes on their home, their business or both. A large majority of small business owners are homeowners. Forty-seven (47) percent of owners whose business is located outside their home also own the building in which their business is primarily located (NFIB's *Energy Consumption* poll). Until recently, property values, both residential and commercial, increased sharply in many areas in the United States. These increases, although good for the overall value of assets, also incur higher property taxes. In addition, small business owners are often taxed on the assessed value of personal property, including vehicles, business inventory, financial assets (stocks, bonds, etc.) adding to the total tax burden. While the incidence of these personal property taxes has declined over the years, they do not seem to go away.

Chart 2
Tax Issues-Percent Critical (in rank order)



Source: NFIB Small Business Problems and Priorities, 2008

"Tax Complexity," a new problem in the 2008 *Problems and Priorities*, ranks 5th among the survey's 75 business issues, between federal and state taxes on business income as a business problem. It is a critical problem for 23 percent of business owners. Tax complexity has reached a point where 88 percent of small business owners opt to pay a tax preparer or accountant to do their federal tax returns on business income (NFIB's *Tax Complexity and the IRS* poll).

"Unreasonable Government Regulations" ranks 6th in 2008, up from its 9th position in 2004. The problem is critical for 21 percent of owners. Much like taxes, this generic problem category costs small businesses in several ways: understanding and keeping up-to-date with compliance requirements, cost of consultants, employee time, management time, direct outlays, lost productivity and/or sales, foregone opportunities, etc. The federal government alone proposes approximately 150 new rules every year that cost business owners over *$100 million per rule* in compliance costs. Adding state and county laws that sometimes duplicate federal laws, merely raise the cost and frustration level.

"The Cost of Supplies/Inventories" rose in relative importance to 8th from 14th in 2004. It is a critical problem for 17 percent of owners. Like many other external business problems such as taxes and regulations, the cost of supplies and materials is generally beyond the control of small business owners. These cost increases often result in lower earnings as they are difficult or impossible to fully pass on. The rise in fuel prices is only the most obvious example. But

rising food prices also affect many small businesses including restaurants and caterers, let alone those raising livestock and manufacturing ice cream. Many commodities are at or near record highs making jewelers among others unhappy. Imported products including raw materials and consumer goods also cost more as the value of the dollar declines.

"Workers' Compensation Costs" (WC) ranks as the 10th most important problem in this survey, down from its 3rd position in the 2004 survey. About one-quarter of business owners regard WC costs as critical, one-third lower than four years ago. In some states, such as Arizona and California, WC systems have been reformed and rates lowered. Also, safer workplaces due to improved working environments and a shift in the employment base from more hazardous manufacturing jobs to relatively safe service positions contribute to lower rates. However, it would be a mistake to assume that WC issues have faded as a major concern for small business owners. The rising cost of healthcare directly affects the cost of WC insurance and will therefore continue to be a burden for small firms.

Problems of Least Concern

The 10 problems ranked by small business owners as least severe have certain common characteristics. First, the problems in this group are "critical" for fewer than 6 percent of small business owners with two exceptions. Second, most in the group were also in the bottom 10 in 2004. However, two of those lowly ranked problems appear for the first time in the 2008 survey.

"Exporting My Products/Services" is the least important problem to small business owners, essentially unchanged from when it first entered the survey in 1986. Even with federal and state/local programs to promote exporting, small business owners show little interest. Most small businesses are local. Their market is the town or community in which their business is located and the immediate environs. Growth means expanding to the region, not going overseas. Plus, the economy has been strong. There is plenty of business, if not locally, then somewhere in the United States. So, why bother with the hassle of trying to sell abroad? Matters could change. A weak dollar, more interactive Web sites, and a slowing U.S. economy could entice more small business owners to find export markets. But that is doubtful.

The 74th ranked problem in this survey is "Access to High-Speed Internet." The supposed technology gap, the lack of access to broadband in rural areas and by lower income groups, does not appear to be a problem for small business owners. Eighty-two (82) percent of them have high-speed Internet according to NFIB's *IT Issue*s poll. The issue does not appear to be access for most of the remainder.

Small business finance is an issue of particular interest to policymakers and the media due to recent turmoil in the banking industry. Yet, this survey shows small business owners are largely unaffected by the current banking crisis. Most can obtain loans, when they want them, without much difficulty. "Obtaining Long-Term (5 Years or More) Business Loans" ranks 73rd in the current survey. Five percent consider the problem critical. The comparable rank in the 2004 survey was 68th. "Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans" ranks 72nd, compared to 70th in 2004. Only about 5 percent currently find it a critical problem. Neither of these two finance problems has ever ranked higher than 38th since the first survey in 1982. Small business owners have generally been able to obtain adequate debt financing for many years, albeit more expensive at times.

Both the federal and state/local governments continue to try and raise the share of procurement dollars going to small firms. This survey indicates that despite their efforts, government procurement is not a high-ranking concern for most small businesses. The problem "Winning Contracts From Federal/State/Local Governments" ranks 71st of the 75 survey

problems. The comparable rank was 69th in 2004. Most owners either do not want to do business with the government or do not think they can. According to NFIB's *Contacting Government* poll, 72 percent of owners made no sales to a government agency during the past three years and 84 percent did not expect to bid on a contract during the next three years. Owners, especially retailers and service firms, generally think that they do not produce a product or service that the government wants to buy.

A new problem in 2008, "Undocumented Workers (Illegal Aliens)" ranks 70th and is a critical issue for 11 percent of small business owners. Despite strong and diverse opinions on this issue and the extensive press coverage on it, undocumented workers are not a top-of-the-line issue for small business people in their business ownership capacity. The principle reason for concern is the problems that arise from unfair competition by those hiring illegal immigrants. Such competition apparently is not a pressing issue for many. However, should punitive sanctions be levied on small business owners making good-faith hiring efforts, the level of concern could rapidly rise.

"Competition From Internet Businesses" ranks 69th out of 75 problems, up from its 73rd ranking in 2004 when the problem was introduced into the survey. Only 5 percent of survey respondents regard the problem as critical. E-commerce now accounts for slightly less than 4 percent of all retail sales. Much of it is confined to a few sectors of the economy dominated by large firms including travel, booksellers, and financial institutions. But that does not mean the situation is permanent as the business owners on eBay may create just as much competition for traditional bricks and mortar small businesses as the giants.

The effect of "Increased National Security Procedures" on small firms ranks 68th, up from 72nd in 2004. The problem is critical to only 3 percent of owners. Small business people do not seem to be generally affected by the USA Patriot Act or other efforts to increase national security. They are more concerned about crime in general, including shoplifting and identity theft. That problem ranks 57th in the priority list. One exception is the transportation industry which ranks the increased security problem 49th. New national security measures impact small businesses in this industry more than others.

Errors made by credit bureaus, "Credit Rating/Record Errors," bother small business owners in 2008 with about the same intensity as in 2004 and 2000. The problem ranks 67th in 2008, compared to 65th in 2004 and 68th in 2000. It is critical to fewer than 5 percent of owners. According to NFIB's *Finance Questions* poll, the majority of small business owners have not checked their business's credit records in the last three years. But the vast majority of those who did and found inaccuracies in their report, were satisfied with the credit reporting company's response to filed complaints.

The 10th and last of the least severe problems, "Competition From Imported Products," ranks 66th. Only 9 percent of small business owners think that imports are a critical issue. Import competition as a problem moved up five positions from 2004 (rank of 71st). But the problem has not changed much since 2000 when it was first introduced ranking 72nd. The problem though has greater importance for selected industries, including agriculture and wholesale businesses and most significantly, manufacturing firms. As with undocumented workers, competition from imported products has become a divisive political issue, but one that so far does not directly affect a significant portion of small business owners.

Other Problems of Interest

A number of potential business problems listed in Table 1 have changed in relative importance for small business owners since 2004. This section highlights some of them. It focuses on those problems that change approximately five or more places from the 2004 version of *Small Business Problems and Priorities*. They appear on Table 2.

Table 1
Measures of Small Business Problem Importance

Problem	Rank	Mean	Standard Deviation	Percent "Critical"	Percent "Not a Problem"	2004 Rank
Cost of Health Insurance	1	1.93	1.50	56.3	4.1	1
Cost of Natural Gas, Propane, Gasoline, Diesel, Fuel Oil	2	2.41	1.72	42.3	5.4	4
Federal Taxes on Business Income	3	3.00	1.81	25.0	7.2	5
Property Taxes (Real, Inventory or Personal Property)	4	3.08	1.85	25.0	7.3	6
Tax Complexity	5	3.13	1.81	22.7	7.0	new
Unreasonable Government Regulations	6	3.25	1.83	20.6	7.5	9
State Taxes on Business Income	7	3.26	1.90	21.2	9.8	8
Cost of Supplies/Inventories	8	3.26	1.72	17.2	6.2	14
Electricity Costs (Rates)	9	3.27	1.72	16.4	6.3	10
Workers' Compensation Costs	10	3.28	1.97	23.8	11.1	3
Cash Flow	11	3.37	1.88	20.6	8.3	7
Locating Qualified Workers	12	3.42	1.99	20.7	12.0	11
Cost and Availability of Liability Insurance	13	3.44	1.90	18.8	9.5	2
Poor Earnings (Profits)	14	3.60	1.90	17.3	8.8	12
Frequent Changes in Federal Tax Laws and Rules	15	3.61	1.82	14.9	8.8	15
Fixed Costs Too High	16	3.61	1.77	13.3	8.2	20
Finding and Keeping Skilled Employees	17	3.70	2.04	17.6	14.4	(modified) 28
Federal Paperwork	18	3.70	1.83	12.3	10.1	18
FICA (Social Security Taxes)	19	3.71	1.83	12.9	10.7	13
Projecting Future Sales Changes	20	3.75	1.68	8.9	8.8	25
State/Local Paperwork	21	3.78	1.75	10.0	9.3	17
Highly Variable Earnings (Profits)	22	3.89	1.80	10.5	11.0	23
Controlling My Own Time	23	3.91	1.94	12.7	14.3	26
Telephone Costs and Service	24	3.95	1.70	7.4	9.4	16
Cost of Outside Business Services, e.g., Accountants, Lawyers, Consultants	25	3.95	1.75	8.5	11.0	21
Unemployment Compensation	26	3.96	1.94	11.2	15.8	19
Dealing With IRS/State Tax Agencies	27	3.96	1.83	10.8	11.3	27
Ability to Cost-Effectively Advertise	28	3.98	1.93	10.6	15.6	24
Competition From Large Businesses	29	4.00	1.99	12.8	16.4	22

Table 1 continued
Measures of Small Business Problem Importance

Problem	Rank	Mean	Standard Deviation	Percent "Critical"	Percent "Not a Problem"	2004 Rank
Pricing My Goods/Services	30	4.07	1.84	8.1	13.8	35
Reducing Energy Use in a Cost-Effective Manner	31	4.08	1.78	8.2	12.2	new
Interest Rates	32	4.09	1.84	9.6	13.5	58
Physical Facilities Costs, Such as Rent/Mortgage/ Maintenance	33	4.10	1.85	9.2	13.9	29
Death (Estate) Taxes	34	4.11	2.28	19.8	25.1	36
Poor Sales	35	4.18	1.95	12.4	14.7	33
Locating Business Help When Needed	36	4.19	1.87	9.3	15.3	39
Applications for Licenses, Permits, etc.	37	4.22	1.90	9.0	16.7	31
Finding Out About Regulatory Requirements	38	4.23	1.81	6.4	15.6	32
Cost of Government Required Equipment/ Procedures	39	4.27	1.92	8.7	17.5	40
Health/Safety Regulations	40	4.28	1.91	8.9	18.2	30
Training Employees	41	4.31	1.84	6.6	17.4	37
Hiring/Firing/Employment Regulations	42	4.33	1.88	6.9	18.6	38
Sales Too Dependent on Health of One Business or Industry	43	4.36	1.96	9.4	19.7	44
Keeping Up on Business and Market Developments	44	4.38	1.69	4.6	13.4	42
Delinquent Accounts/ Customer Financing	45	4.41	1.96	8.4	20.4	34
Frequency of Tax Withholding Deposits	46	4.43	1.90	7.2	21.1	41
Environmental Regulations	47	4.44	1.98	8.1	22.3	43
Using Computer(s), the Internet or New Technology Effectively	48	4.66	1.83	5.5	21.5	45
Handling Business Growth	49	4.68	1.70	3.4	19.4	47
Getting Information on Government Business Assistance Programs	50	4.72	1.87	6.3	24.5	48
Employee Turnover	51	4.73	1.96	7.1	26.4	53
Rules on Retirement Plans	52	4.73	1.82	5.3	23.7	49
Minimum Wage/"Living" Wage	53	4.75	2.03	8.8	29.9	57
Zoning/Land Use Regulations	54	4.76	1.98	7.8	28.2	51
Aging Workforce	55	4.83	1.85	4.3	27.0	new
Bad Debts (Not Delinquencies) and/or Bankruptcies	56	4.83	1.87	5.9	25.1	52

Table 1 continued
Measures of Small Business Problem Importance

Problem	Rank	Mean	Standard Deviation	Percent "Critical"	Percent "Not a Problem"	2004 Rank
Crime, Including Identity Theft, Shoplifting, etc.	57	4.83	1.88	6.4	24.9	62
Traffic, Congestion, Parking, Highways	58	4.87	1.99	7.0	31.6	61
Anti-Competitive Practices, e.g., Price Fixing	59	4.87	1.92	6.8	27.8	54
Mandatory Family or Sick Leave	60	4.88	1.98	8.0	30.3	new
Getting Useful Business Information	61	4.89	1.65	2.5	21.8	60
Protecting Intellectual Property	62	4.98	1.84	4.9	30.0	67
False Insurance Claims, Such as for Workers' Comp and UC	63	5.04	2.02	7.9	35.5	59
Solid and Hazardous Waste Disposal	64	5.07	1.89	4.9	34.4	63
Costs and Frequency of Law Suits/Threatened Suits	65	5.12	1.99	7.3	36.7	64
Competition From Imported Products	66	5.14	2.06	8.7	39.8	71
Credit Rating/Record Errors	67	5.14	1.83	4.7	32.0	65
Increased National Security Requirements	68	5.21	1.75	3.3	32.1	72
Competition From Internet Businesses	69	5.24	1.92	5.1	39.7	73
Undocumented Workers (Illegal Aliens)	70	5.25	2.15	11.4	47.0	new
Winning Contracts From Federal/State/Local Governments	71	5.27	1.94	5.5	42.5	69
Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans	72	5.29	1.86	5.1	37.8	70
Obtaining Long-Term (5 Years or More) Business Loans	73	5.31	1.85	5.2	38.5	68
Access to High-Speed Internet	74	5.61	1.89	5.6	52.3	new
Exporting My Products/ Services	75	6.08	1.49	1.8	62.2	75

Table 2
Largest Changes in Problem Ranking, 2004 to 2008

More Difficult in 2008	Ranks Changed	Less Difficult in 2008	Ranks Changed
Interest Rates	26	Delinquent Accounts/Customer Financing	11
Finding and Keeping Skilled Employees	11	Cost and Availability of Liability Insurance	11
Cost of Supplies/Inventories	6	Health/Safety Regulations	10
Projecting Future Sales Changes	5	Telephone Costs and Service	8
Pricing My Goods/Services	5	Competition From Large Businesses	7
Crime, Including Identity Theft, Shoplifting, etc.	5	Unemployment Compensation	7
Protecting Intellectual Property	5	Workers' Compensation Costs	7
Competition From Imported Products	5	Finding Out About Regulatory Requirements	6
Fixed Costs Too High	4	FICA (Social Security Taxes)	6
Competition From Internet Businesses	4	Applications for Licenses, Permits, etc.	6

"Interest Rates" jumped in 2008 to 32nd place, up from 58th place in 2004. NFIB's *Small Business Economic Trends* shows that rates are about 2 percentage points higher today than they were four years ago. Those associated with the housing and auto industries are certainly not happy with the increase. Only about half of small business owners use business credit, excluding trade credit, at any point in time. Further, a 2 percentage point interest rate increase over the last four years has little affect on the cost of short-term loans. The combination suggests the lack of stability in rates in addition to higher costs may play a major role. However, there is likely an equally, if not more, important reason for the increased concern over interest rates. Not all small businesses have customers dependent on interest rates nor are all owners borrowers. Real interest rates have in fact been falling and are now negative. Negative rates harm savers and investors. Older owners, perhaps those approaching retirement, may be particularly injured. Therefore, low rates are likely driving the small business owner reaction as much as high rates.

The changing workforce has forced employment issues to move up in importance. "Finding and Keeping Skilled Employees" rose from 28th in 2004 to 17th in 2008. The increase amounts to 11 positions. While the problem may reflect either regional and/or industrial differences, the percent of small business owners who rank labor quality as their most important business problem in NFIB's *Small Business Economic Trends* survey has shifted upward since 2004.

The "Cost and Availability of Liability Insurance" moved down 11 positions, sliding from 2nd in 2004 to 13th in 2008. On the surface, it appears that liability insurance rates must be declining relative to other costs and forms of insurance. And in fact, liability insurance is subject to price cycles. We are in the soft part of the cycle now making liability insurance relatively both available and inexpensive. Medical liability is an exception. Another interpretation is that other problems, mostly cost related, are now more important and expensive, pushing the liability issue down the list. Still, the problem remains critical to almost one-fifth of small business owners.

"Telephone Costs and Service" moved down from a ranking of 16th in 2004 to 24th in 2008. The problem has become less critical to small business owners because the turmoil that accompanied change in the industry seems reduced, at least for consumers. Still, in the 21st century, telephone costs and service should not be a business problem, let alone one in the top 25.

Perhaps there is hope in the regulatory maze. The drop of 10 positions (from 30th to 40th) for the problem "Health/Safety Regulations" is a bit of a puzzle when the impor-

tance of many tax and employment-related regulations is rising. It may reflect OSHA and insurers doing a better job helping small business owners comply with regulations or targeting unsafe workplaces. Or, it may simply mean fewer OSHA field inspectors inspecting fewer small firms. The transition to a service economy also reduces the incidence of industrial accidents.

The problem of "Delinquent Accounts/Customer Financing" fell 11 positions from 34th in 2004 to 45th in 2008. Since the accumulation of both consumer and business debt during the last few years has been well documented, it seems odd to think of this problem as less significant. But the reason is likely associated with the increasing reliance on credit cards and other forms of alternative, immediate payment. In other words, small businesses are simply extending less credit.

"Unemployment Compensation" (UC) issues also moved down seven positions in importance, from 19th in 2004 to 26th in 2008. Generally high sustained employment rates (low unemployment rates) over the past few years are almost certainly responsible for the problem's lower ranking. Given unemployment rates appear to have reversed course recently and legislative pressures grow for extended benefits at higher payouts, the level of small business concern is likely to reverse direction.

With increases in both the federal minimum wage in 2007 and in state minimum wages in about half the states since 2004, one may have thought that the "Minimum Wage/'Living' Wage" issue would significantly increase in relative severity. It did not. The problem moved just four positions higher, from 57th in 2004 to 53rd in 2008. The most likely reason for the tepid response is that few employers pay the minimum wage to any employee; only 7 to 8 percent of small firms. While there may be 300 "Living" Wage ordinances nationwide most of which contain minimum wages substantially higher than a federal or state minimum, many apply only to municipal contracts in large cities. Since comparatively few small businesses have government contracts, these ordinances likely do not affect them. Still, living wages freeze out many potential small business bidders, meaning it conflicts with municipal efforts to increase small and minority business contracting.

Finally, the "Ability to Cost-Effectively Advertise" is a problem of diminishing importance for small business owners. It ranks 28th in 2008, down from 24th in 2004 and up from the 34th position in 2000. This gyration may be caused by the increasing importance of the Internet as a means to advertise. The Internet is certainly an increasing source of information for small business owners and a growing medium for their advertising. On the other hand, the changes could also be movement in a narrow band with few implications.

Consensus on Problem Difficulty

The standard deviation, a measure of the difference from the statistical average or mean, is used in Table 3 to determine if there is consensus on the rankings of various problems affecting small firms. This measure is useful to establish whether owners generally agree on the most severe and least severe small business problems. One might assume all owners agree on areas that trouble them most. This is not necessarily the case. At times, opinions will vary enormously. The same is true for problem areas that trouble them least.

a. Problem Areas of Greatest Consensus

The first four problems in Table 3, those on which there is greatest consensus, are from the top 10 in Table 1. One problem is from the bottom, or among the least significant problems, and the remainder resides in the middle in terms of their initial rankings. Seven of the problems with the greatest consensus are identical to those achieving greatest consensus in the 2004 survey. Three others are new.

The problem displaying greatest agreement is "Exporting My Products/Services," with a standard deviation of 1.49. This problem took 2nd in 2004 with a 1.55 score. Consensus arises because the issue is not a problem for 62 percent of respondents, though critical for 2 percent. The second greatest consensus arises on the "Cost of Health Insurance" with a standard deviation of 1.50. Owners, as a group, have virtually the identical degree of agreement on the problem as on the number-one ranked exporting. However, the consensus on health insurance is a bit less than four years ago (1.42). Fifty-six (56) percent of respondents find the cost of health insurance critical whereas only 4 percent claim it not a problem.

Business owners generally agree on the severity of several operating cost areas. "Telephone Costs and Services" and "Electricity Costs (Rates)" are illustrative. "Cost of Supplies/Inventories" is also an operating cost on which there is general agreement among owners across all sub-groups. Another operating cost on which there is substantial consensus, the "Cost of Energy, Except Electricity," which ranks 8th in agreement. Note, these costs are common to all businesses. They all pay for telephones, energy, and supplies. When those costs rise they affect all and in about the same manner.

"Projecting Future Sales Changes" is another area of generally high consensus. As with energy costs and regulatory compliance costs, sales changes are not always easily predictable. Change often originates in shocks, e.g., hurricane, loss of major customer, etc., and/or the speed of change, including the influence of new technologies and longer term trends. However, owners across the board seem to agree that it is an important, if not a frustrating, problem area, and rank it 4th in terms of consensus.

"Handling Business Growth" is a lower ranked problem, 49th in 2008, that can be difficult for small business owners. Since most owners want to grow, but grow modestly and under control, consensus on handling growth is to be expected. This is also an example of a problem on which there is agreement, but respondents concur that the problem is of middling concern rather than at one of the extremes.

Owners also substantially agree on the difficulty of "Keeping Up on Business and Market Developments." The problem, ranked 44th in severity, suggests a mid-range problem that affects most small business owners to a similar extent.

B. Problem Areas of Least Consensus

Six of the problems yielding least consensus in 2008 are the same as in 2004; four are not. None of the problems exhibiting least agreement are in the top-10 ranked problems in the survey, though one is in the bottom 10. Hold-overs from 2004 include: "Death (Estate) Taxes," "Competition from Imported Products," "False Insurance Claims, Such as for Workers' Comp and UC," "Costs and Frequency of Law Suits/Threatened Suits," "Competition from Large Business," and "Locating Qualified Employees." Four new problems in 2008 falling in this category are "Undocumented Workers (Illegal Aliens)," "Finding and Keeping Skilled Employees," "Minimum Wage/'Living' Wage," and "Traffic, Congestion, Parking and Highways."

Least consensus is achieved on the "Estate (Death) Tax." While 20 percent think this tax is a critical problem, 80 percent think it is no problem. The difference can largely be explained by two variables, industry and age of business/owner. Many small business owners, particularly those owning businesses with minimal assets, are effectively exempt from the tax. However, those with consequential business assets are covered and therefore forced to buy insurance or to engage in other expensive estate planning devices in order to avoid the levy. Capital intensive industries such as agriculture and manufacturing are hit particularly hard by this tax. As for age, older businesses generally have older owners. Older owners are more likely to be concerned about transition of ownership issues. Younger owners are otherwise occupied.

Table 3
Problem Rank By Consensus on Problem Importance

Greatest Consensus	Standard Deviation	Standard Deviation Rank	Problem Rank
Exporting My Products/Services	1.49	1	75
Cost of Health Insurance	1.50	2	1
Getting Useful Business Information	1.65	3	61
Projecting Future Sales Changes	1.68	4	20
Keeping Up on Business and Market Developments	1.69	5	44
Telephone Costs and Service	1.70	6	24
Handling Business Growth	1.70	6	49
Electricity Costs (Rates)	1.72	8	9
Cost of Natural Gas, Propane, Gasoline, Diesel, Fuel Oil	1.72	8	2
Cost of Supplies/Inventories	1.72	8	8

Least Consensus	Standard Deviation	Standard Deviation Rank	Problem Rank
Death (Estate) Taxes	2.28	75	34
Undocumented Workers (Illegal Aliens)	2.15	74	70
Competition From Imported Products	2.06	73	66
Finding and Keeping Skilled Employees	2.04	72	17
Minimum Wage/"Living" Wage	2.03	71	53
False Insurance Claims, Such as for Workers' Comp and UC	2.02	70	63
Costs and Frequency of Law Suits/Threatened Suits	1.99	69	65
Competition from Large Businesses	1.99	69	29
Traffic, Congestion, Parking, Highways	1.99	69	58
Locating Qualified Workers	1.99	69	12

The second most divisive issue belongs to "Undocumented Workers/Illegal Aliens." Industry, more specifically agriculture and construction, drives the lack of consensus. Sixteen (16) percent of owners in construction and 12 percent in agriculture find undocumented workers a critical problem compared to only 6 percent in the wholesale industry and professional services, and 5 percent in finance, insurance, real estate and rental properties. The problems associated with this issue involve competition from businesses that hire illegal employees and the administrative hassles and potentially severe penalties for inadvertently hiring a non-legal employee. This issue is typically very different from the ability to hire highly skilled non-Americans for technical jobs.

There is also little agreement among owners in two related legal areas that have relatively low overall rankings. The first is the "Costs and Frequency of Law Suits/Threatened Suits" ranking 65th in 2008. This problem impacts some industry sectors and some size categories more than others. It is possible that for the 11 percent of owners who have been defendants in lawsuits during the past five years (NFIB's *The Use of Lawyers* poll), this problem area evokes a strong response. For the majority of owners who have not been sued, the opposite response

applies. Since plaintiffs prefer "deep pocket" defendants, it is also possible owners of some of the smallest firms do not worry because they are not worth suing.

Similarly, while some owners worry a great deal about "False Insurance Claims, Such as for Workers' Comp or UC," 63rd in 2008, many do not. The lack of consensus among owners reflects the number of employees. A larger number of employees simply offer more opportunity for the "bad actor" who wants to take advantage of the situation. But such claims are also more likely to occur in industries where workers' compensation claims are more common. Some employers try to minimize false claims in unemployment compensation by challenging all claims.

The importance of "Competition From Large Businesses," ranking 29th, is another problem which varies, especially by industry. The majority of small businesses do not compete directly with large businesses. Their main competition is from other small-and medium-size businesses. However, small businesses in the wholesale and retail industries particularly find competing with large businesses a critical problem.

"Finding and Keeping Skilled Employees" ranks 17th and is a revision of the 2004 problem, "Keeping Skilled Employees." Retaining skilled employees varies significantly by firm size. It worsens for small business owners as the number of employees increases. Businesses with 1 - 4 employees rank this problem 27th whereas those with 50 - 99 employees rank it 8th out of 75 problems. The severity of the problem also varies by industry where the industry categories administrative support services; art, entertainment, recreation; accommodation and food services; and, other services rank this problem 12th. Agricultural, forestry and fishing rank it 31st.

Two other problems achieving low consensus are "Traffic, Congestion, Parking, Highways" and "Minimum Wage/'Living' Wage." "Traffic, Congestion, Parking, Highways" impacts the transportation industry more severely than any other sub-category of business analyzed in this survey. Transportation business owners rank traffic 9th out of 75 problems compared to its overall ranking of 58th. Traffic-related problems also likely affect small business owners in more urban, congested areas where it restricts customer access to the business and creates commuting problems for owners and employees alike. Businesses in rural/small city areas and those that do not transport goods or services are likely less affected by this problem. As for the "Minimum Wage/'Living' Wage," both retail and agriculture are strongly affected. Small business retailers rank the problem 38th. Owners of agriculture, forestry, and fishing businesses rank it 40th compared to its overall ranking of 53rd.

Problem Clusters

The 75 potential small business problems listed on the survey are grouped into generic problem clusters and presented in Table 4. Each cluster contains all of the survey's problems relating to a single topic. Some problems fit into more than one category and the assignment of problems to individual clusters is arbitrary. For example, "The Cost of Health Insurance," the number one ranked small business problem, appears in both the "Costs" cluster and in the "Employees" cluster because it is a cost and a benefit to employees.

There are 10 problem clusters listed in Table 4. The importance of the clusters is based on the various problems and the percentage of owners who consider the problems to be critical within each cluster. In descending order, the clusters appear as follows:

1. Costs
2. Competition
3. Employees
4. Finance
5. Information
6. Management
7. Public Service/Responsibilities
8. Regulation
9. Taxes
10. Technology

Table 4
Importance of Small Business Problem by Problem Cluster

Problem	Rank	Mean	% "Critical" Problem
Competitors/Competition/Markets			
Projecting Future Sales Changes	20	3.75	8.9
Competition From Large Businesses	29	4.00	12.8
Poor Sales	35	4.18	12.4
Sales Too Dependent on Health of One Business or Industry	43	4.36	9.4
Keeping Up on Business and Market Developments	44	4.38	4.6
Anti-Competitive Practices, e.g., Price Fixing	59	4.87	6.8
Protecting Intellectual Property	62	4.98	4.9
Competition From Imported Products	66	5.14	8.7
Competition From Internet Businesses	69	5.24	5.1
Winning Contracts From Federal/State/ Local Governments	71	5.27	5.5
Exporting My Products/Services	75	6.08	1.8
Costs			
Cost of Health Insurance	1	1.93	56.3
Cost of Natural Gas, Propane, Gasoline, Diesel, Fuel Oil	2	2.41	42.3
Cost of Supplies/Inventories	8	3.26	17.2
Electricity Costs (Rates)	9	3.27	16.4
Workers' Compensation Costs	10	3.28	23.8
Cost and Availability of Liability Insurance	13	3.44	18.8
Fixed Costs Too High	16	3.61	13.3
Telephone Costs and Service	24	3.95	7.4
Cost of Outside Business Services, e.g., Accountants, Lawyers, Consultants	25	3.95	8.5
Unemployment Compensation	26	3.96	11.2
Ability to Cost-Effectively Advertise	28	3.98	10.6
Reducing Energy Use in a Cost-Effective Manner	31	4.08	8.2
Interest Rates	32	4.09	9.6
Physical Facilities Costs, Such as Rent/Mortgage/ Maintenance	33	4.10	9.2
Cost of Government Required Equipment/ Procedures	39	4.27	8.7
Delinquent Accounts/Customer Financing	45	4.41	8.4
Minimum Wage/"Living" Wage	53	4.75	8.8
Bad Debts (Not Delinquencies) and/or Bankruptcies	56	4.83	5.9
Crime, Including Identity Theft, Shoplifting, etc.	57	4.83	6.4
Costs and Frequency of Law Suits/Threatened Suits	65	5.12	7.3
Employees			
Cost of Health Insurance	1	1.93	56.3
Workers' Compensation Costs	10	3.28	23.8
Locating Qualified Workers	12	3.42	20.7

Table 4 continued
Importance of Small Business Problem by Problem Cluster

Problem	Rank	Mean	% "Critical" Problem
Employees continued			
Finding and Keeping Skilled Employees	17	3.70	17.6
FICA (Social Security Taxes)	19	3.71	12.9
Unemployment Compensation	26	3.96	11.2
Health/Safety Regulations	40	4.28	8.9
Training Employees	41	4.31	6.6
Hiring/Firing/Employment Regulations	42	4.33	6.9
Employee Turnover	51	4.73	7.1
Minimum Wage/"Living" Wage	53	4.75	8.8
Aging Workforce	55	4.83	4.3
Mandatory Family or Sick Leave	60	4.88	8.0
False Insurance Claims, Such as for Workers' Comp and UC	63	5.04	7.9
Undocumented Workers (Illegal Aliens)	70	5.25	11.4
Finance			
Cash Flow	11	3.37	20.6
Poor Earnings (Profits)	14	3.60	17.3
Frequent Changes in Federal Tax Laws and Rules	15	3.61	14.9
Highly Variable Earnings (Profits)	22	3.89	10.5
Delinquent Accounts/Customer Financing	45	4.41	8.4
Bad Debts (Not Delinquencies) and/or Bankruptcies	56	4.83	5.9
Credit Rating/Record Errors	67	5.14	4.7
Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans	72	5.29	5.1
Obtaining Long-Term (5 Years or More) Business Loans	73	5.31	5.2
Information			
Projecting Future Sales Changes	20	3.75	8.9
Cost of Outside Business Services, e.g., Accountants, Lawyers, Consultants	25	3.95	8.5
Locating Business Help When Needed	36	4.19	9.3
Applications for Licenses, Permits, etc.	37	4.22	9.0
Finding Out About Regulatory Requirements	38	4.23	6.4
Keeping Up on Business and Market Developments	44	4.38	4.6
Using Computer(s), the Internet or New Technology Effectively	48	4.66	5.5
Getting Information on Government Business Assistance Programs	50	4.72	6.3
Getting Useful Business Information	61	4.89	2.5
Credit Rating/Record Errors	67	5.14	4.7

Table 4 continued
Importance of Small Business Problem by Problem Cluster

Problem	Rank	Mean	% "Critical" Problem
Management			
Cash Flow	11	3.37	20.6
Fixed Costs Too High	16	3.61	13.3
Projecting Future Sales Changes	20	3.75	8.9
Controlling My Own Time	23	3.91	12.7
Ability to Cost-Effectively Advertise	28	3.98	10.6
Pricing My Goods/Services	30	4.07	8.1
Poor Sales	35	4.18	12.4
Locating Business Help When Needed	36	4.19	9.3
Training Employees	41	4.31	6.6
Sales Too Dependent on Health of One Business or Industry	43	4.36	9.4
Keeping Up on Business and Market Developments	44	4.38	4.6
Delinquent Accounts/Customer Financing	45	4.41	8.4
Using Computer(s), the Internet or New Technology Effectively	48	4.66	5.5
Handling Business Growth	49	4.68	3.4
Bad Debts (Not Delinquencies) and/or Bankruptcies	56	4.83	5.9
Getting Useful Business Information	61	4.89	2.5
Protecting Intellectual Property	62	4.98	4.9
Public Services/Responsibilities			
Applications for Licenses, Permits, etc.	37	4.22	9.0
Finding Out About Regulatory Requirements	38	4.23	6.4
Getting Information on Government Business Assistance Programs	50	4.72	6.3
Crime, Including Identity Theft, Shoplifting, etc.	57	4.83	6.4
Traffic, Congestion, Parking, Highways	58	4.87	7.0
Anti-Competitive Practices, e.g., Price Fixing	59	4.87	6.8
Protecting Intellectual Property	62	4.98	4.9
Increased National Security Requirements	68	5.21	3.3
Winning Contracts From Federal/State/ Local Governments	71	5.27	5.5
Regulations			
Unreasonable Government Regulations	6	3.25	20.6
Frequent Changes in Federal Tax Laws and Rules	15	3.61	14.9
Federal Paperwork	18	3.70	12.3
State/Local Paperwork	21	3.78	10.0
Applications for Licenses, Permits, etc.	37	4.22	9.0
Finding Out About Regulatory Requirements	38	4.23	6.4
Cost of Government Required Equipment/ Procedures	39	4.27	8.7
Health/Safety Regulations	40	4.28	8.9
Hiring/Firing/Employment Regulations	42	4.33	6.9

Table 4 continued
Importance of Small Business Problem by Problem Cluster

Problem	Rank	Mean	% "Critical" Problem
Regulations continued			
Environmental Regulations	47	4.44	8.1
Rules on Retirement Plans	52	4.73	5.3
Zoning/Land Use Regulations	54	4.76	7.8
Solid and Hazardous Waste Disposal	64	5.07	4.9
Undocumented Workers (Illegal Aliens)	70	5.25	11.4
Taxes			
Federal Taxes on Business Income	3	3.00	25.0
Property Taxes (Real, Inventory or Personal Property)	4	3.08	25.0
Tax Complexity	5	3.13	22.7
State Taxes on Business Income	7	3.26	21.2
Frequent Changes in Federal Tax Laws and Rules	15	3.61	14.9
Federal Paperwork	18	3.70	12.3
FICA (Social Security Taxes)	19	3.71	12.9
State/Local Paperwork	21	3.78	10.0
Unemployment Compensation	26	3.96	11.2
Dealing With IRS/State Tax Agencies	27	3.96	10.8
Death (Estate) Taxes	34	4.11	19.8
Frequency of Tax Withholding Deposits	46	4.43	7.2
Rules on Retirement Plans	52	4.73	5.3
Technology			
Telephone Costs and Service	24	3.95	7.4
Keeping Up on Business and Market Developments	44	4.38	4.6
Using Computer(s), the Internet or New Technology Effectively	48	4.66	5.5
Protecting Intellectual Property	62	4.98	4.9
Competition From Internet Businesses	69	5.24	5.1
Access to High-Speed Internet	74	5.61	5.6

The cluster achieving the most attention from small business owners is "Costs." Five of the top 10 small business problems appear in this cluster. In addition to the "Cost of Health Insurance," other top ranking costs include: "Energy Costs, Except Electricity," "Electricity Costs (Rates)," "Cost of Supplies/Inventories," and "Workers' Compensation Costs." Additional costs included in the cluster, but ranking lower overall, include the insurance/legal issues: "Cost and Availability of Liability Insurance," "Unemployment Compensation," and "Cost and Frequency of Law Suits/Threatened Suits." Finally, other specific operating costs include: "Fixed Costs Too High," "Telephone Costs and Service," "Cost of Outside Business Services," "Ability to Cost-Effectively Advertise," and "Minimum Wage/'Living' Wage."

The number one ranking of this cluster reflects recent problems in the economy and reveals underappreciated price pressures. Commodity prices, including oil, have far outpaced the Federal Reserve's preferred inflation range. Healthcare costs have done the same. Food cost

increases are creating riots in parts of the world. The cost of imported products automatically rises when the dollar shrinks as it has done for a considerable period. And, the money supply is growing more than one would like. Small business owners are attempting to pass those increased costs through, and more and more are successful. That is good from the small business perspective, but not from the nation's. However, the problem is likely to get worse before it gets better. The high percentage of owners ranking these costs as "critical" echo these concerns.

"Taxes" is the second most important cluster listed in Table 4. It contains four of the top 10 small business problems: "Federal Taxes on Business Income," "Property Taxes (Real, Inventory or Personal Property)," "Tax Complexity," and "State Taxes on Business Income." Compared to the 2004 survey, the percent of owners considering each tax issue critical has increased by a few percentage points on average. Also, there is more emphasis now on state tax issues. The "Property Taxes (Real, Inventory or Personal Property)" problem ranks 4th overall and is critical for 25 percent of owners. However, "FICA (Social Security Taxes)" dropped from 13th place in the 2004 survey to 19th in the present survey. "Federal Paperwork," much of which is tax related, held at 18th in the 2008 survey.

The "Employees" cluster contains two of the most serious problem areas, "The Cost of Health Insurance" and "Workers' Compensation Costs." In addition, at least 10 percent of survey respondents consider six of the problems in this cluster critical. Besides the two above, they include: "Locating Qualified Workers," "Finding and Keeping Skilled Employees," "FICA (Social Security Taxes)," and "Unemployment Compensation." Some problems in the cluster have increased in importance from 2004 to 2008 in part reflecting the difficulty in finding affordable skilled workers. Other problems, such as "Unemployment Compensation," have faded, reflecting changed economic conditions over the last four years.

The "Employment" cluster further contains three of the new labor-related issues presented this year in the survey for the first time. These include the "Aging Workforce," ranked 55th, "Mandatory Family or Sick Leave," ranked 60th, and "Undocumented Workers (Illegal Aliens)," ranked 70th.

The fourth-ranked problem cluster, "Regulations," contains only one problem from the top 10 problem areas, "Unreasonable Government Regulations." This sixth-ranked problem is critical to 21 percent of owners. Many of the other problems rank 35th to 50th in importance, including "Frequent Changes to Federal Tax Laws and Rules," "Federal Paperwork," "State/Local Paperwork," and "Applications for Licenses and Permits, etc." All of these represent both the owner's time and out-of-pocket costs. Frequently they also fit in the nuisance category. Specific areas of federal regulation, "Environmental Regulations," "Health/Safety Regulations," and "Finding Out About Regulatory Requirements" rank a little lower today than in 2004. More thoughtful regulatory policy in some areas appears to be recognized by small business owners in these rankings. Perhaps the ability to comply using the Internet has also reduced costs for some owners and pushed down the rankings a bit.

"Management" is the fifth-ranked problem cluster. The "Cash Flow" problem ranks 11th and "Fixed Costs Too High" 16th. They are the highest ranking problems in the cluster. The former is often an issue for small business owners and is exacerbated by increasing price pressures. Other problems in the cluster rank in the 20th to 40th positions. Almost no problem in the cluster, including "Locating Business Help When Needed," is critical to more than 12 percent of owners. The "Ability to Cost-Effectively Advertise" and "Poor Sales" issues remain in about the same position as they were in 2004, the high 30s to low 40s. Other management problems such as "Using Computer(s), the Internet or New Technology Effectively" and "Handling Business Growth" rank in the 50s or farther down the list.

"Finance" problems rank 6th on the list, with "Cash Flow" also as its highest ranked problem in the 11th position. "Poor Earnings" follows and ranks 14th. Those most identifi-

able with finance, "Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans" and "Obtaining Long-Term (5 Years or More) Business Loans," rank near the very bottom. In reporting on the slowing economy, much media focus is on the credit troubles of large banks and financial institutions. The latest rise in housing foreclosures and loan defaults has forced banks to tighten lending practices. And, while loans are cheaper with the recent interest rate cuts, concern over whether business owners can satisfy their borrowing needs has been an issue of great concern. Contrary to popular belief, small business owners have not been significantly affected to date. There is little indication that they are having problems borrowing money for business purposes. One difference between the 2008 results and those in the 2004 survey is that many of the problems in the finance cluster moved lower, including "Bad Debts (Not Delinquencies) and/or Bankruptcies" which ranked 52nd in 2004 and 56th in 2008.

The "Competition" cluster in Table 4 contains no problem ranked higher than 29th. Most of the problems listed in it rank in the 60s. "Competition From Large Businesses" ranks highest in the 29th position and is critical for 13 percent of owners. All other problems are critical for fewer than 10 percent. Popularly alleged serious problems, "Competition From Internet Businesses," "Competition From Imported Products," and "Anti-Competitive Practices, e.g., Price Fixing" rank in the 59th to 69th positions. Competition may be tough and not always fair, but small business owners expect it.

The "Information" cluster ranks 8th out of the 10 problem clusters. As in the 2004 survey, no problem ranks higher than 20th and all are critical to fewer than 10 percent of small business owners. The comparatively low rankings of the problems in the cluster indicate that owners feel a general level of satisfaction with their present sources of information. However, the survey made no provision for information overload.

"Public Service/Responsibilities" is the ninth-ranked problem cluster. No problem in the cluster ranks higher than 37th and none are considered critical by more than 9 percent of business owners. Apparently, these problems are annoying, even critical in instances, but are typical items the owner puts up with when owning a business. Examples are traffic congestion and fees for permits and licenses. They cost owners time and money, but do not often spark strong reactions. The same is true for "Finding Out About Regulatory Requirements," critical to only 6 percent of owners.

"Technology" is the cluster generating least concern. The highest ranked problem in the cluster is "Telephone Costs and Service," 24th, and is considered critical by fewer than 10 percent of owners. The remaining problems in the cluster "Keeping Up on Business and Market Issues," "Using Computer(s), the Internet or New Technology Effectively," "Protecting Intellectual Property," "Competition From Internet Businesses," and "Access to High-Speed Internet" rank from 44th to 74th.

Changes in Problem Rankings over Time

Surveys in the *Problems and Priorities* series have been conducted over a 26-year span, from 1982 to 2008. Business conditions have varied enormously during this period, so it should not be surprising that owners' most-pressing problems have shifted as well. The first survey was conducted in late 1982, just as the nation was emerging from the deepest recession since the Great Depression. The 1991 survey was conducted as the economy emerged from the 1990 - 1991 recession. In contrast the country entered a period of slowing growth with diminished optimism when the 2008 survey went into the field and business owners were generally more pessimistic than they had been in a long time.

The four other surveys in the series taken in 1986, 1996, 2000, and 2004 were conducted during relatively prosperous years. An examination of the ranking of small business problems

over time thus represents an overview of how small business owners react to business cycles. While the precise timing of the business cycles is not coincident to the mailing and tabulation of the surveys, it is close enough to make some general observations about "owner problems" and general economic conditions.

Much has changed since 1982. The Internet, iPods, and cellular telephones were almost unheard of then. A complete revolution in communications has occurred since the first survey in the series. Technological advances and the increased speed of communications have generally created greater business productivity, but have also caused small business owners to spend additional time and funds to understand, master and cost-effectively purchase new technology. Learning the new technology spills over into other facets of the business, such as choosing the right medium in which to make cost-effective advertising buys.

In addition to the secular changes associated with technology, the business environment has become increasingly complex. For example, thousands of new regulations from both the federal and state/local governments have been imposed. These have led to increased concerns over various employer liability issues, ranging from employment-related to environmental regulations. Small business owners must therefore become increasingly knowledgeable and skilled in areas not traditionally considered business. This creates new stresses as well as new opportunities.

A. Business Cycles

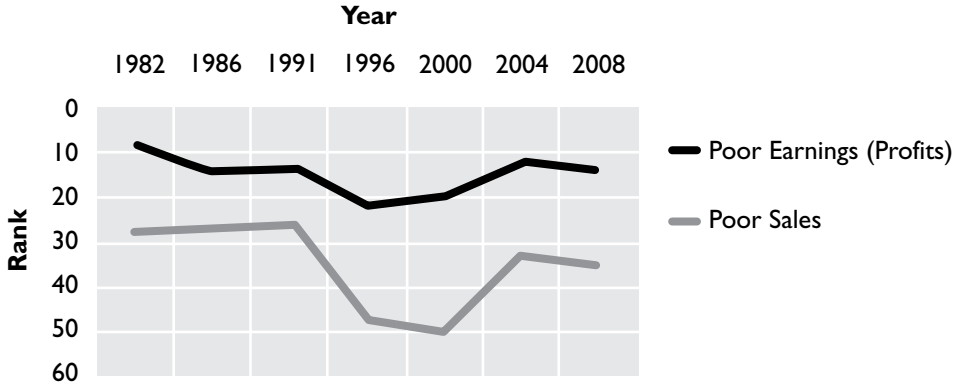
Table 5 shows the rank of every problem evaluated in each of the seven surveys conducted since 1982. Most problems have maintained a fairly steady position over the years, while others have changed notably. Depending upon the characteristics of each business cycle, the rank of the problems has not always varied predictably. The expectation that the rank of problems would vary with the business cycle is true in general, but the short and shallow recession of 2001 caused some surprises, as did rising energy prices and more difficult labor market conditions between 2004 and 2008. Friendly credit markets, a boom and bust real estate cycle, and more difficult employee hiring leads to some surprising results.

The two recessionary periods captured by *Small Business Problems and Priorities* are 1982 (first survey) and 1991 (third survey). The four expansionary periods are 1986 (second survey), 1996 (fourth survey), 2000 (fifth survey), and 2004 (sixth survey). However, the 2004 expansion was not as robust as others reflected in the series.

The recent period of slack growth, the fourth quarter, 2007, to March 2008, was obviously a period of slowing, though spotty, activity. Over the prior four years, the economy was aided by very low interest rates and continued support from the 2001 economic stimulus package. Small firm owners were also helped by consumers who continued to maintain their spending patterns until recently. Real GDP growth averaged 3 percent in 2005 - 2006, but fell to about 2.5 percent in 2007 with the final quarter registering 0.6 percent (annualized). By the beginning of 2008, the Small Business Optimism Index reached its lowest level since 1991 and was headed lower. But despite this latest economic downturn, the economy over the last four years was reasonably good for small business owners.

The two problems most likely to be associated with recessionary conditions are "Poor Earnings (Profits)" and "Poor Sales." These two, shown in Chart 3, loosely track the economy's expansion and recession periods of the past 26 years. Beginning with the 1982 survey and moving forward, the rankings of the former are 9th, 14th, 13th, 22nd, 20th, 12th and most recently, 14th. "Poor Earnings (Profits)" in 2008 ranks about the same as it did during the surveys of 1986 and 1991. But 1982 was a very bad year and "Poor Earnings (Profits)" ranked 9th; 1996 was a very good year and it ranked 22nd. Even during more prosperous periods, "Poor Earnings (Profits)" ranked in the top 25 small business problems.

Chart 3
Poor Earnings (Profits) and Poor Sales, 1982 - 2008

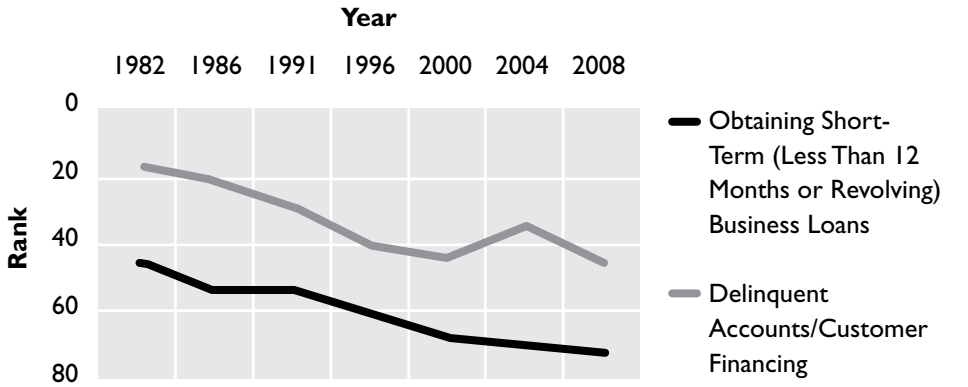


Source: NFIB Small Business Problems and Priorities, 2008

The rank of the "Poor Sales" problem during the past six surveys was 29th, 27th, 26th, 48th, 50th, 33rd and 35th in 2008. The 2008 reading of "Poor Sales" is somewhat below that of the two previous recessions, but significantly above the expansionary years of 1996 and 2000. The reading of 35th in 2008 is better than a recession reading, but close to what might be expected when sales slow.

Two other business problems generally associated with the business cycle are "Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans" and "Delinquent Accounts/ Customer Financing" (Chart 4). The rankings over time for the former are 45th, 54th, 53rd, 62nd, 67th, 69th and 72nd in 2008. The 2008 ranking of the former, 72nd, is the lowest reading in the survey's history for this issue. It suggests that credit markets have become friendlier for business owners over the past 26 years. The reading seems unrelated to any credit crunch or a business cycle. The path has been steadily lower over time suggesting continuation of increasingly favorable credit conditions. "Delinquent Accounts/Customer Financing" ranked 16th, 21st, 28th, 40th, 44th, 34th and 45th in 2008. The historical trend of this problem does not seem related to a business cycle or economic highs and lows, either. The widespread use of credit cards and instant financing by owners has likely eased the customer delinquency problem by transferring it to financial institutions.

Chart 4
Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans and Delinquent Accounts/Customer Financing, 1982 - 2008



Source: NFIB Small Business Problems and Priorities, 2008

Table 5
Rank Order of Small Business Problems in 2008, 2004, 2000, 1996, 1991, 1986 and 1982

Rank	2008 (January/March)	2004 (January/February)	2000 (February/March)	1996 (May/June)	1991 (October/November)	1986 (January)	1982 (November)
1.	Cost of Health Insurance	Cost of Health Insurance	Cost of Health Insurance	Cost of Health Insurance	Cost of Health Insurance	Cost of Health Insurance	Interest Rates
2.	Cost of Natural Gas, Propane, Gasoline, Diesel, Fuel Oil	Cost and Availability of Liability Insurance	Federal Taxes on Business Income	Federal Taxes on Business Income	Federal Taxes on Business Income	Cost and Availability of Liability Insurance	Cost of Liability Insurance
3.	Federal Taxes on Business Income	Workers' Compensation Costs	Locating Qualified Employees	Workers' Compensation Costs	Cash Flow	Cash Flow	Cost of Natural Gas, Gasoline, Fuel Oil
4.	Property Taxes (Real, Inventory or Personal Property)	Cost of Natural Gas, Propane, Gasoline, Diesel, Fuel Oil	Unreasonable Government Regulations	Unreasonable Government Regulations	Workers' Compensation Costs	Federal Taxes on Business Income	Telephone Rates (Costs)
5.	Tax Complexity	Federal Taxes on Business Income	FICA (Social Security Taxes)	FICA (Social Security Taxes)	Cost and Availability of Liability Insurance	Telephone Costs and Service	Cash Flow
6.	Unreasonable Government Regulations	Property Taxes (Real, Personal, or Inventory)	State Taxes on Business Income	Property Taxes/ Rent Costs	FICA (Social Security Taxes)	Electricity Costs (Rates)	Cost of Property and Casualty Insurance
7.	State Taxes on Business Income	Cash Flow	Workers' Compensation Costs	Federal Paperwork	State Taxes on Business Income	Workers' Compensation Costs	Electricity Rates (Costs)
8.	Cost of Supplies/ Inventories	State Taxes on Business Income	Federal Paperwork	State Taxes on Business Income	Unreasonable Government Regulations	Payroll Taxes	Payroll Taxes

Table 5 continued

Rank Order of Small Business Problems in 2008, 2004, 2000, 1996, 1991, 1986 and 1982

Rank	2008 (January/March)	2004 (January/February)	2000 (February/March)	1996 (May/June)	1991 (October/November)	1986 (January)	1982 (November)
9.	Electricity Costs (Rates)	Unreasonable Government Regulations	Cash Flow	Frequent Changes in Federal Tax Laws and Rules	Property Taxes/ Rent Costs	Federal Paperwork	Poor Earnings (Profits)
10.	Workers' Compensation Costs	Electricity Costs (Rates)	Cost of Natural Gas, Gasoline, Fuel Oil	Cash Flow	Frequent Changes in Federal Tax Laws	State Taxes on Business Income	Projecting Future Sales Changes
11.	Cash Flow	Locating Qualified Employees	Frequent Changes in Federal Tax Laws and Rules	Locating Qualified Employees	Federal Paperwork	Interest Rates	Federal Business Income Tax
12.	Locating Qualified Workers	Poor Earnings	State/Local Paperwork	Cost and Availability of Liability Insurance	Unemployment Compensation	Frequent Changes in Federal Tax Laws	Federal Paperwork
13.	Cost and Availability of Liability Insurance	FICA (Social Security Taxes)	Cost/Availability of Liability Insurance	State/Local Paperwork	Poor Earnings (Profits)	Cost of Natural Gas, Gasoline, Fuel Oil	Highly Variable Earnings (Profits)
14.	Poor Earnings (Profits)	Cost of Supplies/ Inventories	Physical Facilities Costs, Such as Rent/ Property Taxes	Dealing With IRS/ State Tax Agencies	State Paperwork	Poor Earnings (Profits)	Unreasonable Government Regulations
15.	Frequent Changes in Federal Tax Laws and Rules	Frequent Changes in Federal Tax Laws and Rules	Telephone Costs and Service	Unemployment Compensation	Telephone Costs and Service	State/Local Paperwork	Locating Qualified Employees
16.	Fixed Costs Too High	Telephone Costs and Service	Dealing With IRS/ State Tax Agencies	Fixed Costs Too High	Electricity Costs (Rates)	Cost of Supplies/ Inventories	Delinquent Accounts/ Customer Financing

Table 5 continued

Rank Order of Small Business Problems in 2008, 2004, 2000, 1996, 1991, 1986 and 1982

Rank	2008 (January/March)	2004 (January/February)	2000 (February/March)	1996 (May/June)	1991 (October/November)	1986 (January)	1982 (November)
17.	Finding and Keeping Skilled Employees	State/Local Paperwork	Cost of Supplies/ Inventories	Cost of Natural Gas, Gasoline, Fuel Oil	Fixed Costs Too High	Fixed Costs Too High	Bad Debts and/or Bankruptcies
18.	Federal Paperwork	Federal Paperwork	Keeping Skilled Employees	Telephone Costs and Service	Cost of Supplies/ Inventories	Competition From Large Businesses	Employee Benefit Costs
19.	FICA (Social Security Taxes)	Unemployment Compensation (UC)	Electricity Costs (Rates)	Cost of Supplies/ Inventories	Highly Variable Earnings (Profits)	Unreasonable Government Regulations	Cost of Supplies/ Inventories
20.	Projecting Future Sales Changes	Fixed Costs Too High	Poor Earnings (Profits)	Controlling My Own Time	Locating Qualified Employees	Highly Variable Earnings (Profits)	State/Local Paperwork
21.	State/Local Paperwork	Cost of Outside Business Services, e.g., Accountants, Lawyers, Consultants	Cost of Outside Business Services, e.g., Accountants, Lawyers, Consultants	Electricity Costs (Rates)	Projecting Future Sales	Delinquent Accounts/ Customer Financing	Competition From Large Businesses
22.	Highly Variable Earnings (Profits)	Competition From Large Businesses	Fixed Costs Too High	Poor Earnings (Profits)	Competition From Large Businesses	Projecting Future Sales Changes	Training Employees
23.	Controlling My Own Time	Highly Variable Earnings (Profits)	Death (Estate) Taxes	Competition From Large Businesses	Interest Rates	Locating Qualified Employees	Controlling My Own Time
24.	Telephone Costs and Service	Ability to Cost-Effectively Advertise	Competition From Large Businesses	Interest Rates	Controlling My Own Time	Ability to Cost-Effectively Advertise	Fixed Costs Too High

Table 5 continued

Rank Order of Small Business Problems in 2008, 2004, 2000, 1996, 1991, 1986 and 1982

Rank	2008 (January/March)	2004 (January/February)	2000 (February/March)	1996 (May/June)	1991 (October/November)	1986 (January)	1982 (November)
25.	Cost of Outside Business Services, e.g., Accountants, Lawyers, Consultants	Projecting Future Sales Changes	Controlling My Own Time	Cost of Government Required Equipment/ Procedures	Cost of Natural Gas, Gasoline, Fuel Oil	Controlling My Own Time	State Business Income Tax
26.	Unemployment Compensation	Controlling My Own Time	Projecting Future Sales Changes	Highly Variable Earnings (Profits)	Poor Sales	Frequency of Tax Withholding Deposits	Ability to Cost-Effectively Advertise
27.	Dealing With IRS/ State Tax Agencies	Dealing With IRS/ State Tax Agencies	Highly Variable Earnings (Profits)	Projecting Future Sales Changes	Ability to Cost-Effectively Advertise	Poor Sales	Cost of Outside Business Help
28.	Ability to Cost-Effectively Advertise	Keeping Skilled Employees	Unemployment Compensation	Finding Out About Regulatory Requirements	Delinquent Accounts/ Customer Financing	Pricing My Goods/ Services	Finding Out About Regulatory Requirements
29.	Competition From Large Businesses	Physical Facilities Costs, Such as Rent/Mortgage/ Maintenance	Interest Rates	Keeping Skilled Employees	Finding Out About Regulatory Requirements	Keeping Up on Business and Market Developments	Poor Sales
30.	Pricing My Goods/ Services	Health/Safety Regulations	Cost of Government Required Equipment/ Procedures	Environmental Regulations	Cost of Government Required Equipment/ Procedures	Sales Too Dependent on Health of One Business or Industry	Cost of Facilities (Including Rent and/or Mortgage Costs)
31.	Reducing Energy Use in a Cost-Effective Manner	Applications for Licenses, Permits, etc.	Health/Safety Regulations	Ability to Cost-Effectively Advertise	Frequency of Tax Withholding Deposits	Training Employees	Keeping Up on Business and Market Developments

Table 5 continued

Rank Order of Small Business Problems in 2008, 2004, 2000, 1996, 1991, 1986 and 1982

Rank	2008 (January/March)	2004 (January/February)	2000 (February/March)	1996 (May/June)	1991 (October/November)	1986 (January)	1982 (November)
32.	Interest Rates	Finding Out About Regulatory Requirements	Hiring/Firing Employment Regulations	Health/Safety Regulations	Pricing My Product/ Service	Bad Debts (Not Delinquencies) and/or Bankruptcies	Collecting Sales and/ or Excise Tax for Government
33.	Physical Facilities Costs, Such as Rent/Mortgage/ Maintenance	Poor Sales	Finding Out About Regulatory Requirements	Training Employees	Environmental Regulations	Local Promotion of Local Business	Low Worker Productivity
34.	Death (Estate) Taxes	Delinquent Accounts/ Customer Financing	Ability to Cost-Effectively Advertise	Frequency of Tax Withholding Deposits	Keeping Up on Business and Market Developments	Finding Out About Regulatory Requirements	Obtaining Good Supervisory Personnel
35.	Poor Sales	Pricing My Goods/Services	Frequency of Tax Withholding Deposits	Pricing My Goods/Services	Keeping Skilled Employees	Sales Too Seasonal	Sales Too Dependent on Health of One Business or Industry
36.	Locating Business Help When Needed	Death (Estate) Taxes	Locating Business Help When Needed	Keeping Up on Business and Market Developments	Training Employees	Keeping Skilled Employees	Locating Business Help When Needed
37.	Applications for Licenses, Permits, etc.	Training Employees	Pricing My Goods/ Services	Waste Disposal	Sales Too Dependent on Health of One Business or Industry	Getting Useful Business Information	Sales Too Seasonal
38.	Finding Out About Regulatory Requirements	Hiring/Firing Employment Regulations	Training Employees	Death (Estate and Gift) Taxes	Low Worker Productivity	Obtaining Good Supervisory Personnel	Obtaining Long-Term Loans

Table 5 continued

Rank Order of Small Business Problems in 2008, 2004, 2000, 1996, 1991, 1986 and 1982

Rank	2008 (January/March)	2004 (January/February)	2000 (February/March)	1996 (May/June)	1991 (October/November)	1986 (January)	1982 (November)
39.	Cost of Government Required Equipment/ Procedures	Locating Business Help When Needed	Environmental Regulations	Purchasing or Using Computers or New Technology Effectively	Waste Disposal	Locating Business Help When Needed	Cost of Government Required Equipment/ Procedures
40.	Health/Safety Regulations	Cost of Government Required Equipment/ Procedures	Keeping Up on Business and Market Developments	Delinquent Accounts/ Customer Financing	Locating Business Help When Needed	Cost-Effective Mail Service	Death (Estate) Taxes
41.	Training Employees	Frequency of Tax Withholding Deposits	Purchasing and Using Computer(s), or New Technology Effectively	Rules Governing Retirement Plans	Local Promotion of Local Business	Cost of Government Required Equipment/ Procedures	Getting Useful Business Information
42.	Hiring/Firing/Employment Regulations	Keeping Up on Business and Market Developments	Sales Too Dependent on Health of One Business or Industry	Locating Business Help When Needed	Sales Too Seasonal	Controlling Inventory	Pricing Goods/Services
43.	Sales Too Dependent on Health of One Business or Industry	Environmental Regulations	Employee Turnover	Applications for Licenses, Permits, etc.	Purchasing/Using Computer(s) and New Technology Effectively	Cost of Outside Business Help	Getting Information on Government Business Assistance Programs
44.	Keeping Up on Business and Market Developments	Sales Too Dependent on Health of One Business or Industry	Delinquent Accounts/ Customer Financing	Low Worker Productivity	Applications for Licenses, Permits, etc.	Obtaining Long-Term (5 Years or More) Business Loans	Cost-Effective Mail Service

TABLE 5 CONTINUED

RANK ORDER OF SMALL BUSINESS PROBLEMS IN 2008, 2004, 2000, 1996, 1991, 1986 AND 1982

Rank	2008 (January/March)	2004 (January/February)	2000 (February/March)	1996 (May/June)	1991 (October/November)	1986 (January)	1982 (November)
45.	Delinquent Accounts/ Customer Financing	Using Computer(s), the Internet or New Technology Effectively	Low Worker Productivity	Sales Too Dependent on Health of One Business or Industry	Bad Debts (Not Delinquencies) and/or Bankruptcies	Handling Business Growth	Obtaining Short-Term Loans
46.	Frequency of Tax Withholding Deposits	Low Employee Productivity	Minimum Wage/"Living" Wage	Handling Business Growth	Obtaining Long-Term (5 Years or More) Business Loans	Low Worker Productivity	Applications for Licenses, Permits, etc.
47.	Environmental Regulations	Handling Business Growth	Handling Business Growth	Employee Turnover	Cost-Effective Mail Service	Streets, Roads, Highways	Handling Business Growth
48.	Using Computer(s), the Internet or New Technology Effectively	Getting Information on Government Business Assistance Programs	Applications for Licenses, Permits, etc.	Poor Sales	Getting Useful Business Information	Collecting Sales and/ or Excise Taxes for Government	Controlling Inventory
49.	Handling Business Growth	Rules on Retirement Plans	Rules on Retirement Plans	Local Promotion of Local Business	Handling Business Growth	Getting Information on Government Business Assistance Programs	Shoplifting, Pilferage, Bad Checks, etc.
50.	Getting Information on Government Business Assistance Programs	Sales Too Seasonal	Poor Sales	Collecting Sales and/ or Excise Taxes for Government	Collecting Sales and/ or Excise Taxes for Government	Applications for Licenses, Permits, etc.	Fair State/Local Inspections

Table 5 continued

Rank Order of Small Business Problems in 2008, 2004, 2000, 1996, 1991, 1986 and 1982

Rank	2008 (January/March)	2004 (January/February)	2000 (February/March)	1996 (May/June)	1991 (October/November)	1986 (January)	1982 (November)
51.	Employee Turnover	Zoning/Land Use Regulations	Zoning/Land Use Regulations	Sales Too Seasonal	Getting Information on Government Business Assistance Programs	Purchasing and Using Computers Effectively	Local Promotion of Local Business
52.	Rules on Retirement Plans	Bad Debts (Not Delinquencies) and/or Bankruptcies	Collecting Sales and/ or Excise Taxes for Government	Cost of Outside Business Help	Cost of Outside Business Help	Employee Turnover	Losing Skilled Employees to Larger Firms
53.	Minimum Wage/"Living" Wage	Employee Turnover	Getting Information on Government Business Assistance Programs	Getting Useful Business Information	Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans	Anti-Competitive Practices, e.g., Price Fixing	Obtaining Investor Financing
54.	Zoning/Land Use Regulations	Anti-Competitive Practices, e.g., Price Fixing	Waste Disposal	Street Crime	Changing Rules on Retirement Plans	Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans	Locating Satisfactory Suppliers
55.	Aging Workforce	Controlling Inventory	Sales Too Seasonal	Getting Information on Government Business Assistance Programs	Zoning/Land Use Regulations	Shoplifting, Pilferage, Bad Checks, etc.	Good Highways and Roads
56.	Bad Debts (Not Delinquencies) and/or Bankruptcies	Collecting Sales and/ or Excise Taxes for Government	Getting Useful Business Information	Zoning/Land Use Regulations	Employee Turnover	Changing Rules on Retirement Plans	Selling to the Federal Government

Table 5 continued

Rank Order of Small Business Problems in 2008, 2004, 2000, 1996, 1991, 1986 and 1982

Rank	2008 (January/March)	2004 (January/February)	2000 (February/March)	1996 (May/June)	1991 (October/November)	1986 (January)	1982 (November)
57.	Crime, Including Identity Theft, Shoplifting, etc.	Minimum Wage/"Living" Wage	Anti-Competitive Practices, e.g., Price Fixing	Minimum Wage	Anti-Competitive Practices, e.g., Price Fixing	Death (Estate) Taxes	Fair Federal Inspections
58.	Traffic, Congestion, Parking, Highways	Interest Rates	Bad Debts (Not Delinquencies) and/or Bankruptcies	Cost-Effective Mail Service	Street Crime	Locating Satisfactory Suppliers	Street Crime
59.	Anti-Competitive Practices, e.g., Price Fixing	False Insurance Claims, Such as for Workers' Comp and UC	Traffic, Parking, Highways	Streets, Highways, Transportation	Roads, Highways, Transportation	Competition From Imported Products	Shortage of Materials, Goods, Fuel, etc.
60.	Mandatory Family or Sick Leave	Getting Useful Business Information	Protecting Intellectual Property	Bad Debts (Not Delinquencies) and/or Bankruptcies	Controlling Inventory	Street Crime	Selling to State/Local Governments
61.	Getting Useful Business Information	Traffic, Parking, Highways	Controlling Inventory	Controlling Inventory	Estate (Death) Taxes	Obtaining Investor (Equity) Financing	Anti-Competitive Practices, e.g., Price Fixing
62.	Protecting Intellectual Property	Crime Including Identity Theft, Shoplifting, etc.	Cost-Effective Mail Service	Anti-Competitive Practices, e.g., Price Fixing	Minimum Wage	State/Local Inspections	Adequate Parking or Public Transportation
63.	False Insurance Claims, Such as for Workers' Comp and UC	Solid and Hazardous Waste Disposal	Effective Business Use of the Internet	Obtaining Long-Term (5 Years or More) Business Loans	Health/Safety Inspections	Minimum Wage	Shipping or Receiving Shipped Goods

Table 5 continued

Rank Order of Small Business Problems in 2008, 2004, 2000, 1996, 1991, 1986 and 1982

Rank	2008 (January/March)	2004 (January/February)	2000 (February/March)	1996 (May/June)	1991 (October/November)	1986 (January)	1982 (November)
64.	Solid and Hazardous Waste Disposal	Costs and Frequency of Law Suits	False Insurance Claims, Such as for Workers' Comp and UC	Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans	Credit Rating/Record Errors	Shipping or Receiving Shipped Goods	Competition From Imported Products
65.	Costs and Frequency of Law Suits/ Threatened Suits	Credit Rating/Record Errors	Crime Including Bad Checks, Shoplifting, etc.	Employee Literacy, e.g., Reading, Math	Shoplifting, Pilferage, Bad Checks, etc.	Parking or Public Transportation	Littered or Unattractive Business Area
66.	Competition From Imported Products	Cost-Effective Mail Service	Obtaining Long-Term (5 Years or More) Business Loans	Locating Satisfactory Suppliers	Locating Satisfactory Suppliers	Selling to State/Local Governments	Police and Fire Protection
67.	Credit Rating/Record Errors	Protecting Intellectual Property	Locating Satisfactory Suppliers	Selling to Federal/State/ Local Governments	Employee Literacy, e.g., Reading, Math	Federal Inspections	Poor Business Location
68.	Increased National Security Requirements	Obtaining Long-Term (5 Years or More) Business Loans	Credit Rating/Record Errors	Credit Rating/Record Errors	Selling to Federal/State/ Local Governments	Selling to the Federal Government	Employee (Labor) Unions
69.	Competition From Internet Businesses	Winning Contracts From Federal/State/ Local Governments	Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans	Using Independent Contractors	Obtaining Investor (Equity) Financing	Shortages of Materials, Goods, Fuel, etc.	Competition From State or Local Government

Table 5 continued

Rank Order of Small Business Problems in 2008, 2004, 2000, 1996, 1991, 1986 and 1982

Rank	2008 (January/March)	2004 (January/February)	2000 (February/March)	1996 (May/June)	1991 (October/November)	1986 (January)	1982 (November)
70.	Undocumented Workers (Illegal Aliens)	Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans	Selling to Federal/State/ Local Governments	Shoplifting, Pilferage, Bad Checks, etc.	Use of Independent Contractors	Competition From Government or Non-Profit Organizations	Competition From Non-Profit Organizations, e.g. Universities
71.	Winning Contracts From Federal/State/Local Governments	Competition From Imported Products	Competition From Internet Businesses	Protecting Intellectual Property	Competition From Imported Products	Police and Fire Protection	Competition From the Federal Government
72.	Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans	Increased National Security Procedures	Competition From Imported Products	Obtaining Investor (Equity) Finance	Shortage of Materials, Goods, Fuels, etc.	Unattractive or Poor Business Area	Garbage Collection
73.	Obtaining Long-Term (5 Years or More) Business Loans	Competition From Internet Businesses	Competition From Government or Non-Profit Organizations	Competition From Government or Non-Profit Organizations	Shipping Goods or Receiving Shipped Goods	Labor Unions	* * * * * * * *
74.	Access to High-Speed Internet	Competition From Government or Non-Profit Organizations	Exporting My Products/ Services	Competition From Imported Products	Competition From Government/Non-Profit Organizations	Disposal of Hazardous (Toxic) Waste	* * * * * * * *
75.	Exporting My Products/ Services	Exporting My Products/ Services	Y2K Impacts	Exporting My Product/ Services	Exporting My Product/ Service	Exporting My Products/ Services	* * * * * * * *

B. Problems Growing in Importance

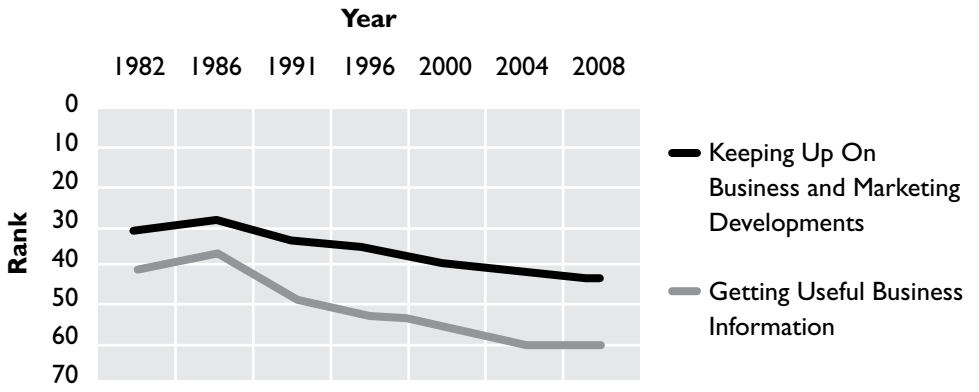
Several problem areas have gradually been increasing in importance. One of these is "Unreasonable Government Regulations." The regulatory problem has often been called "death by a thousand pinpricks." It is not simply one agency or one regulation, but the cumulative effect of thousands of regulations from multiple sources that impact small business owners. The regulatory problem ranked 22nd in 1986 when it was first introduced. It moved to 20th in 1991, 11th in 1996, 4th in 2000, 8th in 2004 and back to 6th in 2008. While the rank of "Unreasonable Government Regulations" climbed precipitously from 1986 to 2000, it has leveled off over the past two surveys but remains near the top of the list. This problem will likely remain in the top 10 as regulators and their legislative sponsors appear to have insatiable appetites.

Over the last 17 years, "Energy Costs, Except Electricity" has steadily moved up the problem severity rankings to second place. It ranked 25th in 1991, 17th in 1996, 10th in 2000 and 4th in 2004. In 1982 the problem ranked 3rd and 13th in 1986. These rankings reflect the real price of oil. Unfortunately, the increasing global demand for energy with limited new sources to draw on does not bode well for easing the burden on small business owners anytime soon.

C. Problems Getting Easier

Gathering business information seems to be getting easier. Two specific problems are illustrative. "Getting Useful Business Information" ranked as follows: 41st, 37th, 48th, 53rd, 56th, 60th and 61st in 2008 as shown in Chart 5. The penetration of the Internet is probably responsible. Almost all small business owners now have Internet access, either at home or at the work site. About 82 percent currently have high-speed and the number has been consistently growing. In addition, trade journals, business associations, government Web sites, and 24-hour cable-TV-business channels all help locating business information, an increasingly smaller problem for business owners.

Chart 5
Getting Useful Business Information and Keeping Up on Business and Marketing Developments, 1982 - 2008



Source: NFIB Small Business Problems and Priorities, 2008

A similar and related problem, "Keeping Up on Business and Market Developments," has generally declined in significance since 1986. During seven surveys, this problem ranked 31st, 29th, 34th, 36th, 40th, 42nd and 44th in 2008. The decline in importance seems to indicate that owners are increasingly satisfied with their present sources of business-specific information compared to other problems.

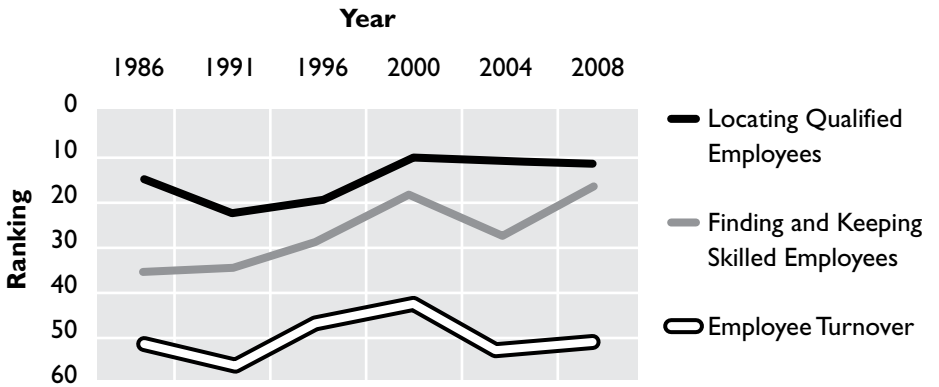
"Cost and Availability of Liability Insurance" trends with the liability insurance cycle. While the problem is always close to the top in severity, its actual position is related to the changing insurance price. Since 1982, its ranking has been 2nd, 2nd, 4th, 11th, 12th, 2nd in 2004, and 13th in 2008. The market is soft, so concern has temporarily ebbed.

D. Employee Problems

Because labor is generally the largest cost for small business owners, the historical rankings of these problem areas are always of interest. There are three major, employment-related problems in the *Problems and Priorities* survey: "Locating Qualified Workers," "Finding and Keeping Skilled Employees," and "Employee Turnover." Only the first of these problems now seems to vary somewhat with the business cycle. The others appear to be more structural and generally rank as less important by owners.

"Locating Qualified Employees" ranks as follows during the seven surveys: 15th, 23rd, 20th, 11th, 4th, 11th and 12th in 2008 (Chart 6). The problem is clearly more pressing for owners at the peak of the business cycle when labor markets are tight. The problem ranked 11th in 1996 and 4th in 2000, both expansionary periods. It was 15th and 20th during the recession years of 1982 and 1991. Finding the right employee is always important to small business owners, but the problem rises during business expansions. The 1986 rank of 23rd is puzzling, however.

Chart 6
Labor Problem Rankings, 1986 - 2008



Source: NFIB Small Business Problems and Priorities, 2008

"Keeping Skilled Employees," or employee retention, ranked 52nd in 1982, 36th in 1986, and then 35th, 29th, 19th, 28th in 2004 but 17th in 2008, the highest ever. One might expect owners to put more emphasis on keeping employees when labor markets tighten and wages rise. The 2008 question was revised to "*Finding* and Keeping Skilled Employees." The wording is a bit more encompassing thereby likely augmenting responses. Still, the response fits the overall pattern.

Both labor supply demographics and demand have changed. The availability of fewer highly skilled workers has pushed up wages in a low unemployment environment and added incentives to outsource jobs. However, in-demand workers, for example, plumbers, electricians, and auto mechanics, are being given accommodation. In addition, the growing demand for highly educated technical workers in health services, computer services, engineering services, legal services, and management consulting among others has frequently outstripped available supply. In that case, small business owners have additional incentives to retain workers that are difficult, as well as expensive, to replace.

The "Employee Turnover" issue did not appear in the 1982 survey, but had the following ranks beginning in 1986: 52nd, 56th, 47th, 43rd, 53rd and 51st in 2008. Given that the rank of this problem has varied between 43rd and 56th over the past 22 years, it is of marginally greater concern during expansions, but not by much. Because small business owners employ disproportionate numbers of part-time and young employees, owners expect a certain amount of labor turnover as normal. They are concerned about turnover of skilled and senior employees, however.

Problems and Priorities for Small Business Classifications

Small businesses are heterogeneous. They vary by industry, size, years in business, and location, among other ways to classify them. Within each classification are identifiable groups, such as manufacturers within industry or those growing sales 10 percent a year within average annual sales change. Frequently these separate groups face very different sets of business problems and in different proportions. What is important to one group of small enterprise owners may be unimportant to another. Identifying each group's hierarchy of problems and how they differ allows policymakers, advisors and others to better understand their unique circumstances. Chapter 2 therefore examines problem ranking by group within selected classifications of small businesses and their owners.

The classifications chosen for this survey are arbitrary, but most reflect those used by statistical agencies of the United States government. Tables 6 - 14 below present small business problems sorted by nine classifications of small businesses and their owners. The most familiar characteristics included are: firm size, industry, average annual sales change over the last three years, years in business, geographic region, and legal form of business. The remaining classifications are not traditional, but provide valuable insights into the influences affecting small business problems. They include: the owner's willingness to adopt new business practices or technologies, owner nativity, years of ownership, and primary customer. Of the nine classifications employed to distinguish among small firms and/or their owners, two show more significant differences than the others, firm size and industry. New businesses also encounter relatively different problems than those that are more established.

Some classifications and their problems exhibit a natural linear progression. For example, "Locating Qualified Workers" becomes a more difficult problem as the number of employees in the business gets larger. However, problems faced by groups in other classifications do not follow that pattern. The most prominent deviation, and one often noted, is the "U"-shaped pattern. For example, owners of firms that are either rapidly growing or rapidly declining in sales react similarly and more strongly to specific problems than those growing at a more moderate pace. They can be found within the willingness to adopt new technologies classification. Those firms "most willing" and "least willing" to adopt new business practices or technologies show the same pattern.

Legal Form of Business

Small firms can be organized legally in one of five ways: a sole proprietorship, partnership, S-corporation, C-corporation, or a limited liability company (LLCs). Two-thirds of the small firms in Table 6 represent either S- or C-corporations. Sole proprietors represent about one-quarter of the sample, and LLCs and partnerships account for the remaining 9 percent.

Table 6

Measures of Small Business Problem Importance by Legal Form of Business

	Proprietorship n = 641			Partnership n = 113			C-Corporation n = 1399			S-Corporation n = 819			LLC n = 309		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
1. Cost of Health Insurance	1	2.30	51.8	1	2.11	55.9	1	1.79	58.3	1	1.78	57.7	1	2.07	52.8
2. Cost of Natural Gas, Propane, Gasoline, Diesel, Fuel Oil	2	2.49	46.6	2	2.32	47.7	2	2.31	43.0	2	2.50	38.4	2	2.53	41.3
3. Federal Taxes on Business Income	3	3.13	23.1	6	3.20	24.8	3	2.97	24.6	3	2.87	28.5	5	3.04	25.1
4. Property Taxes (Real, Inventory or Personal Property)	4	3.14	27.1	4	3.14	24.1	5	3.08	25.1	4	2.95	24.9	6	3.09	23.7
5. Tax Complexity	5	3.22	23.4	7	3.21	21.1	10	3.21	20.7	5	2.97	25.7	3	2.98	25.9
6. Unreasonable Government Regulations	10	3.56	20.4	10	3.49	20.9	7	3.16	20.8	7	3.09	20.4	8	3.24	19.8
7. State Taxes on Business Income	11	3.56	19.0	8	3.29	20.0	6	3.13	21.9	10	3.30	21.5	4	3.03	26.1
8. Cost of Supplies/Inventories	7	3.34	20.0	5	3.17	22.1	9	3.20	16.2	9	3.29	16.8	9	3.26	16.1
9. Electricity Costs (Rates)	6	3.33	19.3	3	3.04	23.2	11	3.25	15.8	13	3.41	13.2	7	3.12	19.7
10. Workers' Compensation Costs	16	3.96	18.1	12	3.58	25.7	4	3.03	26.2	6	3.08	23.5	11	3.36	25.9
11. Cash Flow	8	3.40	20.9	11	3.54	19.1	12	3.34	20.7	11	3.33	21.4	10	3.27	21.8
12. Locating Qualified Workers	19	4.04	16.3	17	3.86	17.6	8	3.19	22.5	8	3.23	21.4	13	3.43	19.6
13. Cost and Availability of Liability Insurance	12	3.69	17.1	9	3.40	19.8	13	3.39	19.1	12	3.36	19.3	12	3.36	21.4
14. Poor Earnings (Profits)	9	3.53	17.1	13	3.61	18.9	17	3.59	17.8	20	3.61	16.5	22	3.73	15.7
15. Frequent Changes in Federal Tax Laws and Rules	14	3.77	14.9	15	3.70	10.4	16	3.58	14.6	15	3.52	15.4	14	3.47	17.2
16. Fixed Costs Too High	13	3.70	15.3	18	3.87	12.0	14	3.51	13.7	19	3.59	12.2	19	3.67	15.1
17. Finding and Keeping Skilled Employees	31	4.26	16.3	31	4.28	15.7	15	3.52	17.8	14	3.49	19.2	23	3.73	15.5
18. Federal Paperwork	17	3.96	12.4	16	3.77	12.5	18	3.68	11.8	17	3.56	12.4	16	3.65	15.0
19. FICA (Social Security Taxes)	15	3.82	14.5	14	3.69	11.9	20	3.73	11.7	16	3.52	14.2	20	3.70	15.2

TABLE 6 CONTINUED

MEASURES OF SMALL BUSINESS PROBLEM IMPORTANCE BY LEGAL FORM OF BUSINESS

	Proprietorship n = 641			Partnership n = 113			C-Corporation n = 1399			S-Corporation n = 819			LLC n = 309		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
20. Projecting Future Sales Changes	20	4.04	9.3	27	4.15	12.5	19	3.69	8.7	18	3.58	8.5	17	3.65	9.9
21. State/Local Paperwork	21	4.04	8.8	22	4.04	9.1	21	3.74	9.8	21	3.66	9.7	15	3.62	13.9
22. Highly Variable Earnings (Profits)	18	3.96	13.1	20	3.97	7.5	23	3.84	10.2	24	3.82	8.8	28	3.95	12.5
23. Controlling My Own Time	22	4.06	14.0	28	4.16	15.2	25	3.92	12.1	22	3.74	13.1	24	3.79	14.2
24. Telephone Costs and Service	23	4.07	8.9	24	4.05	5.4	26	3.93	6.4	28	3.91	7.3	25	3.87	10.4
25. Cost of Outside Business Services, e.g., Accountants, Lawyers, Consultants	33	4.27	8.4	21	4.00	8.0	24	3.85	8.7	25	3.87	8.2	29	3.96	9.0
26. Unemployment Compensation	38	4.54	8.5	37	4.34	14.7	22	3.78	12.1	23	3.76	10.5	27	3.94	12.7
27. Dealing With IRS/State Tax Agencies	24	4.12	12.5	25	4.09	7.1	28	3.97	10.1	26	3.88	10.3	21	3.70	14.3
28. Ability to Cost-Effectively Advertise	25	4.15	11.6	29	4.22	12.5	29	4.00	9.9	30	3.92	9.8	18	3.65	15.4
29. Competition From Large Businesses	29	4.23	13.5	26	4.13	15.0	27	3.96	12.7	27	3.89	12.8	31	3.99	12.7
30. Pricing My Goods/Services	27	4.19	9.4	38	4.40	8.2	33	4.06	7.8	31	3.93	8.9	35	4.04	6.6
31. Reducing Energy Use in a Cost-Effective Manner	30	4.23	10.5	35	4.30	8.2	30	4.00	8.1	38	4.15	7.1	32	3.99	8.6
32. Interest Rates	26	4.18	10.3	23	4.04	8.9	34	4.06	9.5	32	4.08	10.1	30	3.96	10.1
33. Physical Facilities Costs, Such as Rent/ Mortgage/Maintenance	32	4.26	10.6	30	4.27	9.2	31	4.04	9.0	33	4.09	9.2	26	3.93	9.6
34. Death (Estate) Taxes	36	4.41	17.8	19	3.95	25.9	32	4.04	21.0	29	3.91	19.5	47	4.49	15.0
35. Poor Sales	28	4.22	10.4	39	4.43	13.9	36	4.13	13.5	35	4.13	13.9	41	4.31	8.9
36. Locating Business Help When Needed	34	4.31	9.7	32	4.29	10.3	35	4.12	9.9	42	4.27	7.6	36	4.10	8.9
37. Applications for Licenses, Permits, etc.	35	4.37	8.6	33	4.29	8.3	42	4.22	9.1	39	4.15	8.5	33	4.00	11.9

Table 6 continued

Measures of Small Business Problem Importance by Legal Form of Business

	Proprietorship n = 641			Partnership n = 113			C-Corporation n = 1399			S-Corporation n = 819			LLC n = 309		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
38. Finding Out About Regulatory Requirements	39	4.57	5.7	43	4.69	7.1	40	4.16	6.3	36	4.14	6.0	34	4.01	9.5
39. Cost of Government Required Equipment/ Procedures	43	4.68	6.6	36	4.30	10.9	41	4.16	8.8	40	4.22	8.6	37	4.20	11.7
40. Health/Safety Regulations	40	4.57	7.5	41	4.46	9.1	38	4.15	10.3	41	4.25	7.4	38	4.28	8.3
41. Training Employees	50	4.88	6.0	49	4.79	2.8	39	4.15	6.4	34	4.10	6.9	39	4.29	7.9
42. Hiring/Firing/Employment Regulations	49	4.87	5.1	42	4.65	5.5	37	4.14	8.1	37	4.14	6.4	46	4.45	7.6
43. Sales Too Dependent on Health of One Business or Industry	41	4.61	9.5	45	4.71	4.8	43	4.24	10.0	43	4.29	8.5	44	4.37	9.0
44. Keeping Up on Business and Market Developments	37	4.51	5.4	44	4.69	4.6	45	4.36	5.0	44	4.30	4.0	45	4.39	3.3
45. Delinquent Accounts/Customer Financing	46	4.72	7.6	51	4.83	7.2	44	4.30	7.8	45	4.31	10.0	42	4.35	8.2
46. Frequency of Tax Withholding Deposits	44	4.70	6.4	40	4.45	7.3	47	4.37	7.5	47	4.36	7.9	40	4.30	6.3
47. Environmental Regulations	45	4.70	6.9	34	4.29	12.7	46	4.36	8.6	46	4.33	8.3	50	4.62	6.2
48. Using Computer(s), the Internet or New Technology Effectively	42	4.62	7.6	54	4.91	4.5	51	4.67	5.1	50	4.58	5.3	55	4.76	4.9
49. Handling Business Growth	53	4.98	3.6	55	5.05	2.9	49	4.60	3.4	48	4.54	3.0	48	4.53	5.6
50. Getting Information on Government Business Assistance Programs	47	4.77	7.8	46	4.74	6.5	58	4.81	4.8	55	4.73	5.3	43	4.36	11.4
51. Employee Turnover	64	5.28	6.6	59	5.19	6.4	48	4.57	7.5	49	4.56	7.2	51	4.70	7.8
52. Rules on Retirement Plans	51	4.91	6.1	53	4.89	4.9	52	4.68	5.7	52	4.63	3.9	57	4.80	5.2

Table 6 continued

Measures of Small Business Problem Importance by Legal Form of Business

	Proprietorship n = 641			Partnership n = 113			C-Corporation n = 1399			S-Corporation n = 819			LLC n = 309		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
53. Minimum Wage/"Living" Wage	48	4.79	8.6	47	4.77	10.9	54	4.73	8.1	59	4.83	9.2	52	4.70	9.0
54. Zoning/Land Use Regulations	52	4.95	7.7	52	4.83	8.1	59	4.82	7.0	51	4.59	9.2	49	4.60	8.6
55. Aging Workforce	67	5.30	2.7	56	5.08	1.8	50	4.62	5.2	54	4.69	4.0	65	5.05	5.9
56. Bad Debts (Not Delinquencies) and/or Bankruptcies	60	5.18	4.2	61	5.22	7.1	53	4.69	6.2	58	4.79	6.5	61	4.87	6.3
57. Crime, Including Identity Theft, Shoplifting, etc.	55	5.02	6.5	50	4.80	7.1	56	4.77	6.6	60	4.85	5.2	60	4.84	5.2
58. Traffic, Congestion, Parking, Highways	61	5.19	5.9	63	5.24	3.6	61	4.85	7.1	53	4.64	8.1	56	4.77	7.2
59. Anti-Competitive Practices, e.g., Price Fixing	54	5.00	7.6	48	4.78	10.2	60	4.83	6.7	61	4.86	6.7	58	4.82	5.6
60. Mandatory Family or Sick Leave	62	5.24	6.8	66	5.27	5.5	55	4.76	8.4	56	4.77	8.3	63	4.99	6.6
61. Getting Useful Business Information	56	5.02	2.7	67	5.35	1.8	63	4.89	2.6	57	4.78	2.9	53	4.73	2.0
62. Protecting Intellectual Property	59	5.12	5.4	58	5.12	6.7	62	4.87	5.9	63	5.04	3.3	64	5.00	4.4
63. False Insurance Claims, Such as for Workers' Comp and UC	73	5.56	6.1	70	5.69	4.5	57	4.80	9.4	62	4.93	7.6	68	5.21	6.6
64. Solid and Hazardous Waste Disposal	58	5.11	5.8	57	5.11	7.3	65	5.04	4.8	65	5.12	3.1	67	5.20	5.6
65. Costs and Frequency of Law Suits/ Threatened Suits	69	5.36	6.8	65	5.25	9.1	64	4.99	7.6	64	5.08	7.2	66	5.14	6.9
66. Competition From Imported Products	63	5.25	8.7	64	5.24	8.2	66	5.05	9.9	66	5.15	7.8	70	5.26	7.6
67. Credit Rating/Record Errors	57	5.10	6.0	62	5.23	9.0	69	5.17	4.7	70	5.19	3.5	62	4.98	3.9
68. Increased National Security Requirements	71	5.41	4.2	68	5.43	0.9	67	5.12	3.4	67	5.16	2.7	71	5.28	2.6
69. Competition From Internet Businesses	65	5.29	4.6	74	5.88	0.9	70	5.19	5.3	68	5.16	6.4	72	5.28	4.2

Table 6 continued

Measures of Small Business Problem Importance by Legal Form of Business

	Proprietorship n = 641			Partnership n = 113			C-Corporation n = 1399			S-Corporation n = 819			LLC n = 309		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
70. Undocumented Workers (Illegal Aliens)	70	5.39	11.9	60	5.19	14.7	71	5.19	11.3	71	5.32	9.6	73	5.31	13.0
71. Winning Contracts From Federal/State/ Local Governments	74	5.64	5.1	73	5.86	4.7	68	5.13	5.7	69	5.17	5.0	69	5.22	4.6
72. Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans	68	5.31	6.6	71	5.72	4.5	72	5.31	4.6	73	5.36	4.4	59	4.83	7.2
73. Obtaining Long-Term (5 Years or More) Business Loans	66	5.29	6.1	69	5.56	6.4	73	5.38	4.4	72	5.35	4.9	54	4.74	8.5
74. Access to High-Speed Internet	72	5.51	6.8	72	5.75	6.6	74	5.58	6.6	74	5.71	3.8	74	5.63	3.9
75. Exporting My Products/Services	75	6.17	1.8	75	5.96	1.0	75	6.05	1.6	75	6.11	2.2	75	6.01	2.6

Each legal form of business offers both advantages and disadvantages to small business owners. Owners must decide which form best suits their needs. Most small businesses are still proprietorships, though businesses employing people other than the owner(s) are now more likely to be one of the corporate forms. C-corporations are generally larger, more substantive firms while the smallest firms are more likely to be proprietorships or partnerships. S-corporations, sometimes called small business corporations, have been the most rapidly growing legal form because they offer both the legal protection of a corporation and taxation as an individual. LLCs, the newest type of legal classification, has risen in popularity over the past several years because they combine the simplicity of a proprietorship or partnership with the limited liability of a corporation. In contrast, the number of partnerships has declined.

Income taxes are one difference separating legal forms. The owners of proprietorships pay income taxes as individuals. The same tax formula applies to partnerships and S-corporations. LLCs are technically not even recognized by the federal government for tax purposes. Only in the case of C-corporations does the business pay taxes as a separate entity, and their owner(s) pay taxes on the salary or dividends paid to them by the company. Fortunately, owners of C-corporations can often eliminate the double taxation of dividends problem by zeroing out corporate profits and, within limits, transferring them directly to owners as "wages and salaries."

The five legal forms of business generally attract distinct groups of businesses that benefit from their legal structure. Businesses attracted to each legal form usually have much in common with one another. Thus, the problems they have are likely to reflect characteristics of the business, not their legal form. For example, sole proprietors typically attract businesses that have few or no employees. Therefore, this group is generally less burdened by employment-related issues than those in other legal forms of business and vice versa.

Labor-related regulations are a relatively more difficult rank for owners of C-corporations and S-corporations than for other owners. "Locating Qualified Workers" ranks 8th for C- and S-corporations and is critical to over 20 percent of them (Table 6). The problem's rank across the population is 12th. "Finding and Keeping Skilled Employees" ranks 14th for C-corporations and 15th for S-corporations. It is a critical problem for about 18 percent in each case. And, owners of corporations, except LLCs, show even greater relative concern over "Workers' Compensation Costs." Those owning C-corporations rank the problem 4th compared to an overall rank of 10th. Owners of S-corporations rank "Workers' Compensation Costs" 6th.

A major difference among legal forms is their taxation. Yet, almost no differences by legal form appear for "Federal Taxes on Business Income," "State Taxes on Business Income," "Federal Paperwork" and "Unreasonable Governmental Regulations." "Tax Complexity" ranks 5th overall, but 10th for C-corporations underscoring their almost universal use of paid tax preparers and advisors.

Evidence of a credit shortage or credit crunch is missing from the rankings for most legal forms of business. However, owners of limited liability companies (LLCs) experience relatively greater problems with both short-term and long-term financing. They rank both in the high 50s, compared to the low 70s for others, and they are critical problems for about 8 percent. It is not obvious why this group is more affected than the others. But for whatever reason, LLCs are more burdened by financing issues than other small businesses.

"Poor Earnings," a problem for many business owners, moved down from 12th to 14th between 2004 and 2008. But it ranks 9th for proprietors, 13th for partnerships and 17th - 22nd for corporations and LLCs. "Poor Sales," a related problem, ranks 35th overall, but 28th for proprietors and 35th to 38th for S- and C-corporations. It ranks 41st for LLCs.

Employment Size of Business

Employee size of business is frequently the most important characteristic influencing the nature and severity of small business problems. The primary factor influencing firm size ranking differentials is economies of scale. The most common example of economies of scale, and one that is illustrated in the survey ranking, is the cost of goods and services. The unit cost of many goods and services declines as the quantity purchased increases. Economies of scale also affect the ability of varying size businesses to absorb business costs, such as regulatory compliance, marketing, etc. Academic studies and those sponsored for the past 30 years by the U.S. Small Business Administration (SBA) have shown these scale economies apply to everything from purchasing telephone service to buying paperclips to paying for advertising. More is often cheaper per unit.

Table 7 illustrates the effects of economies of scale in the ranking of several cost-related problems. In general, owners of the smallest size businesses find these problems more burdensome than owners of largest, small businesses. For instance, the "Cash Flow" problem ranks 4th for owners with no employees, 6th for owners of firms with 1 - 4 employees, but 13th, 15th, 22nd and 29th for the larger-size classes. Along with the steady decline in ranking as firm size increases, the percent of owners who find it a critical problem also declines from 23 to10 percent. The importance of the "Ability to Cost Effectively Advertise" is also associated with firm size. The problem ranks 30th among owners with no employees, 32nd among owners with 10 - 19 employees and 46th among owners with more than 100 employees. It is a critical problem for about 11 percent of owners overall. "Poor Sales" ranks in the 27th to 35th range for owners of the smallest businesses, < 10 employees, but ranks 44th to 53rd for larger-size classes. The problem is critical for 10 - 15 percent of business owners.

"Telephone Costs and Service" should also decline as a percentage of cost as firm size rises and survey results reflect that. The problem ranks in the 15th to 20th range of importance for owners with fewer than four employees, but 35th to 44th in importance for larger-sized firms. Another cost, the "Cost of Supplies," is a larger burden for the smallest business owners. It is a critical problem for about 10 percent of the smallest business owners compared to 4 percent for the largest

As shown in Table 7, some regulatory costs may actually increase in importance with firm size. These include "Hiring/Firing/Employment Regulations" and "Environmental Regulations." Larger, small firms are more burdened by "Hiring/Firing Employment Regulations." This problem ranks 49th for owners with one to four employees, but 13th for owners with more than 50 employees. "Environmental Regulations" ranks 47th in importance for owners with five to nine employees, but 33rd in importance for owners with 50 - 99 employees. "Health Safety Regulations" also increases in importance as firm size grows. These results appear to defy empirical studies that document economies of scale in regulatory compliance. Instead they show the powerful influence of industry distribution, lesser regulations, exemptions or simple non-applicability.

The severity of labor issues is also typically associated with firm size. "Keeping Skilled Employees" ranks between 27th and 14th for firms with fewer than 10 employees, but ranks 10th among firms with 20 - 49 employees and 8th among firms with 50-plus employees. "Locating Qualified Workers" is relatively constant across firm size for all but the smallest firms. It ranks 16th for owners with 1 - 4 employees, but 4th or 5th for almost all larger-sized firms.

The highest ranking small business problems in this survey show little variation by firm size. These include "Cost of Health Insurance," which has only a slightly lower mean for the largest owners, and the "Cost and Availability of Liability Insurance" which ranks 13th among the population. "Workers' Compensation Costs," "Energy Costs, Except Electricity" and "Property Taxes (Real, Personal or Inventory)" also show almost no variation by firm size. The

Table 7

Measures of Small Business Problem Importance by Employment Size of Business

	No Employees n = 315			1 - 4 Employees n = 1126			5 - 9 Employees n = 745			10 - 19 Employees n = 608			20 - 49 Employees n = 409			50 - 99 Employees n = 132			100+ Employees n = 89		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
1. Cost of Health Insurance	2	2.58	49.3	1	2.00	56.8	1	1.78	59.0	1	1.74	59.0	1	1.75	54.6	1	1.76	51.9	1	1.73	56.8
2. Cost of Natural Gas, Propane, Gasoline, Diesel, Fuel Oil	1	2.55	46.8	2	2.49	42.5	2	2.34	43.8	2	2.29	42.5	2	2.40	39.2	2	2.36	36.4	2	2.29	35.3
3. Federal Taxes on Business Income	6	3.41	19.9	3	3.06	25.9	3	2.88	24.7	4	2.91	24.1	5	2.89	27.8	6	2.99	23.7	6	2.78	27.6
4. Property Taxes (Real, Inventory or Personal Property)	3	3.10	28.7	4	3.07	26.0	4	3.05	24.1	7	3.09	26.3	8	3.14	21.5	7	3.02	19.1	7	2.92	22.7
5. Tax Complexity	5	3.36	23.9	5	3.10	24.0	5	3.06	22.7	10	3.14	22.9	9	3.14	20.4	10	3.22	20.8	10	3.09	19.5
6. Unreasonable Government Regulations	10	3.70	23.3	11	3.48	17.2	11	3.27	20.2	6	3.04	23.0	6	2.91	23.3	3	2.60	23.7	3	2.52	23.0
7. State Taxes on Business Income	11	3.70	16.2	7	3.33	21.7	7	3.18	22.1	9	3.13	21.9	7	3.03	22.6	11	3.26	18.5	11	3.10	17.0
8. Cost of Supplies/Inventories	7	3.42	20.4	8	3.35	16.6	9	3.23	16.3	8	3.12	18.4	11	3.19	17.4	14	3.43	11.4	12	3.13	12.5
9. Electricity Costs (Rates)	9	3.47	18.2	9	3.38	17.4	10	3.25	14.9	11	3.14	15.7	12	3.19	14.6	9	3.17	14.4	9	3.06	14.8
10. Workers' Compensation Costs	46	4.99	13.0	12	3.48	21.8	6	3.06	25.3	3	2.82	28.9	3	2.82	26.8	5	2.88	26.9	4	2.53	20.5
11. Cash Flow	4	3.28	22.9	6	3.32	21.3	13	3.37	20.2	13	3.30	20.9	15	3.44	19.5	22	3.69	12.9	39	4.07	10.2
12. Locating Qualified Workers	43	4.92	10.7	16	3.68	18.4	8	3.22	21.8	5	2.92	24.3	4	2.88	24.6	4	2.76	31.1	5	2.64	26.4
13. Cost and Availability of Liability Insurance	12	3.78	17.0	10	3.45	19.5	12	3.35	20.6	14	3.33	18.0	14	3.41	19.6	13	3.42	10.6	21	3.42	16.3
14. Poor Earnings (Profits)	8	3.44	18.2	13	3.50	19.0	18	3.62	16.6	18	3.63	17.0	22	3.72	16.0	31	3.91	13.0	48	4.29	9.4

Table 7 continued

Measures of Small Business Problem Importance by Employment Size of Business

	No Employees n = 315			1 - 4 Employees n = 1126			5 - 9 Employees n = 745			10 - 19 Employees n = 608			20 - 49 Employees n = 409			50 - 99 Employees n = 132			100+ Employees n = 89		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
15. Frequent Changes in Federal Tax Laws and Rules	13	3.89	13.2	17	3.71	14.3	15	3.54	14.9	17	3.58	16.4	13	3.38	14.2	20	3.65	13.2	16	3.28	16.1
16. Fixed Costs Too High	14	3.89	14.0	15	3.67	13.5	16	3.58	13.8	15	3.47	14.9	17	3.55	11.8	21	3.67	8.5	27	3.54	11.5
17. Finding and Keeping Skilled Employees	60	5.28	8.7	27	3.94	16.5	14	3.53	19.9	12	3.26	18.8	10	3.14	19.7	8	3.11	19.8	8	2.92	18.4
18. Federal Paperwork	20	4.20	8.8	18	3.76	12.5	19	3.62	13.6	19	3.63	11.7	18	3.58	12.9	18	3.58	7.7	13	3.17	14.8
19. FICA (Social Security Taxes)	23	4.23	13.9	14	3.56	15.5	17	3.60	12.4	22	3.74	11.2	25	3.79	10.4	32	3.91	7.6	31	3.73	9.1
20. Projecting Future Sales Changes	16	4.06	8.0	19	3.77	10.1	21	3.68	10.0	20	3.66	7.8	21	3.71	8.5	23	3.69	3.0	30	3.71	8.0
21. State/Local Paperwork	18	4.11	10.8	21	3.83	10.2	20	3.64	11.0	21	3.72	9.7	20	3.68	8.4	25	3.73	9.8	28	3.60	8.2
22. Highly Variable Earnings (Profits)	17	4.08	11.7	22	3.85	12.4	27	3.89	9.8	23	3.82	8.8	30	3.86	8.6	30	3.81	9.2	37	4.05	8.1
23. Controlling My Own Time	32	4.55	9.9	24	3.91	12.1	22	3.78	16.5	25	3.85	12.5	24	3.78	11.9	28	3.78	10.0	29	3.69	9.2
24. Telephone Costs and Service	15	3.97	9.2	20	3.82	9.5	28	3.89	7.6	35	4.01	5.0	41	4.18	4.7	43	4.23	1.5	44	4.17	1.1
25. Cost of Outside Business Services, e.g., Accountants, Lawyers, Consultants	22	4.22	10.1	28	3.96	9.1	30	3.98	7.7	29	3.95	6.0	27	3.80	8.7	34	3.93	6.9	19	3.37	12.6
26. Unemployment Compensation	62	5.37	4.6	33	4.20	10.2	23	3.80	10.8	16	3.49	14.7	16	3.54	13.6	12	3.37	12.2	15	3.25	9.2
27. Dealing With IRS/State Tax Agencies	26	4.28	9.7	25	3.92	12.9	26	3.88	12.0	31	3.98	7.8	31	3.87	9.4	41	4.14	8.5	36	3.95	4.5
28. Ability to Cost-Effectively Advertise	30	4.43	10.0	23	3.85	12.9	24	3.84	11.5	32	3.98	9.4	43	4.20	6.9	42	4.19	3.1	46	4.22	6.8

Table 7 continued

Measures of Small Business Problem Importance by Employment Size of Business

	No Employees n = 315			1 - 4 Employees n = 1126			5 - 9 Employees n = 745			10 - 19 Employees n = 608			20 - 49 Employees n = 409			50 - 99 Employees n = 132			100+ Employees n = 89		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
29. Competition From Large Businesses	21	4.21	12.7	26	3.92	15.1	25	3.87	13.9	36	4.07	10.6	36	4.04	10.6	37	4.08	6.8	41	4.10	8.1
30. Pricing My Goods/Services	25	4.27	8.8	32	4.17	9.1	31	4.01	7.4	26	3.89	7.6	34	4.00	6.5	38	4.11	5.5	35	3.90	11.5
31. Reducing Energy Use in a Cost-Effective Manner	31	4.53	6.3	34	4.22	8.6	29	3.90	9.9	37	4.08	5.7	32	3.87	9.0	29	3.79	6.9	26	3.51	10.5
32. Interest Rates	19	4.14	10.5	30	4.08	9.7	32	4.02	9.8	42	4.13	7.6	38	4.07	10.7	39	4.11	9.9	43	4.16	7.0
33. Physical Facilities Costs, Such as Rent/Mortgage/Maintenance	29	4.38	8.7	31	4.09	10.8	33	4.03	9.9	39	4.10	8.0	37	4.06	8.0	36	4.02	3.9	38	4.05	3.4
34. Death (Estate) Taxes	28	4.37	21.7	37	4.32	17.2	36	4.16	18.9	34	4.00	21.8	19	3.66	23.2	16	3.44	23.1	25	3.48	24.4
35. Poor Sales	27	4.28	13.9	29	4.03	14.5	35	4.13	12.9	44	4.24	11.2	49	4.34	9.0	54	4.52	5.4	53	4.35	12.5
36. Locating Business Help When Needed	37	4.68	6.4	35	4.28	9.6	34	4.05	10.2	27	3.94	10.7	39	4.10	8.5	47	4.33	5.3	56	4.40	5.8
37. Applications for Licenses, Permits, etc.	24	4.26	12.2	36	4.29	8.2	44	4.35	8.4	41	4.12	9.6	35	4.00	9.2	44	4.23	5.3	33	3.84	11.4
38. Finding Out About Regulatory Requirements	35	4.63	4.6	41	4.42	6.1	37	4.16	7.0	38	4.09	6.4	33	3.99	6.4	35	4.01	6.8	34	3.88	5.9
39. Cost of Government Required Equipment/ Procedures	41	4.83	8.9	44	4.56	7.0	40	4.30	10.1	30	3.96	8.0	28	3.83	10.0	24	3.69	10.8	22	3.43	11.4
40. Health/Safety Regulations	40	4.75	8.4	45	4.59	7.1	45	4.35	8.0	33	3.99	11.1	29	3.85	10.6	19	3.63	13.1	18	3.31	10.2
41. Training Employees	71	5.69	2.7	42	4.51	6.2	39	4.23	7.3	28	3.94	7.7	26	3.79	6.2	17	3.56	9.2	20	3.39	9.2

Table 7 continued

Measures of Small Business Problem Importance by Employment Size of Business

	No Employees n = 315			1 - 4 Employees n = 1126			5 - 9 Employees n = 745			10 - 19 Employees n = 608			20 - 49 Employees n = 409			50 - 99 Employees n = 132			100+ Employees n = 89		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
42. Hiring/Firing/Employment Regulations	68	5.64	3.3	49	4.72	4.8	38	4.20	6.7	24	3.84	10.4	23	3.74	8.6	15	3.43	10.6	14	3.21	9.3
43. Sales Too Dependent on Health of One Business or Industry	34	4.60	12.4	39	4.34	10.7	46	4.35	9.0	45	4.32	8.9	44	4.23	7.1	53	4.49	5.6	45	4.17	6.9
44. Keeping Up on Business and Market Developments	33	4.59	6.7	38	4.32	5.1	42	4.32	4.6	48	4.48	3.4	50	4.42	3.8	45	4.26	3.1	54	4.37	2.3
45. Delinquent Accounts/ Customer Financing	44	4.92	7.6	43	4.53	7.4	41	4.30	9.3	40	4.10	10.1	45	4.25	7.9	52	4.48	5.3	58	4.55	6.8
46. Frequency of Tax Withholding Deposits	49	5.13	4.4	40	4.38	7.9	43	4.33	7.6	47	4.36	7.9	48	4.29	6.7	59	4.64	3.9	52	4.34	8.1
47. Environmental Regulations	38	4.70	8.3	48	4.69	7.7	47	4.49	5.6	43	4.18	9.2	40	4.14	10.4	33	3.92	10.9	24	3.46	11.5
48. Using Computer(s), the Internet or New Technology Effectively	42	4.90	5.7	46	4.61	6.3	50	4.62	5.4	54	4.69	5.5	60	4.73	4.2	57	4.62	3.0	57	4.43	3.4
49. Handling Business Growth	54	5.18	4.7	50	4.76	3.0	51	4.63	4.0	49	4.50	3.2	53	4.55	2.7	48	4.38	3.9	60	4.64	2.3
50. Getting Information on Government Business Assistance Programs	39	4.71	10.7	47	4.64	7.5	48	4.54	7.3	60	4.86	3.7	61	4.80	4.0	66	5.08	3.1	68	5.33	0.0
51. Employee Turnover	75	6.24	1.3	60	5.06	5.8	49	4.55	8.0	46	4.33	7.5	42	4.19	7.9	27	3.76	16.8	17	3.30	15.1
52. Rules on Retirement Plans	47	5.00	4.4	51	4.78	4.8	53	4.72	6.2	55	4.69	4.9	54	4.62	5.3	56	4.60	4.5	50	4.30	6.8
53. Minimum Wage/"Living" Wage	53	5.15	8.0	54	4.87	7.2	54	4.72	9.1	53	4.66	10.1	52	4.52	10.3	51	4.46	9.2	49	4.29	11.8

Table 7 continued

Measures of Small Business Problem Importance by Employment Size of Business

	No Employees n = 315			1 - 4 Employees n = 1126			5 - 9 Employees n = 745			10 - 19 Employees n = 608			20 - 49 Employees n = 409			50 - 99 Employees n = 132			100+ Employees n = 89		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
54. Zoning/Land Use Regulations	36	4.67	10.7	52	4.80	7.9	57	4.79	7.4	61	4.87	6.6	57	4.65	8.4	58	4.63	6.1	47	4.22	10.3
55. Aging Workforce	66	5.56	3.6	64	5.10	3.9	55	4.75	4.2	52	4.59	4.7	46	4.28	6.0	46	4.30	3.9	40	4.07	4.5
56. Bad Debts (Not Delinquencies) and/or Bankruptcies	63	5.49	3.6	57	4.99	5.1	52	4.71	6.4	50	4.51	7.3	58	4.66	6.8	60	4.68	5.3	63	4.67	5.7
57. Crime, Including Identity Theft, Shoplifting, etc.	55	5.19	7.0	55	4.92	6.2	60	4.89	6.1	56	4.69	7.2	59	4.66	5.0	55	4.57	6.9	51	4.32	6.8
58. Traffic, Congestion, Parking, Highways	57	5.22	8.5	59	5.01	6.1	61	4.91	7.9	58	4.79	5.9	51	4.51	6.9	50	4.44	9.2	55	4.37	9.0
59. Anti-Competitive Practices, e.g., Price Fixing	48	5.08	9.4	53	4.82	7.0	56	4.75	7.3	59	4.85	7.3	66	4.94	3.7	67	5.18	5.4	66	5.26	3.6
60. Mandatory Family or Sick Leave	73	6.02	3.0	61	5.06	6.1	59	4.82	9.9	51	4.52	10.3	55	4.64	8.7	40	4.13	11.5	32	3.78	9.3
61. Getting Useful Business Information	45	4.95	3.6	56	4.92	2.8	58	4.79	2.6	62	4.94	1.5	63	4.86	2.7	62	4.74	0.8	64	4.94	0.0
62. Protecting Intellectual Property	56	5.19	5.8	58	4.99	5.6	62	5.00	5.5	64	5.00	3.6	62	4.80	3.8	65	5.04	3.1	59	4.58	3.5
63. False Insurance Claims, Such as for Workers' Comp and UC	72	5.94	6.3	73	5.44	5.3	68	5.16	6.8	57	4.71	8.1	47	4.28	12.4	26	3.75	16.8	23	3.44	15.9
64. Solid and Hazardous Waste Disposal	52	5.14	6.9	66	5.15	4.9	67	5.15	5.4	63	4.99	3.9	67	5.01	3.5	61	4.68	6.2	62	4.65	3.4

Table 7 continued

Measures of Small Business Problem Importance by Employment Size of Business

	No Employees n = 315			1 - 4 Employees n = 1126			5 - 9 Employees n = 745			10 - 19 Employees n = 608			20 - 49 Employees n = 409			50 - 99 Employees n = 132			100+ Employees n = 89		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
65. Costs and Frequency of Law Suits/Threatened Suits	67	5.56	6.0	69	5.32	6.3	70	5.23	6.5	65	5.02	7.1	56	4.64	10.0	49	4.43	10.7	42	4.10	11.4
66. Competition From Imported Products	50	5.13	8.8	65	5.13	9.7	64	5.09	8.8	66	5.07	9.1	70	5.24	5.7	69	5.30	3.8	67	5.31	9.3
67. Credit Rating/Record Errors	51	5.13	7.6	63	5.08	5.2	66	5.10	5.3	69	5.16	3.7	69	5.19	3.5	71	5.47	1.5	70	5.48	2.3
68. Increased National Security Requirements	64	5.55	2.7	70	5.32	3.4	71	5.23	2.8	68	5.15	2.7	65	4.89	4.2	63	4.82	3.8	65	4.95	1.1
69. Competition From Internet Businesses	65	5.55	4.0	62	5.07	7.1	63	5.08	5.7	71	5.27	3.2	73	5.45	4.2	74	5.90	0.0	72	5.83	2.3
70. Undocumented Workers (Illegal Aliens)	61	5.36	13.2	71	5.39	10.9	73	5.38	10.8	70	5.21	11.7	64	4.87	12.9	64	4.86	7.6	61	4.64	12.5
71. Winning Contracts From Federal/State/Local Governments	70	5.66	7.1	72	5.43	5.5	65	5.09	6.8	67	5.10	4.9	68	5.08	3.8	68	5.29	3.1	69	5.34	1.2
72. Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans	58	5.22	6.7	67	5.23	4.8	72	5.24	6.3	72	5.34	3.7	71	5.26	5.4	72	5.61	2.3	74	5.91	3.4
73. Obtaining Long-Term (5 Years or More) Business Loans	59	5.25	6.0	68	5.24	6.0	69	5.17	7.2	73	5.48	2.7	72	5.41	4.2	70	5.44	0.8	71	5.78	1.1
74. Access to High-Speed Internet	69	5.65	5.3	74	5.52	6.4	74	5.60	6.6	74	5.66	4.9	74	5.63	6.0	73	5.74	3.1	75	6.05	1.1
75. Exporting My Products/ Services	74	6.18	2.0	75	6.09	2.0	75	6.14	1.4	75	6.08	1.5	75	5.98	1.8	75	6.14	0.0	73	5.87	2.5

top ranking problems generally burden all size firms equally. With the exception of "Cost of Health Insurance," most of the other top-10-ranking problems are critical to about 30 percent of owners. "Federal Taxes on Business Income" ranks slightly higher for the smallest owners, but marginally. It ranks 3rd for the smallest employers and 6th for the largest owners.

Industry

Industry is also a major business classification used to differentiate small business problems. Owners of businesses in different industries are often concerned about different things. Further, economic conditions can magnify differences. For example, financial services and construction are currently experiencing difficulties due to over-building and liberal loan policies while professional services, particularly health services, continue to grow rapidly. A discussion of these differences begins with a short comparison of some specific problems across industry groups, followed by a discussion of industry-specific variances and peculiarities.

This is the second version of *Problems and Priorities* that uses the United States government's new industrial classification codes, the North American Industrial Classification System (NAICS). Some industry classifications are therefore not directly comparable with the 2000 edition and those before it. In addition, the service industries have been divided in three parts and are not directly comparable to the NAICS codes. The three are financial services; professional: technical, scientific, education, health and social services; and non-professional: personal, administrative support, entertainment, recreation, accommodation and food services.

Given the changing economic conditions from 2004 to 2008, a good place to begin is business profitability. Small business owners in wholesale trade rank "Poor Earnings (Profits)" their 26th most important problem while owners in retail trade rank it 8th (Table 8). Owners in the remaining industries fell between with those in non-professional services giving the problem greater significance with those in construction and manufacturing giving it lesser significance as a problem.

Closely related to "Poor Earnings (Profits)" are "Poor Sales" and "Cash Flow." Again, there is a wide industry variance. The rankings of "Poor Sales" vary from the 19th most important problem in retail to the 46th most important problem in professional services. Construction and manufacturing fare almost as well. Despite the performance of professional services, the combined services have a greater problem than the production industries. The "Cash Flow" rankings are narrower, ranging from the 6th most important problem in retail and the professional services to the 15th most important problem in agriculture, forestry, and fishing. Wholesale registers the same as agriculture. The position of professional services and agriculture appear reversed. However, professional services have a serious receivables problem which explains its cash flow problem. Agriculture, in contrast, is typically seasonal and has large inventories. That is a formula for serious cash flow problems, or so it would seem.

"Competition From Large Business" ranks 12th in both retail trade and wholesale trade and 36th in professional services. The difference reflects the general size of their competitors. A related problem, "Ability to Cost-Effectively Advertise," shows a similar pattern. It ranks 7th in finance, 9th in retail, but 45th in construction and 64th in agriculture. The problem ranks 28th across the population.

Employee issues also yield inter-industry differences. The problems "Finding and Keeping Skilled Employees" and "Training Employees" rank 17th and 41st, respectively across the population. Industry patterns are different. "Finding and Keeping Skilled Employees" ranks 14th among owners of construction and manufacturing businesses, but 29th in retail trade. Other sectors fall between. "Training Employees" ranks 28th as a small business problem

among owners of financial services firms, but 53rd in agriculture. The problem ranks in the high 30s in manufacturing and wholesale trade.

"Environmental Regulations" ranks 47th across the population, but ranges from 10th in agriculture to 69th in finance. Sectors like finance and professional services, rank the problem lower simply because fewer of the rules apply to them. "Zoning/Land Use Regulations" ranks 54th in the population, but 35th in agriculture and 62nd in manufacturing. The trade sectors, i.e., wholesale and retail, rank the problem in the 50s.

A. Agriculture, Forestry and Fishing

Owners of agriculture-related businesses often rank their business problems differently than the overall population. Costs, competition from imports, certain taxes and regulations affect this industry more so than others.

Regulations cause farmers and owners of agricultural-related businesses much stress. "Environmental Regulations" ranks as the 10th most severe problem for this sector and 47th overall. In addition, "Zoning/Land Use Regulations" ranks 35th for agricultural small firms compared to 54th overall. Down the problem list, but still important, "Solid and Hazardous Waste Disposal" ranks 46th compared to a population rank of 64th. Thus, owners of small agricultural-related businesses find all problems on the survey focusing on environmental issues to be substantially more problematic than other owners.

A distinguishing problem for agriculture-related business owners is "Death (Estate) Taxes." This problem ranks 7th for them and 34th for the overall population. Much of this difference is due to large capital investments in land and equipment. The value of these assets often exceeds the exemption limit of the tax forcing owners to find expensive alternatives to avoid the tax or to sell parts or all of the business to pay it.

Labor-related problems reflect agriculture's traditional need for seasonal and generally unskilled labor. "Minimum Wage/'Living' Wage" is a larger problem for the industry than for the population, 40th versus 53rd. The reason is that wages in rural areas are typically much lower than in urban ones, disproportionately impacting people living there. In addition, the seasonal nature of much work in the industry means that wages are lower than they would be for year-around, full-time work. "Undocumented Workers" also raise greater concern for obvious reasons. The problem ranks 60th for those in the industry compared to 70th overall. Concern over an "Aging Workforce" ranks 47th for agriculture compared to 55th for the population and is likely more indicative of rural issues than industry ones.

Finally, as with manufacturers and wholesalers, "Competition From Imports" is a major issue as 12 percent think the problem critical. It ranks 66th overall compared to 39th for the industry. The irony is that agriculture is one of America's great export industries. However, agriculture's divide centers on different commodities and their international competitiveness. Those producing grains and those associated with their production focus on exports; those producing sugar or peanuts and those associated with their production focus on imports.

B. Construction

Legally required insurance costs dominate the problem list for most small construction firms. "Workers' Compensation Costs," for example, ranks 3rd for construction business owners, but ranks 10th for the population. The problem is critical for one-third of contractors. "Cost and Availability of Liability Insurance" ranks 7th for those in the construction industry, compared to 13th overall, and is critical for almost one-quarter of its owners. And, the cost of "Unemployment Compensation" is critical for 14 percent in the industry and ranks 13th. Across industry, the problem places 26th. "False Insurance Claims, Such as for Workers' Comp and

TABLE 8
MEASURES OF SMALL BUSINESS PROBLEM IMPORTANCE BY INDUSTRY

	Agr., Forestry, Fish. n = 294			Construction n = 673			Manufacturing n = 322			Wholesale n = 124			Retail n = 645		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
1. Cost of Health Insurance	2	2.09	51.4	1	1.83	55.6	1	1.71	57.2	1	1.94	56.1	1	1.92	59.0
2. Cost of Natural Gas, Propane, Gasoline, Diesel, Fuel Oil	1	1.76	59.7	2	2.09	47.4	2	2.56	35.1	2	2.42	38.5	2	2.54	41.3
3. Federal Taxes on Business Income	5	3.04	18.2	4	2.93	26.8	3	2.84	25.8	5	2.90	27.4	4	3.00	22.9
4. Property Taxes (Real, Inventory or Personal Property)	3	2.77	28.4	8	3.14	21.2	9	3.07	24.8	3	2.85	25.8	7	3.10	27.9
5. Tax Complexity	8	3.17	20.9	5	3.06	24.8	6	3.02	22.4	4	2.87	27.6	10	3.20	23.3
6. Unreasonable Government Regulations	6	3.05	23.2	6	3.08	20.8	10	3.09	20.1	7	3.10	16.9	16	3.55	18.7
7. State Taxes on Business Income	13	3.41	18.7	10	3.24	20.7	8	3.05	21.4	6	3.00	20.7	11	3.26	22.3
8. Cost of Supplies/Inventories	4	2.86	27.3	9	3.19	16.8	7	3.03	16.7	10	3.48	10.5	5	3.04	19.7
9. Electricity Costs (Rates)	9	3.20	17.0	20	3.73	11.3	4	2.87	21.8	14	3.56	8.9	3	2.98	22.2
10. Workers' Compensation Costs	20	3.71	17.5	3	2.64	33.5	5	2.97	24.1	8	3.16	23.8	14	3.54	18.6
11. Cash Flow	15	3.57	13.6	12	3.41	19.3	12	3.38	19.2	15	3.58	16.9	6	3.09	26.1
12. Locating Qualified Workers	21	3.81	18.1	11	3.30	21.1	11	3.24	22.1	9	3.37	16.3	17	3.61	17.9
13. Cost and Availability of Liability Insurance	18	3.66	14.3	7	3.14	24.2	13	3.40	14.6	18	3.62	17.2	15	3.55	15.4
14. Poor Earnings (Profits)	14	3.53	15.4	22	3.76	13.1	20	3.66	17.8	26	3.94	13.0	8	3.19	23.0
15. Frequent Changes in Federal Tax Laws and Rules	12	3.33	15.1	15	3.60	14.1	17	3.60	14.1	17	3.61	13.9	23	3.82	12.7
16. Fixed Costs Too High	11	3.23	18.4	17	3.71	11.8	18	3.62	11.0	23	3.85	7.4	13	3.53	14.6
17. Finding and Keeping Skilled Employees	31	4.08	13.7	14	3.58	19.1	14	3.49	18.9	19	3.71	9.8	29	3.93	14.6

Table 8 continued

Measures of Small Business Problem Importance by Industry

Problem	Transportation/ Warehousing n = 98			Finance, Insur., Real Estate, Rental n = 172			Prof., Sci., Tech., Ed. Svcs., Health, Soc. Assist. n = 277			Admin. Suppt., Svcs.; Arts, Entert., Rec.; Accom., Food Svcs.; Other Serv. n = 345			Other n = 285		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
1. Cost of Health Insurance	2	1.85	55.7	1	2.49	37.1	1	2.10	52.0	1	1.87	60.5	1	1.71	63.0
2. Cost of Natural Gas, Propane, Gasoline, Diesel, Fuel Oil	1	1.74	68.4	6	3.40	21.3	4	3.32	22.3	2	2.24	46.2	2	2.52	39.6
3. Federal Taxes on Business Income	5	2.94	26.3	3	3.18	23.7	2	3.06	24.1	6	3.13	24.4	3	3.11	27.8
4. Property Taxes (Real, Inventory or Personal Property)	13	3.34	19.6	2	3.07	23.2	8	3.55	20.1	4	2.96	26.5	4	3.11	25.4
5. Tax Complexity	10	3.19	17.3	4	3.19	26.3	5	3.38	21.2	5	3.06	20.1	7	3.16	20.9
6. Unreasonable Government Regulations	7	2.95	26.8	5	3.38	17.3	3	3.31	21.5	14	3.44	17.0	13	3.32	22.5
7. State Taxes on Business Income	6	2.95	19.4	15	3.92	13.0	12	3.63	19.6	9	3.21	20.9	5	3.13	23.2
8. Cost of Supplies/Inventories	12	3.32	12.4	44	4.62	2.4	22	4.04	6.5	8	3.15	18.9	12	3.27	20.0
9. Electricity Costs (Rates)	15	3.38	9.4	8	3.63	10.1	15	3.76	9.1	3	2.81	24.0	11	3.26	13.8
10. Workers' Compensation Costs	3	2.76	33.0	34	4.44	9.1	24	4.09	10.9	10	3.23	26.5	8	3.22	30.4
11. Cash Flow	8	3.15	23.7	16	3.93	12.4	6	3.39	16.3	13	3.44	21.3	9	3.23	23.9
12. Locating Qualified Workers	11	3.20	19.6	10	3.74	15.0	7	3.49	21.8	7	3.14	27.3	6	3.16	26.7
13. Cost and Availability of Liability Insurance	4	2.91	26.0	38	4.49	8.9	14	3.71	17.6	11	3.32	19.3	10	3.26	23.1
14. Poor Earnings (Profits)	19	3.53	19.6	21	4.07	10.8	21	4.03	11.3	16	3.53	20.3	17	3.62	17.9
15. Frequent Changes in Federal Tax Laws and Rules	18	3.48	15.5	9	3.64	14.2	13	3.70	15.0	23	3.77	13.1	16	3.58	17.6
16. Fixed Costs Too High	14	3.36	12.6	30	4.28	6.0	20	3.99	7.4	17	3.56	14.8	15	3.58	17.2
17. Finding and Keeping Skilled Employees	17	3.48	18.8	17	3.94	7.9	18	3.84	16.5	12	3.39	26.0	14	3.52	21.8

Table 8 continued

Measures of Small Business Problem Importance by Industry

	Agr., Forestry, Fish. n = 294			Construction n = 673			Manufacturing n = 322			Wholesale n = 124			Retail n = 645		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
18. Federal Paperwork	17	3.65	10.6	18	3.72	10.6	15	3.55	12.6	13	3.56	16.1	20	3.70	12.2
19. FICA (Social Security Taxes)	25	3.91	9.3	19	3.73	12.3	19	3.65	10.5	20	3.72	8.3	24	3.83	12.1
20. Projecting Future Sales Changes	26	3.95	10.0	16	3.70	7.5	16	3.55	8.5	16	3.58	7.3	18	3.61	10.9
21. State/Local Paperwork	19	3.66	10.1	21	3.73	10.5	21	3.68	8.5	22	3.79	6.6	22	3.82	10.2
22. Highly Variable Earnings (Profits)	16	3.59	13.4	26	3.94	8.6	22	3.82	8.6	28	3.98	8.9	21	3.79	12.1
23. Controlling My Own Time	42	4.43	8.8	24	3.87	12.8	31	4.02	9.6	27	3.98	10.7	25	3.84	12.9
24. Telephone Costs and Service	38	4.21	4.2	28	3.99	7.8	43	4.18	3.2	36	4.25	4.1	28	3.88	7.9
25. Cost of Outside Business Services, e.g., Accountants, Lawyers, Consultants	28	3.97	5.5	27	3.97	8.6	25	3.85	7.5	24	3.91	5.6	30	3.97	11.1
26. Unemployment Compensation	45	4.55	5.9	13	3.57	13.6	23	3.83	11.0	25	3.93	9.8	35	4.14	9.6
27. Dealing With IRS/State Tax Agencies	36	4.15	7.6	23	3.82	13.4	33	4.07	7.5	21	3.77	11.3	32	4.02	11.5
28. Ability to Cost-Effectively Advertise	64	5.16	3.2	45	4.35	6.2	45	4.37	6.6	40	4.29	4.0	9	3.20	19.6
29. Competition From Large Businesses	37	4.15	13.5	43	4.32	6.9	32	4.03	8.8	12	3.55	14.6	12	3.36	22.3
30. Pricing My Goods/Services	29	4.02	10.8	30	4.03	7.5	28	3.93	7.9	44	4.36	4.1	33	4.09	8.2
31. Reducing Energy Use in a Cost-Effective Manner	22	3.86	10.5	42	4.31	5.5	29	3.94	7.6	31	4.13	8.9	26	3.85	9.9
32. Interest Rates	23	3.86	10.5	31	4.06	9.0	42	4.18	5.7	48	4.50	4.9	31	4.00	11.3
33. Physical Facilities Costs, Such as Rent/Mortgage/Maintenance	32	4.08	8.8	46	4.38	6.9	39	4.14	7.7	42	4.33	8.9	27	3.85	12.2
34. Death (Estate) Taxes	7	3.06	33.0	37	4.20	17.5	24	3.83	20.0	11	3.53	28.8	39	4.41	17.6
35. Poor Sales	50	4.66	5.7	44	4.33	10.6	41	4.17	15.0	37	4.28	11.4	19	3.62	18.4

Table 8 continued

Measures of Small Business Problem Importance by Industry

Problem	Transportation/ Warehousing n = 98			Finance, Insur., Real Estate, Rental n = 172			Prof., Sci., Tech., Ed. Svcs., Health, Soc. Assist. n = 277			Admin. Suppt., Svcs.; Arts, Entert., Rec.; Accom., Food Svcs.; Other Serv. n = 345			Other n = 285		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
18. Federal Paperwork	16	3.45	17.0	12	3.75	10.7	10	3.58	16.0	27	3.88	9.1	21	3.84	14.3
19. FICA (Social Security Taxes)	20	3.57	8.2	11	3.75	18.8	9	3.56	16.2	18	3.62	14.6	19	3.70	12.9
20. Projecting Future Sales Changes	30	3.84	6.2	20	4.02	6.7	27	4.19	7.0	22	3.77	9.7	20	3.71	9.1
21. State/Local Paperwork	22	3.62	8.5	22	4.11	6.7	17	3.82	9.9	20	3.77	8.6	28	3.93	11.2
22. Highly Variable Earnings (Profits)	25	3.70	16.7	26	4.22	7.2	31	4.26	7.0	29	3.97	9.5	26	3.90	12.2
23. Controlling My Own Time	28	3.79	17.5	19	3.99	10.2	11	3.61	15.1	24	3.81	13.6	29	3.94	12.6
24. Telephone Costs and Service	23	3.69	9.3	14	3.83	10.1	19	3.94	7.6	28	3.89	8.2	18	3.65	7.5
25. Cost of Outside Business Services, e.g., Accountants, Lawyers, Consultants	32	3.86	6.2	13	3.75	9.0	29	4.22	5.1	31	4.01	8.3	27	3.90	9.6
26. Unemployment Compensation	31	3.86	10.3	46	4.71	6.0	33	4.30	8.0	21	3.77	12.0	22	3.84	15.0
27. Dealing With IRS/State Tax Agencies	33	3.90	8.3	24	4.13	10.7	16	3.82	10.5	32	4.06	8.5	25	3.90	11.8
28. Ability to Cost-Effectively Advertise	38	4.03	5.2	7	3.54	16.7	23	4.07	9.8	15	3.46	13.2	24	3.88	11.8
29. Competition From Large Businesses	27	3.78	13.5	23	4.12	9.4	36	4.37	12.7	37	4.25	9.6	32	4.09	10.0
30. Pricing My Goods/Services	26	3.77	8.4	59	5.09	3.0	25	4.10	8.0	26	3.87	11.1	30	3.96	6.5
31. Reducing Energy Use in a Cost-Effective Manner	36	3.98	10.5	33	4.42	6.0	44	4.57	5.1	25	3.86	10.3	37	4.26	8.0
32. Interest Rates	40	4.06	11.3	39	4.49	6.5	38	4.40	6.2	34	4.17	7.6	23	3.88	15.0
33. Physical Facilities Costs, Such as Rent/Mortgage/Maintenance	37	4.03	9.4	31	4.40	3.0	30	4.25	8.1	19	3.73	12.5	31	3.98	10.5
34. Death (Estate) Taxes	41	4.09	16.7	18	3.95	18.2	51	4.77	12.0	42	4.45	15.7	38	4.27	19.9
35. Poor Sales	29	3.84	15.6	25	4.21	11.8	46	4.68	6.5	38	4.26	9.4	35	4.20	12.5

Table 8 continued

Measures of Small Business Problem Importance by Industry

	Agr., Forestry, Fish. n = 294			Construction n = 673			Manufacturing n = 322			Wholesale n = 124			Retail n = 645		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
36. Locating Business Help When Needed	41	4.38	7.8	39	4.21	8.3	40	4.16	6.9	32	4.16	8.3	34	4.12	11.6
37. Applications for Licenses, Permits, etc.	27	3.96	8.2	25	3.93	11.4	51	4.58	5.0	45	4.43	8.2	44	4.44	8.2
38. Finding Out About Regulatory Requirements	33	4.08	6.0	34	4.13	6.9	34	4.07	4.7	34	4.23	5.7	48	4.51	5.2
39. Cost of Government Required Equipment/Procedures	30	4.03	9.6	32	4.09	7.8	38	4.13	7.9	41	4.32	10.6	40	4.42	9.1
40. Health/Safety Regulations	24	3.88	10.2	29	4.02	9.1	26	3.86	10.1	35	4.24	9.8	46	4.47	8.9
41. Training Employees	53	4.75	4.2	38	4.21	6.2	36	4.11	7.2	46	4.48	4.0	42	4.44	6.2
42. Hiring/Firing/Employment Regulations	43	4.49	5.9	40	4.23	7.6	37	4.13	6.4	33	4.21	4.8	41	4.44	6.3
43. Sales Too Dependent on Health of One Business or Industry	34	4.10	12.9	35	4.19	9.3	35	4.09	10.4	38	4.28	4.2	49	4.52	8.6
44. Keeping Up on Business and Market Developments	48	4.60	1.8	48	4.47	3.8	44	4.31	2.9	39	4.29	6.5	37	4.25	5.4
45. Delinquent Accounts/Customer Financing	62	5.14	4.2	33	4.09	9.9	46	4.37	5.6	30	4.08	9.9	43	4.44	11.0
46. Frequency of Tax Withholding Deposits	44	4.52	5.3	41	4.25	8.6	47	4.40	5.1	47	4.48	5.7	45	4.47	7.9
47. Environmental Regulations	10	3.22	19.6	36	4.20	8.4	30	4.00	7.3	50	4.60	7.3	59	4.83	7.0
48. Using Computer(s), the Internet or New Technology Effectively	51	4.67	3.2	56	4.74	3.3	54	4.69	5.1	53	4.74	5.0	52	4.67	6.1
49. Handling Business Growth	56	4.96	2.2	50	4.53	4.0	49	4.54	4.7	52	4.68	2.4	55	4.80	2.9

Table 8 continued

Measures of Small Business Problem Importance by Industry

Problem	Transportation/ Warehousing n = 98			Finance, Insur., Real Estate, Rental n = 172			Prof., Sci., Tech., Ed. Svcs., Health, Soc. Assist. n = 277			Admin. Suppt., Svcs.; Arts, Entert., Rec.; Accom., Food Svcs.; Other Serv. n = 345			Other n = 285		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
36. Locating Business Help When Needed	45	4.25	8.3	37	4.48	4.2	39	4.45	8.1	30	4.00	11.5	33	4.11	11.3
37. Applications for Licenses, Permits, etc.	24	3.69	12.6	29	4.26	9.6	40	4.45	5.5	35	4.17	9.2	42	4.37	9.1
38. Finding Out About Regulatory Requirements	43	4.11	8.3	32	4.40	5.9	41	4.49	4.4	36	4.23	6.5	36	4.20	9.4
39. Cost of Government Required Equipment/Procedures	21	3.58	14.4	47	4.77	6.0	28	4.22	9.9	43	4.46	6.0	48	4.52	9.0
40. Health/Safety Regulations	35	3.93	9.5	62	5.26	2.4	42	4.50	8.7	45	4.53	5.9	43	4.38	13.3
41. Training Employees	47	4.30	5.2	28	4.24	5.5	32	4.26	8.1	33	4.15	8.8	41	4.34	6.5
42. Hiring/Firing/Employment Regulations	39	4.04	7.1	43	4.61	4.8	34	4.34	5.9	39	4.28	10.6	44	4.42	5.4
43. Sales Too Dependent on Health of One Business or Industry	44	4.14	8.5	45	4.69	8.4	52	4.88	6.6	48	4.70	6.9	39	4.27	10.8
44. Keeping Up on Business and Market Developments	46	4.28	4.2	27	4.23	7.2	37	4.40	2.2	46	4.55	4.1	40	4.30	7.2
45. Delinquent Accounts/Customer Financing	34	3.91	14.6	53	4.99	4.2	26	4.12	7.7	54	4.85	5.2	34	4.15	7.6
46. Frequency of Tax Withholding Deposits	57	4.56	4.2	48	4.77	6.0	35	4.35	8.4	47	4.57	5.1	47	4.51	7.2
47. Environmental Regulations	42	4.10	10.4	69	5.35	3.0	60	5.15	3.7	44	4.49	7.3	49	4.58	5.3
48. Using Computer(s), the Internet or New Technology Effectively	60	4.63	4.2	35	4.45	10.0	43	4.56	7.3	51	4.77	5.6	51	4.63	5.8
49. Handling Business Growth	53	4.48	3.1	54	5.01	1.2	49	4.72	1.9	49	4.73	3.6	46	4.51	3.3

Table 8 continued

Measures of Small Business Problem Importance by Industry

	Agr., Forestry, Fish. n = 294			Construction n = 673			Manufacturing n = 322			Wholesale n = 124			Retail n = 645		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
50. Getting Information on Government Business Assistance Programs	54	4.78	5.0	54	4.70	6.3	53	4.66	3.8	61	5.00	2.5	50	4.58	8.2
51. Employee Turnover	58	5.01	4.9	59	4.79	6.2	56	4.81	6.0	60	4.97	2.4	54	4.79	7.1
52. Rules on Retirement Plans	52	4.68	2.9	55	4.71	6.5	50	4.58	4.7	49	4.55	4.9	61	4.91	4.9
53. Minimum Wage/"Living" Wage	40	4.35	10.9	69	5.21	4.9	57	4.82	6.3	67	5.23	4.9	38	4.29	13.1
54. Zoning/Land Use Regulations	35	4.12	13.5	47	4.43	9.8	62	4.93	3.2	58	4.90	6.5	62	5.01	6.2
55. Aging Workforce	47	4.59	6.0	51	4.58	4.7	48	4.43	5.4	54	4.76	4.1	63	5.08	2.7
56. Bad Debts (Not Delinquencies) and/or Bankruptcies	69	5.36	4.6	53	4.70	6.9	63	4.95	5.8	43	4.36	8.1	51	4.59	8.0
57. Crime, Including Identity Theft, Shoplifting, etc.	59	5.06	3.1	57	4.76	7.6	65	5.07	5.7	56	4.82	8.1	47	4.50	7.0
58. Traffic, Congestion, Parking, Highways	66	5.29	4.9	52	4.64	7.7	74	5.39	2.5	51	4.68	11.4	56	4.81	5.3
59. Anti-Competitive Practices, e.g., Price Fixing	49	4.60	9.5	62	4.94	5.3	64	5.02	5.4	62	5.02	4.9	53	4.69	8.6
60. Mandatory Family or Sick Leave	65	5.24	4.3	63	4.96	6.6	52	4.62	8.7	55	4.81	5.7	60	4.89	8.9
61. Getting Useful Business Information	61	5.11	1.4	60	4.86	2.7	61	4.91	1.3	63	5.04	1.6	57	4.81	2.2
62. Protecting Intellectual Property	57	4.98	5.4	64	4.97	5.2	59	4.85	4.5	66	5.16	1.7	66	5.21	4.2
63. False Insurance Claims, Such as for Workers' Comp and UC	67	5.31	4.6	49	4.50	12.2	58	4.84	7.0	65	5.13	6.5	70	5.33	6.2
64. Solid and Hazardous Waste Disposal	46	4.56	7.4	67	5.03	3.5	60	4.88	2.2	68	5.39	4.1	69	5.30	4.1

Table 8 continued

Measures of Small Business Problem Importance by Industry

Problem	Transportation/ Warehousing n = 98			Finance, Insur., Real Estate, Rental n = 172			Prof., Sci., Tech., Ed. Svcs., Health, Soc. Assist. n = 277			Admin. Suppt., Svcs.; Arts, Entert., Rec.; Accom., Food Svcs.; Other Serv. n = 345			Other n = 285		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
50. Getting Information on Government Business Assistance Programs	59	4.59	8.2	61	5.24	2.4	54	5.00	4.1	50	4.74	8.0	45	4.49	7.9
51. Employee Turnover	56	4.56	8.2	52	4.97	3.6	48	4.72	9.5	40	4.29	11.4	50	4.62	8.7
52. Rules on Retirement Plans	54	4.52	3.1	41	4.54	7.1	45	4.60	6.6	60	5.01	4.1	56	4.78	4.7
53. Minimum Wage/"Living" Wage	70	5.13	3.2	68	5.33	4.3	56	5.07	6.6	41	4.42	13.1	52	4.73	9.9
54. Zoning/Land Use Regulations	61	4.66	11.7	49	4.81	7.3	62	5.29	4.8	56	4.88	8.5	54	4.74	7.2
55. Aging Workforce	48	4.33	6.2	64	5.27	1.8	61	5.29	2.6	59	4.99	5.3	60	4.88	3.9
56. Bad Debts (Not Delinquencies) and/or Bankruptcies	52	4.48	6.2	63	5.27	4.8	47	4.71	5.8	62	5.16	2.3	53	4.74	5.1
57. Crime, Including Identity Theft, Shoplifting, etc.	58	4.58	4.2	58	5.07	6.6	65	5.42	4.4	55	4.86	5.0	59	4.86	7.1
58. Traffic, Congestion, Parking, Highways	9	3.17	30.5	50	4.95	5.3	58	5.13	6.2	57	4.94	6.1	61	4.95	7.5
59. Anti-Competitive Practices, e.g., Price Fixing	55	4.54	5.3	65	5.27	4.2	57	5.09	5.9	61	5.12	8.0	58	4.80	6.6
60. Mandatory Family or Sick Leave	63	4.70	6.3	60	5.13	4.8	50	4.77	9.9	53	4.85	10.6	62	4.96	6.8
61. Getting Useful Business Information	51	4.46	4.2	56	5.04	1.8	55	5.04	1.8	58	4.97	3.2	57	4.80	3.6
62. Protecting Intellectual Property	62	4.69	4.3	51	4.96	5.6	53	4.95	6.3	64	5.25	3.9	55	4.77	6.4
63. False Insurance Claims, Such as for Workers' Comp and UC	50	4.44	12.8	55	5.03	8.8	69	5.53	2.9	65	5.26	7.9	66	5.02	9.0
64. Solid and Hazardous Waste Disposal	71	5.19	1.0	71	5.67	3.6	72	5.61	2.9	52	4.82	7.0	65	5.01	8.4

Table 8 continued

Measures of Small Business Problem Importance by Industry

	Agr., Forestry, Fish. n = 294			Construction n = 673			Manufacturing n = 322			Wholesale n = 124			Retail n = 645		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
65. Costs and Frequency of Law Suits/ Threatened Suits	63	5.15	5.3	66	5.03	7.7	67	5.14	5.6	72	5.45	2.5	71	5.44	6.6
66. Competition From Imported Products	39	4.24	12.0	72	5.64	2.7	27	3.90	20.8	29	4.02	13.7	58	4.82	10.9
67. Credit Rating/Record Errors	70	5.39	3.1	65	5.02	4.7	73	5.34	3.1	71	5.45	2.4	64	5.15	4.7
68. Increased National Security Requirements	55	4.89	3.2	70	5.27	2.7	72	5.28	0.6	64	5.04	4.9	68	5.25	4.3
69. Competition From Internet Businesses	75	5.99	2.1	74	5.79	2.0	68	5.23	3.5	57	4.82	8.9	36	4.23	13.0
70. Undocumented Workers (Illegal Aliens)	60	5.08	12.4	58	4.76	16.0	66	5.12	10.8	70	5.42	5.7	73	5.61	9.5
71. Winning Contracts From Federal/State/ Local Governments	74	5.90	2.2	61	4.86	6.3	55	4.79	8.2	59	4.93	5.0	72	5.50	5.6
72. Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans	72	5.55	3.9	68	5.17	6.4	70	5.24	4.5	73	5.56	4.0	65	5.18	5.9
73. Obtaining Long-Term (5 Years or More) Business Loans	73	5.62	2.4	71	5.32	5.2	71	5.26	3.4	69	5.42	4.1	67	5.23	7.4
74. Access to High-Speed Internet	68	5.31	8.5	73	5.68	3.7	75	5.79	3.9	75	5.76	5.0	74	5.65	5.8
75. Exporting My Products/Services	71	5.44	2.6	75	6.31	1.1	69	5.24	3.5	74	5.64	3.4	75	6.26	1.3

Table 8 continued

Measures of Small Business Problem Importance by Industry

Problem	Transportation/ Warehousing n = 98			Finance, Insur., Real Estate, Rental n = 172			Prof., Sci., Tech., Ed. Svcs., Health, Soc. Assist. n = 277			Admin. Suppt., Svcs.; Arts, Entert., Rec.; Accom., Food Svcs.; Other Serv. n = 345			Other n = 285		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
65. Costs and Frequency of Law Suits/ Threatened Suits	64	4.83	5.3	40	4.50	14.3	59	5.13	6.5	67	5.33	5.3	67	5.03	8.8
66. Competition From Imported Products	73	5.49	1.1	74	6.24	2.4	74	6.16	2.9	72	5.73	5.3	72	5.30	9.5
67. Credit Rating/Record Errors	68	5.02	6.3	42	4.59	10.2	64	5.39	2.9	63	5.20	4.7	63	4.97	7.0
68. Increased National Security Requirements	49	4.41	8.3	57	5.06	3.6	63	5.36	2.2	70	5.52	2.7	71	5.23	3.2
69. Competition From Internet Businesses	72	5.48	5.3	36	4.46	6.5	67	5.47	3.6	73	5.76	1.5	70	5.16	4.7
70. Undocumented Workers (Illegal Aliens)	65	4.94	8.3	72	5.81	4.8	73	5.84	6.2	68	5.35	10.6	73	5.51	9.9
71. Winning Contracts From Federal/State/ Local Governments	66	4.98	5.2	73	5.98	2.4	68	5.49	5.2	71	5.59	3.8	64	5.01	7.4
72. Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans	69	5.09	5.3	70	5.42	5.4	70	5.54	2.5	69	5.40	3.2	68	5.07	6.2
73. Obtaining Long-Term (5 Years or More) Business Loans	67	5.00	2.1	67	5.32	4.2	66	5.45	3.6	66	5.33	6.7	69	5.15	6.4
74. Access to High-Speed Internet	74	5.53	6.3	66	5.29	11.8	71	5.57	6.6	74	5.88	3.2	74	5.52	8.7
75. Exporting My Products/Services	75	6.16	2.2	75	6.43	0.6	75	6.39	1.5	75	6.42	1.2	75	6.14	2.6

UC" is also bothersome and costly for owners in construction. The problem ranks 49th in the sector, but 67th in the population.

A common complaint in the construction industry is the lack of qualified workers. But the problem is apparently no more severe than in other industries. It ranks 11th among contractors and 12th overall. But other labor-related problems are of relatively greater concern. "Undocumented Workers (Illegal Aliens)" is one of them. The problem ranks 58th for construction contractors compared to 71st overall. Sixteen (16) percent of small contractors think the problem is critical.

Small firm construction owners do not regard "Competition From Large Business" a major issue. Many cannot manage large building projects and recognize this. The problem ranks 43rd for owners of construction businesses and 29th overall. However, "Winning Contracts from Federal/State/Local Governments" is a different matter. They are relatively concerned about it, though the nature of their problem cannot be determined from the data. Still, they rank it 61st while the population ranks it 71st.

c. Manufacturing

The pattern of problems for owners of small manufacturing firms remains similar to that of the general population with two major exceptions and a few minor ones. The first major exception, analogous to the construction industry, is "Workers' Compensation Costs." Even as manufacturing becomes less labor intensive and more machine-based, the industry remains a higher risk for work-related injuries. The problem ranks 5th for manufacturers and 10th in the overall population.

"Competition From Imported Products" is the second major exception for manufacturers. They rank the problem 27th compared to the population's 66th. Manufacturers are increasingly susceptible to global competition as the world shrinks through less costly and more accessible communication and transportation. Free trade agreements also encourage competition, many complain unfairly.

"Environmental Regulations" is also a significant problem for manufacturers, although ranking somewhat lower than in 2008 then 2004. The problem ranks 47th among all small businesses, but 30th in this industry. Finally, "Death (Estate) Taxes" still bother manufacturers. It ranks 34th overall, 24th to manufacturers, and is a critical issue for 20 percent of them. Because of the high asset requirement of many small manufacturers, owners who want to keep their businesses in their families continue to worry about the issue.

d. Transportation/Warehousing

The major problems associated with this sector are energy costs, insurance costs, and traffic-related problems. "Energy Costs, Except Electricity" is the number one problem for the transportation sector in 2008, critical to 68 percent of the 98 business owner respondents from the industry. The problem has risen in rank in each of the past three surveys from 4th in 2000, 2nd in 2004 to 1st in 2008 due to the sharp rise in fuel costs.

Insurance issues are the second major problem cluster for this sector. "Workers' Compensation Costs" ranks 3rd among owners of businesses in the industry, 10th across the population, and is critical for 35 percent of them. High WC claims are related to high liability insurance premiums, 4th for the sector and 13th for the population. Liability-related issues are critical to 26 percent of owners.

"Traffic, Congestion, Parking and Highways" is a relatively low-ranking problem for all industries with the exception of Transportation/Warehousing. The problem ranks 9th for the

industry compared to 58th among the population. Many of the more populated states are trying to devise ways to alleviate major congestion areas by expanding high-occupancy-vehicle only lanes, tolls, and traditional road expansion. But the cost of expanding highways and other roads is expensive and other alternatives are becoming more attractive.

Three other industry problems deserve mention. The "Cost of Government Required Equipment/Procedures" ranks 21st across the sector and 39th across the population. It is likely that the increasing regulations associated with the USA Patriot Act and related state legislation have had a costly impact on many owners of small trucking firms, delivery firms, and similar businesses. "False Insurance Claims, Such as Workers' Comp and UC" ranks 50th among owners in the sector and 63rd among the population. Lastly, small business owners in the industry have some concerns about an "Aging Workforce," worried that government regulations will increasingly control the hours and places that drivers of trucks and other multi-purpose vehicles can serve as they age.

E. Wholesale Trade

Few problems are unique to wholesalers. Most of their rankings approximate the overall population. The largest difference between wholesalers and the population is the problem, "Competition From Imported Products." Owners in the industry rank it 29th and the population ranks it 66th, a difference of 37 positions. Much importing is done directly by very large firms. They combine wholesaling and retailing into one integrated operation that bypasses independent wholesalers. Further, smaller wholesalers in particular likely find it much easier to deal with domestic suppliers than foreign ones. They have greater difficulty accessing foreign suppliers than their larger competitors. Regardless of the cause, imports are a significant problem for owners in the wholesale trade business. Related to the import problem, "Competition From Large Businesses" ranks 12th for small wholesalers and 29th for the population.

"Death (Estate) Taxes" rank 11th for small wholesalers compared to 34th for the population, a difference of 23 positions. Wholesale trade businesses tend to be capital intensive. This high ranking reflects that capital intensity and the desire to keep assets in the family.

"Delinquent Accounts/Customer Financing" is considerably more important to this industry than to the population as it ranks 30th for small wholesalers and 45th overall. Although down the list of problems, "Bad Debts/ (Not Delinquencies) and/or Bankruptcies" ranks 43rd among wholesalers and 56th among the population. These problems stem from the trade credit extensions that are traditional in the industry. The chief beneficiary and user is the retail industry which is typically subject to greater turnover and lower profitability than most sectors.

On a positive note, wholesale firms fare better than the general population on earnings as owners rank "Poor Earnings (Profits)" 26th compared to the overall ranking of 14th.

F. Retail Trade

Small retailer business problems are familiar. "Electricity Costs (Rates)" ranks 3rd for retailers, 9th overall, and is critical for almost one-quarter of them. Space needs explain it. Similarly, "Cash Flow" ranks 6th for retailers, 11th across the population, and is critical for 26 percent. Relatively large inventories explain it. "Poor Earnings (Profits)" ranks 8th for retailers compared to 14th for the population. The earnings problem is critical for 23 percent of retailers. Severe competition explains it. Other cost issues for retailers include "Crime Including Identity Theft, Shoplifting, etc." ranking 47th among retailers versus 57th over the population. "Minimum Wage/'Living' Wage" ranks 38th for the population compared to 53rd for retailers. The foregoing is a litany of small retailer problems commonly associated with the industry. But the capstone is the poor earnings issue which when combined with frequent cash

flow problems makes small retailing a precarious industry to enter. But these are not the sum of small retailer struggles as the following paragraphs demonstrate.

Like owners of wholesale firms, retail owners struggle to compete with their larger counterparts. "Competition From Large Businesses" ranks 12th for retailers and 29th for the population. Large retailers enjoy the benefits of scale economies and are able to sell products at a lower cost than most smaller businesses. Smaller firms often make up the competitive difference in better customer service among other more tailored customer benefits. Difficulties with "Ability to Cost Effectively Advertise" also proves relatively more burdensome as it ranks 9th for retailers and 28th for the population. About one-fifth of retailers find these issues critical.

Another form of competition is the Internet, not all of which is generated by large firms. "Competition From Internet Businesses" ranks 36th for small retail owners and 69th in the population, a difference of 33 positions. The Internet creates both opportunities and obstacles for small retailers. More sophisticated small retailers can advertise and sell their products online, expanding their customer base beyond their physical store front. But for those with limited time and/or resources to develop an online presence, the Internet is a formidable competitor.

G. Financial Services

Owners of small financial services firms, including insurance brokerages, real estate firms and mortgage brokers, do not like frequent changes in federal tax law and rules. Those in the industry rank the problem 9th, critical for 14 percent, compared to 15th overall. Similarly, they rank "Dealing With IRS/State Tax Agencies" 11th compared to 27th across the population. Nor do owners of financial services businesses appreciate "Federal Paperwork" as their industry is significantly regulated and requires substantial documentation. They rank the paperwork problem 12th compared to 18th for the population. And, they find "Unreasonable Government Regulations" to be particularly problematic ranking it their 3rd most serious business problem compared to the population's 8th rank. A consistent theme runs through these problems. It is government rules and the paper they generate. Continual change in them only makes matters worse.

The nature of service firms means health and safety issues should not produce the level of concern in the financial services industry as they do in others. "Health/Safety Regulations" ranks 62nd in the industry and 40th nationally. But, "Death (Estate) Taxes" ranks 18th in the sector and 34th nationally. Since these firms tend to be asset light, this concern is likely associated with providing services, such as insurance, to small business owners in asset-heavy industries rather than experiencing the problem themselves.

Two additional problems in the finance sector include: "Competition From Internet Businesses" ranking 31st versus 69th overall, and "Credit Rating/Record Errors" ranking 42nd in the sector and 67th overall. The proliferation of tax preparation software programs and other financial programs online perform many services once controlled by small financial service firms. As for credit ratings, clearly errors on the part of credit bureaus increase the time, cost and frustration of all kinds of legal transactions.

Several other problems rank significantly higher, i.e., more serious, in the financial services industry than across the population. The "Cost and Frequency of Lawsuits/Threatened Suits" ranks 40th in the sector compared with 65th overall. While it is unlikely they are the ones sued, their vantage point dealing with others lets them view the impact of suits on the population. There is also concern about rapidly changing technology in this sector. "Using Computers, the Internet and/or New Technology Effectively" ranks 35th verses 48th overall. The generally higher ranking of "Keeping Up On Business and Market Developments," 27th

verses 44th, and the higher ranking of "Controlling My Own Time" reflect a frustration with the ability to effectively use and absorb technological developments in the industry.

H. Professional Services: Scientific, Technical, Education, Health, and Social Assistance Services

The professional services include legal, engineering, management, accounting, advertising, architectural, private education, health services, and social assistance services.

Professional service firms often have "Cash Flow" difficulties. The problem ranks 6th among professional service firm owners compared with 11th across the population. An important reason for the cash flow problem is their frequent struggle to get paid. Evidence is in "Delinquent Accounts/Customer Financing" which ranks 26th as the most important problem for the industry compared to 45th in the population. Customers appear to believe that these businesses are doing well and can sustain extended periods without payment. This is true whether the customer is the general public, businesses, including large ones and insurance companies, or government. Also putting pressure on their cash flow is "Frequency of Tax Withholding Deposits" that ranks 46th overall, but 35th for professional service industries.

Professional service firms also have problems typically associated with service businesses. "Telephone Costs and Service" ranks 19th among the industry and 24th among the population. "Federal Paperwork" ranks 10th versus 18th overall and "FICA (Social Security Taxes)" ranks 9th versus 19th overall. "Dealing with IRS/State Tax Agencies" ranks 16th for the sector and 27th for the population. Like owners of financial-services firms, owners of small professional-service businesses are consumed by paperwork.

Selected regulatory problems also have a higher ranking for owners in the professional services than the population. "Cost of Government Required Equipment/Procedures" ranks 28th and is critical to about 10 percent of professional service firm owners. The problem ranks 39th overall. This concern is likely most closely associated with the healthcare portion of the industry. There is also a certain frustration level felt in this industry about owners' controlling their time as in other service industries. The problem ranks 11th in the sector compared to 23rd across the population.

Finally, there is anxiety about labor-related issues. Twenty-two (22) percent of owners in this industry consider "Locating Qualified Workers" to be a critical issue. The lack of qualified employees ranks 7th for the professional service firms compared to 12th overall. Similarly, "Training Employees" ranks 32nd in the sector, but 41st in the population. Both reflect relative qualification and experience needs. "Mandated Family and/or Sick Leave" ranks 50th among owners in the sector compared to 60th among owners in the population. This reflects the large portion of women working in the sector. Given the industry's need for skilled employees, the issue is not so much the provision of leave as the regulations surrounding a government-required benefit.

I. Non-Professional Services: Personal, Administrative Support, Entertainment, Recreation, Accommodation and Food Services

The non-professional services industry was broadened in the current survey to include the services listed above. The type of businesses include repair services (such as automobile and appliance), barber shops and beauty shops, fitness trainers, dieticians, parking services, and miscellaneous personal services. The category for present purposes also includes guard services, temporary help agencies, public golf courses, theatres, restaurants, motels, delis, etc. The industry is dominated by labor-intensive small firms. Their problems are similar to other ser-

vices industries with major exceptions for a few labor-related issues. In addition, several cost issues and environmental regulations trouble these owners more than the general population.

The employee issues troubling owners in this sector include "Locating Qualified Workers," 7th among those in the sector versus 12th overall, and "Finding and Keeping Skilled Employees," 12th versus 17th. "Employee Turnover" is also burdensome, ranking 40th versus 51st for the population. These concerns reflect the labor-intensive nature of service businesses. The problems also suggest that many businesses in the sector do not fit the stereotype as consisting of unskilled, low-wage workers. Auto mechanics, chefs, and managers are examples of employees requiring difficult-to-locate skills.

The industry does consist, however, of businesses with disproportionately large numbers of unskilled employees as evidenced by the relative concern over "Minimum Wage/'Living' Wage" issues. The wage issue is critical for just under 10 percent of owners in the industry, ranking 41st for them and 53rd for the population.

Several basic costs cause owners in this sector particular concern. These costs include: "Electricity Costs (Rates)," "Ability to Cost-Effectively Advertise," and "Physical Facilities Costs, such as Rent/Mortgage/Maintenance." Escalating electricity costs rank 3rd for the group, but 9th in the population, and is critical for almost one-quarter of owners. Establishing a cost-effective advertising program is also critical to about 15 percent of owners in this service group. The problem ranks 15th in this sector compared to 28th overall. These services also typically require space in locations accessible and agreeable to customers. Hence the cost of the physical facilities problem ranks 19th for the industry compared to 39th for the population.

Owners of small personal service firms such as automobile repair shops and garages, are also disproportionally troubled by regulations on "Solid and Hazardous Waste Disposal." The problem ranks 20 positions higher than in the general population, 52nd verses 72nd.

Sales Change

It is almost axiomatic that when sales grow, most other business problems decline in severity. When sales decline, all other business problems increase in severity. There are exceptions. When sales increase too rapidly for example, growth can generate a variety of problems, including cash flow, finding qualified employees, awareness of new regulations, etc. In addition, the nature problems will be different. But as a general rule, sales growth makes all things easier. Table 9 examines small business problems by average sales change over the past three years.

"Poor Earnings (Profits)" as a problem differentiates firms with sales growth from those that have not grown over the past three years. It ranks 3rd in small business problems, after "Cost of Health Insurance" and "Energy Costs, Except Electricity," for firms that experienced a sales decline of more than 10 percent annually over the past three years. By contrast, the "Poor Earnings (Profits)" problem ranks 43rd among owners of firms who grew at least 25 - 49 percent annually over the past three years. "Cash Flow" problems are usually related to "Poor Earnings." For the group with the largest sales declines, "Cash Flow" ranks 4th in importance, while it ranks 12th to 20th for growing firms. "Projecting Future Sales Changes" also ranks marginally higher among owners with declining sales, ranking 14th versus 22nd for growing firms with annual sales increases of 25 - 49 percent.

The assessment of "Poor Sales" as a business problem shows the largest variation by definition. Owners with sales declines of at least 10 percent annually over the past three years rank the problem 5th in importance, while those with annual sales increases of at least 10 percent rank the problem in the mid-60s. A surprise is that the former group, one with rapidly declining sales, does not rank "Poor Sales" as its most important problem rather than its 5th most.

Table 9

Measures of Small Business Problem Importance by Average Annual Sales Change Over the Last Three Years

	Decrease 10% + n = 662			Decrease < 10% n = 421			Increase < 10% n = 951			Increase 10% - 24% n = 903			Increase 25% - 49% n = 250			Increase 50% + n = 95		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
1. Cost of Health Insurance	1	1.77	64.1	1	1.87	55.9	1	1.95	55.8	1	1.90	52.8	1	2.16	53.0	1	1.93	52.1
2. Cost of Natural Gas, Propane, Gasoline, Diesel, Fuel Oil	2	2.17	51.1	2	2.48	40.3	2	2.38	40.5	2	2.58	37.3	2	2.50	42.6	2	2.63	37.2
3. Federal Taxes on Business Income	8	2.89	28.4	6	3.28	22.6	3	3.03	20.7	3	2.99	24.4	3	2.76	32.9	3	2.69	35.5
4. Property Taxes (Real, Inventory or Personal Property)	6	2.71	34.0	3	3.19	23.9	5	3.05	23.4	5	3.20	22.6	8	3.25	19.3	9	3.33	22.0
5. Tax Complexity	10	3.00	24.1	9	3.31	19.3	4	3.05	22.3	4	3.19	23.2	5	3.14	23.9	4	2.95	26.9
6. Unreasonable Government Regulations	13	3.15	23.9	12	3.35	19.7	8	3.27	17.9	7	3.28	18.5	6	3.15	26.7	6	3.06	20.2
7. State Taxes on Business Income	11	3.10	26.4	7	3.29	17.6	10	3.33	19.0	6	3.25	21.8	9	3.28	21.4	5	3.01	22.3
8. Cost of Supplies/Inventories	7	2.85	25.3	11	3.33	17.9	7	3.27	15.4	11	3.47	12.6	11	3.38	14.1	15	3.63	11.7
9. Electricity Costs (Rates)	9	2.99	22.7	4	3.24	15.8	6	3.26	15.1	10	3.42	13.2	13	3.53	13.0	12	3.47	11.7
10. Workers' Compensation Costs	15	3.23	25.8	10	3.32	23.3	9	3.28	22.3	8	3.29	22.3	7	3.15	25.6	7	3.12	28.0
11. Cash Flow	4	2.61	36.7	5	3.26	19.0	12	3.40	16.6	17	3.80	14.2	15	3.69	16.9	20	3.92	14.0
12. Locating Qualified Workers	22	3.53	22.5	14	3.59	18.0	11	3.38	19.8	9	3.30	21.1	4	3.06	23.9	8	3.32	21.1
13. Cost and Availability of Liability Insurance	12	3.14	24.8	15	3.61	17.5	13	3.53	14.7	12	3.49	16.9	10	3.32	22.8	11	3.45	22.8

TABLE 9 CONTINUED

MEASURES OF SMALL BUSINESS PROBLEM IMPORTANCE BY AVERAGE ANNUAL SALES CHANGE OVER THE LAST THREE YEARS

	Decrease 10% + n = 662			Decrease < 10% n = 421			Increase < 10% n = 951			Increase 10% - 24% n = 903			Increase 25% - 49% n = 250			Increase 50% + n = 95		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
14. Poor Earnings (Profits)	3	2.45	38.3	8	3.29	17.8	19	3.68	12.3	30	4.19	9.8	43	4.43	8.1	48	4.73	11.8
15. Frequent Changes in Federal Tax Laws and Rules	21	3.52	15.6	19	3.75	15.3	15	3.59	13.7	13	3.59	13.9	16	3.76	13.9	13	3.47	19.4
16. Fixed Costs Too High	16	3.25	19.6	13	3.52	12.4	17	3.63	12.0	18	3.81	9.8	19	3.83	11.2	29	4.12	12.0
17. Finding and Keeping Skilled Employees	32	3.86	20.5	22	3.83	16.5	14	3.59	16.9	14	3.65	16.4	12	3.44	21.5	17	3.68	15.2
18. Federal Paperwork	27	3.75	14.4	23	3.87	10.9	16	3.63	11.5	15	3.67	11.8	14	3.66	15.8	14	3.50	13.0
19. FICA (Social Security Taxes)	19	3.49	14.7	18	3.75	12.7	18	3.67	12.9	16	3.80	11.6	18	3.80	10.9	22	3.98	8.9
20. Projecting Future Sales Changes	14	3.20	16.3	17	3.67	9.9	22	3.88	5.9	21	3.96	5.9	22	3.95	6.6	18	3.88	10.9
21. State/Local Paperwork	24	3.70	12.3	25	3.94	9.1	20	3.72	9.2	19	3.83	9.0	17	3.78	10.1	10	3.41	12.8
22. Highly Variable Earnings (Profits)	17	3.32	19.8	20	3.82	10.0	23	3.90	9.3	31	4.20	5.9	30	4.13	7.3	37	4.40	6.5
23. Controlling My Own Time	33	3.90	15.0	31	4.10	10.8	21	3.81	11.7	20	3.92	12.4	21	3.92	13.3	19	3.92	12.2
24. Telephone Costs and Service	25	3.72	12.1	26	4.00	6.1	25	3.94	5.9	25	4.08	5.5	25	4.05	6.5	33	4.16	6.5
25. Cost of Outside Business Services, e.g., Accountants, Lawyers, Consultants	23	3.64	12.6	27	4.02	7.8	27	3.98	7.9	26	4.12	6.3	24	4.01	6.9	23	3.98	5.4
26. Unemployment Compensation	35	3.93	13.5	24	3.93	13.0	24	3.93	9.3	23	3.99	10.2	23	3.99	9.8	21	3.97	12.9

Table 9 continued

Measures of Small Business Problem Importance by Average Annual Sales Change Over the Last Three Years

	Decrease 10% + n = 662			Decrease < 10% n = 421			Increase < 10% n = 951			Increase 10% - 24% n = 903			Increase 25% - 49% n = 250			Increase 50% + n = 95		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
27. Dealing With IRS/State Tax Agencies	34	3.90	12.9	30	4.06	12.3	26	3.98	9.1	22	3.97	9.6	20	3.89	12.6	16	3.64	15.6
28. Ability to Cost-Effectively Advertise	20	3.52	15.4	21	3.83	9.7	29	4.02	9.1	32	4.21	8.3	44	4.45	9.7	38	4.42	5.6
29. Competition From Large Businesses	18	3.37	23.2	28	4.03	12.5	28	4.00	11.1	37	4.27	8.2	41	4.38	8.5	34	4.18	9.6
30. Pricing My Goods/Services	31	3.79	12.6	29	4.04	6.8	30	4.04	7.2	29	4.19	5.8	36	4.24	7.3	47	4.72	5.4
31. Reducing Energy Use in a Cost-Effective Manner	28	3.76	12.1	34	4.20	9.1	32	4.07	7.1	27	4.14	6.1	38	4.29	7.7	41	4.50	4.4
32. Interest Rates	26	3.75	15.3	32	4.12	8.7	34	4.13	8.2	34	4.26	6.7	26	4.08	8.1	43	4.57	5.4
33. Physical Facilities Costs, Such as Rent/Mortgage/ Maintenance	30	3.79	15.5	36	4.30	6.8	33	4.08	7.5	33	4.22	7.6	34	4.20	6.9	35	4.21	7.6
34. Death (Estate) Taxes	40	4.12	20.9	33	4.16	21.2	31	4.06	18.9	24	4.02	19.6	33	4.19	20.2	24	3.98	17.4
35. Poor Sales	5	2.62	35.2	16	3.65	13.5	44	4.41	5.9	60	4.92	4.6	64	5.17	3.6	69	5.42	6.5
36. Locating Business Help When Needed	38	4.05	12.9	35	4.26	7.5	35	4.16	7.9	36	4.26	8.8	28	4.10	12.2	40	4.47	6.5
37. Applications for Licenses, Permits, etc.	36	3.93	11.6	39	4.35	8.5	41	4.26	8.0	39	4.29	8.5	37	4.28	8.1	42	4.52	5.4
38. Finding Out About Regulatory Requirements	44	4.36	5.9	41	4.36	6.1	37	4.19	5.6	28	4.16	6.7	29	4.12	7.4	27	4.05	5.3

TABLE 9 CONTINUED

MEASURES OF SMALL BUSINESS PROBLEM IMPORTANCE BY AVERAGE ANNUAL SALES CHANGE OVER THE LAST THREE YEARS

	Decrease 10% + n = 662			Decrease < 10% n = 421			Increase < 10% n = 951			Increase 10% - 24% n = 903			Increase 25% - 49% n = 250			Increase 50% + n = 95		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
39. Cost of Government Required Equipment/ Procedures	41	4.23	11.2	44	4.42	7.8	36	4.19	7.6	41	4.33	7.8	27	4.09	10.6	25	4.01	7.5
40. Health/Safety Regulations	43	4.29	9.6	40	4.35	8.6	38	4.19	8.9	38	4.27	7.6	40	4.37	10.2	30	4.12	14.1
41. Training Employees	45	4.38	8.7	45	4.43	4.6	40	4.26	6.1	35	4.26	6.2	32	4.18	7.8	26	4.04	5.4
42. Hiring/Firing/Employment Regulations	49	4.48	7.2	42	4.38	6.8	39	4.23	5.8	40	4.31	6.5	31	4.14	8.5	31	4.13	7.7
43. Sales Too Dependent on Health of One Business or Industry	29	3.76	18.0	37	4.31	7.9	45	4.45	6.7	48	4.66	6.3	45	4.49	9.5	39	4.44	8.9
44. Keeping Up on Business and Market Developments	37	4.05	8.3	43	4.40	3.4	42	4.33	4.3	46	4.52	2.5	50	4.77	4.1	46	4.71	5.4
45. Delinquent Accounts/ Customer Financing	39	4.11	11.8	38	4.33	9.6	47	4.52	6.9	43	4.42	7.2	46	4.50	6.9	49	4.74	6.6
46. Frequency of Tax Withholding Deposits	42	4.29	10.6	46	4.53	4.9	46	4.48	6.8	44	4.47	5.7	42	4.41	7.3	32	4.14	10.9
47. Environmental Regulations	46	4.41	8.7	47	4.64	9.1	43	4.40	7.6	42	4.40	7.1	35	4.24	9.7	36	4.25	6.5
48. Using Computer(s), the Internet or New Technology Effectively	50	4.54	7.6	49	4.75	4.6	50	4.69	5.2	47	4.63	4.7	53	4.84	3.2	50	4.78	3.3
49. Handling Business Growth	63	4.88	4.4	61	5.02	3.0	52	4.74	2.2	45	4.48	3.3	39	4.36	5.4	28	4.11	4.3

Table 9 continued

Measures of Small Business Problem Importance by Average Annual Sales Change Over the Last Three Years

	Decrease 10% + n = 662			Decrease < 10% n = 421			Increase < 10% n = 951			Increase 10% - 24% n = 903			Increase 25% - 49% n = 250			Increase 50% + n = 95		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
50. Getting Information on Government Business Assistance Programs	47	4.44	8.5	58	4.94	4.7	55	4.79	5.1	55	4.86	4.4	47	4.59	9.8	51	4.82	4.3
51. Employee Turnover	61	4.84	8.1	53	4.85	6.0	48	4.63	7.1	49	4.67	6.2	49	4.68	8.1	44	4.59	8.7
52. Rules on Retirement Plans	53	4.63	6.9	54	4.85	3.7	51	4.69	4.9	50	4.69	4.8	51	4.77	6.0	54	4.96	5.4
53. Minimum Wage/"Living" Wage	54	4.66	10.3	50	4.77	10.8	49	4.65	8.2	56	4.86	7.3	59	5.02	6.2	67	5.33	5.4
54. Zoning/Land Use Regulations	51	4.59	10.8	56	4.88	7.0	56	4.81	6.5	51	4.76	7.1	48	4.66	11.3	55	5.04	3.2
55. Aging Workforce	58	4.76	6.2	51	4.78	3.6	54	4.78	3.9	53	4.84	3.9	56	4.92	2.8	60	5.14	2.2
56. Bad Debts (Not Delinquencies) and/or Bankruptcies	48	4.48	9.2	52	4.81	6.6	53	4.78	5.0	59	4.92	5.3	62	5.16	2.5	71	5.48	3.3
57. Crime, Including Identity Theft, Shoplifting, etc.	55	4.67	8.8	48	4.75	7.3	60	4.91	4.4	57	4.88	4.9	54	4.87	7.6	52	4.86	7.7
58. Traffic, Congestion, Parking, Highways	66	4.94	7.3	59	4.98	7.2	58	4.86	5.9	52	4.78	7.8	55	4.91	8.1	45	4.61	7.4
59. Anti-Competitive Practices, e.g., Price Fixing	52	4.62	9.8	55	4.87	6.3	59	4.89	6.1	62	4.98	5.2	61	5.13	5.3	63	5.16	6.7
60. Mandatory Family or Sick Leave	59	4.77	10.2	57	4.89	6.8	57	4.83	7.8	54	4.86	8.1	60	5.08	6.5	57	5.07	4.5

TABLE 9 CONTINUED

MEASURES OF SMALL BUSINESS PROBLEM IMPORTANCE BY AVERAGE ANNUAL SALES CHANGE OVER THE LAST THREE YEARS

	Decrease 10% + n = 662			Decrease < 10% n = 421			Increase < 10% n = 951			Increase 10% - 24% n = 903			Increase 25% - 49% n = 250			Increase 50% + n = 95		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
61. Getting Useful Business Information	56	4.71	3.6	62	5.03	2.2	62	4.97	1.7	58	4.90	2.0	52	4.80	3.6	58	5.10	1.1
62. Protecting Intellectual Property	62	4.87	6.6	68	5.25	2.2	61	4.96	4.3	61	4.96	3.7	58	4.94	7.2	56	5.05	8.8
63. False Insurance Claims, Such as for Workers' Comp and UC	71	5.12	7.7	63	5.12	7.5	64	4.98	7.5	63	5.01	6.8	57	4.94	12.0	53	4.90	10.8
64. Solid and Hazardous Waste Disposal	69	5.01	5.9	67	5.24	4.2	63	4.97	4.6	65	5.06	5.0	66	5.18	4.1	68	5.39	3.2
65. Costs and Frequency of Law Suits/Threatened Suits	70	5.11	7.9	66	5.22	7.5	65	5.06	6.4	64	5.04	7.3	67	5.19	7.8	70	5.42	5.4
66. Competition From Imported Products	57	4.72	15.5	64	5.17	11.1	67	5.16	6.3	69	5.31	5.9	71	5.34	4.0	72	5.51	3.3
67. Credit Rating/Record Errors	68	5.00	5.8	65	5.19	3.9	68	5.17	4.0	67	5.17	4.5	70	5.33	5.3	64	5.17	4.3
68. Increased National Security Requirements	73	5.21	3.2	69	5.26	4.1	70	5.23	2.7	66	5.17	2.8	65	5.17	4.5	62	5.16	4.3
69. Competition From Internet Businesses	67	5.00	8.5	60	5.01	7.2	66	5.16	5.3	71	5.35	3.2	74	5.69	2.0	75	6.03	1.1
70. Undocumented Workers (Illegal Aliens)	72	5.19	13.2	72	5.40	11.9	69	5.21	10.3	70	5.32	10.3	63	5.16	13.1	59	5.12	11.7

Table 9 continued

Measures of Small Business Problem Importance by Average Annual Sales Change Over the Last Three Years

	Decrease 10% + n = 662			Decrease < 10% n = 421			Increase < 10% n = 951			Increase 10% - 24% n = 903			Increase 25% - 49% n = 250			Increase 50% + n = 95		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
71. Winning Contracts From Federal/State/Local Governments	65	4.93	9.5	71	5.40	4.9	72	5.41	4.6	68	5.25	4.6	68	5.26	5.0	65	5.18	2.2
72. Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans	60	4.79	9.9	70	5.39	3.6	73	5.41	3.7	72	5.48	2.7	72	5.46	4.5	61	5.16	8.6
73. Obtaining Long-Term (5 Years or More) Business Loans	64	4.93	7.9	73	5.49	4.6	71	5.39	3.9	73	5.49	3.4	69	5.27	5.7	66	5.22	6.5
74. Access to High-Speed Internet	74	5.47	5.8	74	5.74	4.6	74	5.70	5.5	74	5.61	6.3	73	5.68	5.4	73	5.53	2.2
75. Exporting My Products/ Services	75	6.00	2.6	75	6.23	1.3	75	6.12	1.7	75	6.05	1.6	75	6.05	1.6	74	5.87	2.2

"Federal Taxes on Business Income" ranks 3rd overall, 3rd for growing firms and 8th for firms whose sales declined by at least 10 percent annually during the past three years. "Frequency of Tax Withholding Deposits" ranks 42nd for firms with large sales declines, but between 32nd and 36th for those with rapid sales growth. The latter may be one of those problems that become more bothersome as sales rise rapidly due to the need for cash to finance growth. The problems "Tax Complexity" and "Federal Paperwork" generally increase in importance as sales grow because the firm invests more and has a complicated balance sheet, all factors equal. "Dealing With IRS/State Tax Agencies" also rises in importance from 34th to 16th as sales increase. Again, more complicated balance sheets create relatively more tax-related difficulties.

Owners with rising sales rank "Locating Qualified Workers" twice as important as do owners who report slowly growing sales. The problem ranks 22nd among the least rapidly growing group and 9th among those growing at 25 - 49 percent annually over the past three years. Rapid sales growth usually means expansion of the labor force. More employees means more frequent reaches into a labor pool that most agree lacks qualified employees. Moreover, these firms are likely growing in large part because of the quality of employees they have, implying that they will look for more of the same or better. Yet, Table 9 exhibits little relationship between sales growth and labor-retention problems. Except the group losing 10 percent or more of their sales annually, "Finding and Keeping Skilled Employees" only varies by eight positions for the various growth groups, from the 14th to the 22nd positions. These rankings are not contradictory as the former problem focuses on adding employees and the latter problem on keeping employees once you have them.

"Training Employees" can be either a vicious or virtuous circle depending on the resources of the firm. Owners of small businesses with declining sales rank the training issue in the mid-40s while those with the most rapid growth place the problem in the 26th to 32nd range. What is not clear from these rankings is whether training allows firms to grow or whether growth allows firms to train.

"Competition From Imported Products" is also associated with growth. Owners of non-growing firms rank the problem about 15 positions higher, in the mid-50s, than the most rapidly growing who rank it in the low-70s. However, the data do not show whether those growing firms without an import problem have no foreign competition or whether they simply out-compete it.

Many types of business problems decline with success and growth unless a firm is growing extraordinarily fast. "Controlling My Own Time" is often a problem for owners of very rapidly growing firms. The severity of the problem increases in rank from 33rd for owners of firms with the largest sales declines to 19th for owners of firms with sales growing more than 50 percent annually. "Health/Safety Regulations" occupy a greater share of the owner's/manager's time when the firm is growing very rapidly. The rank of the problem increases from 43rd to 30th as the firm expands rapidly. The same comment generally applies to "Finding Out About Regulatory Requirements," a rank of 44th for least growth to 27th for most growth. This is in part a spurious correlation as owners of growing businesses are often found in more regulated industries, such as healthcare. Further, many of the smallest firms which often become stagnant a few years after entry, are exempt from certain regulations.

Primary Customer

The survey asked respondents to identify their primary market and presented them five options from which to select. They were: one or two firms, one or two industries, business in general, the public, and government/non-profits. The purpose was to determine whether there were specific patterns of problems associated with any generic category of customer. The results appear in Table 10.

Table 10

Measures of Small Business Problem Importance by Primary Customer

	One/Two Firms n = 295			One/Two Industries n = 321			Business in General n = 838			The Public n = 1849			Govern/Non-Profits n = 121		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
1. Cost of Health Insurance	1	1.91	51.4	1	1.78	52.8	1	1.83	59.0	1	1.99	57.2	1	1.93	49.2
2. Cost of Natural Gas, Propane, Gasoline, Diesel, Fuel Oil	2	2.21	42.5	2	2.42	40.7	2	2.51	40.9	2	2.39	44.0	2	2.50	32.2
3. Federal Taxes on Business Income	3	2.99	26.2	3	2.87	25.1	3	2.96	25.1	4	3.03	24.7	3	2.83	28.1
4. Property Taxes (Real, Inventory or Personal Property)	6	3.24	21.3	8	3.14	21.6	5	3.11	23.7	3	2.99	27.3	11	3.41	20.2
5. Tax Complexity	8	3.28	19.2	4	3.04	21.0	4	3.07	23.4	6	3.16	23.0	5	2.98	26.4
6. Unreasonable Government Regulations	7	3.26	18.1	5	3.07	21.3	6	3.13	19.9	10	3.34	21.0	6	3.12	22.3
7. State Taxes on Business Income	11	3.36	16.5	6	3.10	20.0	7	3.14	21.4	8	3.30	22.3	7	3.19	25.0
8. Cost of Supplies/Inventories	10	3.34	15.8	9	3.15	18.6	9	3.37	15.4	7	3.19	18.6	16	3.69	8.3
9. Electricity Costs (Rates)	13	3.47	12.7	10	3.25	14.8	11	3.44	12.3	5	3.13	19.6	24	3.90	6.7
10. Workers' Compensation Costs	4	3.04	26.5	11	3.34	19.5	8	3.14	24.7	11	3.38	23.9	8	3.22	23.5
11. Cash Flow	9	3.34	18.2	15	3.48	18.9	12	3.46	19.9	9	3.30	21.5	9	3.27	24.2
12. Locating Qualified Workers	12	3.45	17.6	7	3.11	21.1	10	3.44	20.6	14	3.49	20.2	4	2.95	30.5
13. Cost and Availability of Liability Insurance	5	3.23	20.5	14	3.43	17.8	13	3.49	16.8	12	3.41	20.5	18	3.73	13.4
14. Poor Earnings (Profits)	19	3.75	15.7	24	3.78	13.9	19	3.75	14.3	13	3.43	20.2	29	3.97	10.8
15. Frequent Changes in Federal Tax Laws and Rules	15	3.67	12.0	13	3.42	13.9	14	3.60	13.2	17	3.64	16.2	13	3.58	16.0
16. Fixed Costs Too High	14	3.65	12.1	18	3.64	10.3	16	3.65	12.0	16	3.55	15.4	20	3.86	5.1
17. Finding and Keeping Skilled Employees	16	3.72	14.8	12	3.39	19.3	18	3.75	16.3	20	3.77	17.4	10	3.40	23.7
18. Federal Paperwork	17	3.73	12.3	17	3.60	11.1	15	3.64	12.3	19	3.74	12.4	14	3.61	15.0
19. FICA (Social Security Taxes)	18	3.75	8.6	22	3.71	8.3	17	3.67	13.3	18	3.68	13.8	17	3.71	19.3

Table 10 continued

Measures of Small Business Problem Importance by Primary Customer

	One/Two Firms n = 295			One/Two Industries n = 321			Business in General n = 838			The Public n = 1849			Govern/Non-Profits n = 121		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
20. Projecting Future Sales Changes	23	3.82	7.2	16	3.50	8.8	21	3.76	7.1	21	3.77	9.9	15	3.65	9.2
21. State/Local Paperwork	25	3.92	6.6	21	3.69	9.5	20	3.76	10.8	22	3.78	10.4	12	3.52	11.7
22. Highly Variable Earnings (Profits)	21	3.80	9.4	19	3.68	10.9	25	3.91	9.9	25	3.89	11.0	26	3.91	11.7
23. Controlling My Own Time	28	4.01	12.4	23	3.74	12.6	28	4.02	11.3	24	3.87	13.2	25	3.91	14.7
24. Telephone Costs and Service	31	4.12	4.5	38	4.20	3.5	29	4.04	5.1	23	3.81	9.8	33	4.05	6.6
25. Cost of Outside Business Services, e.g., Accountants, Lawyers, Consultants	24	3.91	5.8	27	3.91	5.4	26	3.91	8.4	28	3.97	9.2	23	3.89	11.7
26. Unemployment Compensation	26	3.95	11.7	33	3.98	8.3	22	3.77	11.2	33	4.04	11.9	21	3.87	9.9
27. Dealing With IRS/State Tax Agencies	30	4.05	8.2	29	3.93	8.2	24	3.91	11.3	26	3.94	11.7	30	4.01	10.7
28. Ability to Cost-Effectively Advertise	54	4.90	3.8	53	4.61	4.1	45	4.33	5.8	15	3.51	15.4	41	4.32	8.4
29. Competition From Large Businesses	34	4.15	9.2	26	3.84	11.1	27	4.00	10.6	30	3.99	14.4	22	3.88	17.5
30. Pricing My Goods/Services	27	3.97	8.5	28	3.93	7.3	31	4.12	6.9	34	4.08	8.5	27	3.97	9.3
31. Reducing Energy Use in a Cost-Effective Manner	37	4.23	7.2	35	4.06	7.7	36	4.17	6.9	27	3.97	9.5	52	4.68	2.5
32. Interest Rates	29	4.04	10.3	41	4.26	7.3	30	4.12	8.0	32	4.03	10.6	37	4.17	8.5
33. Physical Facilities Costs, Such as Rent/Mortgage/Maintenance	39	4.27	6.6	39	4.22	7.0	33	4.15	8.5	29	3.99	10.9	46	4.47	4.2
34. Death (Estate) Taxes	22	3.81	23.3	25	3.78	21.0	23	3.86	21.9	38	4.33	17.7	32	4.03	22.9
35. Poor Sales	44	4.47	9.3	49	4.44	10.1	42	4.27	11.0	31	4.01	14.4	47	4.51	9.2
36. Locating Business Help When Needed	40	4.34	6.9	40	4.24	5.2	37	4.17	10.3	35	4.17	10.0	38	4.18	8.4
37. Applications for Licenses, Permits, etc.	36	4.22	7.5	42	4.29	5.8	34	4.15	9.2	36	4.21	10.0	45	4.45	7.4

Table 10 continued

Measures of Small Business Problem Importance by Primary Customer

	One/Two Firms n = 295			One/Two Industries n = 321			Business in General n = 838			The Public n = 1849			Govern/Non-Profits n = 121		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
38. Finding Out About Regulatory Requirements	35	4.19	5.1	30	3.93	6.3	39	4.22	5.4	37	4.32	6.9	28	3.97	8.3
39. Cost of Government Required Equipment/ Procedures	38	4.26	9.0	34	4.04	9.3	38	4.20	7.7	39	4.35	9.1	31	4.03	7.4
40. Health/Safety Regulations	32	4.13	7.3	36	4.06	9.9	35	4.16	10.0	41	4.39	8.9	43	4.39	2.5
41. Training Employees	43	4.43	4.5	37	4.13	5.7	41	4.23	7.2	40	4.38	6.6	34	4.07	8.4
42. Hiring/Firing/Employment Regulations	41	4.36	5.5	31	3.97	9.1	40	4.23	6.6	43	4.43	6.9	36	4.15	8.3
43. Sales Too Dependent on Health of One Business or Industry	20	3.78	14.0	20	3.68	11.6	47	4.36	7.8	47	4.58	9.0	39	4.18	6.8
44. Keeping Up on Business and Market Developments	47	4.57	3.2	43	4.35	3.1	44	4.31	4.0	42	4.40	5.2	35	4.13	5.9
45. Delinquent Accounts/Customer Financing	46	4.56	4.5	47	4.37	6.9	32	4.12	9.9	45	4.51	8.6	40	4.26	10.8
46. Frequency of Tax Withholding Deposits	42	4.42	5.7	44	4.35	7.0	46	4.34	7.8	44	4.48	7.3	42	4.38	6.7
47. Environmental Regulations	33	4.14	8.6	32	3.97	11.3	43	4.27	8.5	48	4.62	7.8	51	4.64	2.5
48. Using Computer(s), the Internet or New Technology Effectively	57	4.92	3.1	50	4.46	4.8	49	4.59	6.0	50	4.67	5.9	50	4.62	7.7
49. Handling Business Growth	45	4.48	2.1	46	4.36	5.1	48	4.56	3.2	55	4.84	3.4	44	4.45	3.4
50. Getting Information on Government Business Assistance Programs	61	5.03	3.5	57	4.78	4.1	55	4.75	4.5	49	4.62	8.1	61	4.92	5.0
51. Employee Turnover	49	4.73	7.2	52	4.61	7.3	64	4.91	5.5	51	4.69	7.7	49	4.56	8.4
52. Rules on Retirement Plans	51	4.81	3.4	51	4.54	4.1	52	4.63	5.1	54	4.81	5.8	48	4.52	5.9
53. Minimum Wage/"Living" Wage	60	4.94	5.5	66	5.04	4.8	65	4.93	6.8	46	4.55	11.4	67	5.22	3.4

Table 10 continued

Measures of Small Business Problem Importance by Primary Customer

	One/Two Firms n = 295			One/Two Industries n = 321			Business in General n = 838			The Public n = 1849			Govern/Non-Profits n = 121		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
54. Zoning/Land Use Regulations	50	4.77	6.8	59	4.83	6.4	54	4.72	7.4	53	4.75	8.5	66	5.19	5.0
55. Aging Workforce	48	4.57	5.8	45	4.36	6.0	51	4.63	4.1	61	5.04	3.9	57	4.77	5.0
56. Bad Debts (Not Delinquencies) and/or Bankruptcies	64	5.05	5.5	60	4.85	4.8	50	4.63	6.0	57	4.88	6.2	55	4.75	7.6
57. Crime, Including Identity Theft, Shoplifting, etc.	58	4.93	5.5	61	4.86	4.4	62	4.90	5.4	52	4.74	7.4	64	5.15	8.4
58. Traffic, Congestion, Parking, Highways	52	4.82	8.6	55	4.74	8.5	53	4.72	7.0	60	4.96	6.3	54	4.71	9.2
59. Anti-Competitive Practices, e.g., Price Fixing	62	5.03	4.2	56	4.77	6.0	60	4.85	4.8	56	4.86	8.2	63	4.98	8.3
60. Mandatory Family or Sick Leave	55	4.91	6.9	58	4.81	5.8	56	4.80	8.9	59	4.94	8.1	53	4.71	10.3
61. Getting Useful Business Information	56	4.91	2.1	54	4.64	1.9	63	4.90	2.3	58	4.92	2.9	58	4.77	0.8
62. Protecting Intellectual Property	53	4.85	5.2	65	5.04	3.9	61	4.88	4.6	62	5.04	5.3	60	4.87	3.4
63. False Insurance Claims, Such as for Workers' Comp and UC	59	4.94	6.9	63	4.92	7.5	59	4.85	9.2	67	5.19	7.4	56	4.75	9.2
64. Solid and Hazardous Waste Disposal	67	5.21	3.4	67	5.10	4.4	66	4.99	5.0	64	5.07	5.5	69	5.35	0.8
65. Costs and Frequency of Law Suits/ Threatened Suits	71	5.27	6.9	68	5.15	4.1	67	5.01	6.8	66	5.16	8.0	59	4.87	6.7
66. Competition From Imported Products	63	5.04	6.9	48	4.42	13.1	58	4.83	10.5	72	5.38	7.7	74	5.66	4.2
67. Credit Rating/Record Errors	70	5.26	4.8	72	5.35	1.6	70	5.16	3.7	65	5.09	5.8	62	4.97	5.0
68. Increased National Security Requirements	69	5.26	2.1	64	5.02	3.5	68	5.07	3.3	70	5.30	3.5	68	5.30	2.5
69. Competition From Internet Businesses	75	6.00	1.4	73	5.48	2.5	71	5.22	4.2	63	5.05	6.8	71	5.53	3.3
70. Undocumented Workers (Illegal Aliens)	66	5.18	12.5	69	5.27	8.5	69	5.11	11.8	71	5.34	11.4	65	5.15	12.6

Table 10 continued

Measures of Small Business Problem Importance by Primary Customer

	One/Two Firms n = 295			One/Two Industries n = 321			Business in General n = 838			The Public n = 1849			Govern/Non-Profits n = 121		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
71. Winning Contracts From Federal/State/ Local Governments	65	5.18	5.6	62	4.91	6.0	57	4.81	6.5	74	5.64	4.2	19	3.86	17.5
72. Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans	68	5.25	5.2	70	5.29	6.7	72	5.28	4.9	68	5.27	5.2	70	5.46	3.3
73. Obtaining Long-Term (5 Years or More) Business Loans	72	5.29	4.5	71	5.31	5.0	73	5.29	5.0	69	5.28	6.0	73	5.64	1.7
74. Access to High-Speed Internet	73	5.54	4.5	74	5.53	5.1	74	5.57	5.1	73	5.63	6.0	72	5.59	8.6
75. Exporting My Products/Services	74	5.91	1.8	75	5.65	2.6	75	5.87	1.9	75	6.28	1.7	75	6.17	2.6

About half the respondents claim they sell primarily to the general public, one-quarter sell primarily to businesses in general, 9 percent each sell primarily to one or two industries and one or two businesses, and 4 percent sell primarily to the government or non-profits.

Owners who sell to one or two firms, or to one or two industries, are more concerned about dependence and being a captive than others. Illustrative is the problem "Sales Too Dependent on Health of One Business or Industry." The problem ranks 14th to 20th for owners in these two groups compared to 43rd in the overall population. These owners are also modestly more troubled by "Protecting Intellectual Property." There are two possible reasons for this elevated fear. The first is that small business innovators are more often found in industries that have specialized products for specialized markets. Or, the close association among a limited number of firms presents greater opportunity for infringement on intellectual property rights. The data offer no hint as to which is more likely.

Many owners who sell primarily to one or two businesses or industries worry about "Death (Estate) Taxes." The problem ranks 22nd for this group versus 34th for the population and is a critical to almost one-quarter of owners. The ranking suggests these businesses are more asset heavy and larger than those who focus primarily on other markets. That also explains the position of "Workers' Compensation Costs" and "Environmental Regulations."

"Workers' Compensation Costs" ranks 4th for owners of businesses with customers in one or two firms or industries compared to 10th in the general population. The WC problem is critical to 27 percent of owners. As with owners who sell to one or two firms, or one or two industries, "Environmental Regulations" bothers the first two groups of owners in Table 10 much more than average. The problem ranks about 15 positions higher than the 47th ranking across the population.

Those who sell primarily to the business public or to business in general appear to do better than those who sell primarily to the public in general. For example, they rank "Poor Sales" 42nd compared to 29th overall. But, the category has few problems that distinguish it. The largest gap it generates with others is "Employee Turnover." The problem ranks 64th for owners of businesses selling primarily to other businesses compared to 45th overall. Similarly, the former rank "Minimum Wage/'Living' Wage" 65th compared to the latter's 47th. These data suggest a satisfied labor force.

Three other problems fit the group under discussion. "Delinquent Account/Customer Financing" is a more severe problem for those selling primarily to businesses in general just as it was for wholesalers, 32nd versus 39th. There is obvious overlap between the two groups. "Ability to Cost-Effectively Advertise" is also a lesser problem for those selling to businesses in general, 45th versus 22nd. Owners with business customers in general therefore either do little advertising or are able to target it much better than those dealing with the general public.

For the majority of firms that sell directly to the public, there are few differences from the overall pattern of concerns produced in Table 1. Part of the reason is mathematics. Since over half come from the group, it has a very large influence on the total. Still, the "Ability to Cost-Effectively Advertise" ranks 15th compared to 28th for the population. Advertising is important to this group because it is one of the few ways it can hope to reach its market. The owners of businesses that sell primarily to the public are also somewhat more troubled by "Minimum Wage/'Living' Wage" issues. They rank the problem 46th compared to 53rd in the population. While the issue of crime is a few positions higher for this group, most other problems are comparable in rank with the overall population.

A small minority of firms sell principally to government agencies or non-profit organizations, such as public schools. "Winning Contracts from Federal/State/Local Governments"

is the 19th highest ranking problem for this group compared to a population ranking of 71st. This result suggests that a firm either does lots of government contracting or none at all. The "Cost of Government Required Equipment" ranks 31st by these owners compared with 39th in the population. The result suggests added costs to do business with government. The same comment is applicable to "Finding and Keeping Skilled Employees" which ranks 10th for this group, but 17th in the population. Because of the short-term nature of most contract work, the problem is critical to almost one-quarter of owners who primarily do government work. The need for skilled employees fluctuates with the availability of contract funds. Thus, "Locating Qualified Workers" ranks 4th for this group and is a critical problem for 31 percent of its owners.

"Unemployment Compensation" and "Finding Out About Regulations" also ranks somewhat higher than average for government contractors. The former reflects the transitory nature of many government contracts. The latter reflects the need to understand the myriad of applicable regulations in bidding on and doing government work.

Readiness to Adopt New Business Practices or Technologies

Business owners operate in a world of constant change. The ability to adapt to that change is often, but not always, correlated with success. In addition, the speed of that adaptation can be crucial, depending upon many factors: personal attitude toward change, the availability of funds, the rate of technical change in the industry, the amount of time spent by the owner, and the past financial success of the business.

About 10 percent of all small firms innovate on a regular basis and about 42 percent introduced a new product or service within the past year (NFIB, *National Small Business Poll*, Innovation). However, many owners do not want to change unless they absolutely must. Others want to be among the first to adopt new technologies because they believe it provides them a competitive advantage. But innovation does not just come from owners. Most recognize potential employee contributions and encourage their employees to make suggestions. Small business owners may even have a reward or incentive program for ideas that are implemented and/or save money.

The typology used in Table 11 indicates that success and adoption of new technologies are not always related. The speed of adoption is measured using Rogers and Shoemaker's *The Communication of Innovation*. The study asks business owners, "How would you describe yourself?" The answers are: 1) "I attempt to be the first to try new things;" 2) "When a new idea shows promise, I jump on before most others do;" 3) "When the 'big names' use it, I am ready to try;" 4) "I use what is widely accepted and understood;" and 5) "If the current stuff works, I am not going to mess with it."

The survey presented several potential business problems that are related to the acceptance of technology. They include: "Using Computer(s), the Internet or New Technology Effectively," "Keeping Up on Business and Market Developments," "Access to High-Speed Internet," "Cost of Outside Business Services, e.g., Accountants, Lawyers, Consultants," "Locating Business Help When Needed, e.g., Accountants, Lawyers, Consultants" and "Competition From Internet Businesses." Yet, no clear problem patterns emerge across the five levels of technology adopters for most of these problems. Owners in each category of technological adoption evaluate each in a similar manner. The exception is "Locating Business Help When Needed, e.g., Accountants, Lawyers, Consultants" which ranks 21st, 24th, 25th, 27th, and 32nd from the most adaptive to the least.

However, "Getting Information on Government Programs" declines in importance as the pattern of technology adoption slows. It ranks 39th for the earliest adopters, but levels at

Table 11

Measures of Small Business Problem Importance by Readiness to Adopt New Business Practices or Technologies

	First to Try n = 209			Try Before Most n = 1004			Used by "Big Names" n = 253			Widely Accepted n = 1469			No Change if Works n = 453		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
1. Cost of Health Insurance	1	1.87	58.6	1	1.85	55.5	1	1.80	56.7	1	2.00	55.2	1	1.91	60.3
2. Cost of Natural Gas, Propane, Gasoline, Diesel, Fuel Oil	2	2.27	51.5	2	2.54	36.3	2	2.34	40.4	2	2.44	41.5	2	2.21	51.7
3. Federal Taxes on Business Income	4	2.80	34.0	3	3.01	22.9	3	3.11	19.1	3	3.00	24.1	3	3.02	29.1
4. Property Taxes (Real, Inventory or Personal Property)	3	2.76	33.0	4	3.06	25.0	5	3.22	18.0	4	3.10	23.7	5	3.11	29.5
5. Tax Complexity	8	2.93	28.6	5	3.11	21.9	4	3.16	21.1	5	3.19	21.6	4	3.07	25.5
6. Unreasonable Government Regulations	7	2.91	31.5	6	3.15	19.9	9	3.31	13.6	9	3.34	19.5	11	3.34	22.8
7. State Taxes on Business Income	9	3.05	29.7	8	3.23	20.9	12	3.41	15.5	6	3.27	20.6	8	3.29	22.9
8. Cost of Supplies/Inventories	10	3.09	23.5	10	3.27	15.9	7	3.25	14.9	7	3.28	16.1	7	3.26	21.5
9. Electricity Costs (Rates)	5	2.80	28.9	11	3.30	12.3	8	3.31	12.0	10	3.36	16.0	6	3.15	21.9
10. Workers' Compensation Costs	11	3.24	27.9	7	3.22	21.7	6	3.22	18.9	8	3.33	23.1	10	3.31	29.7
11. Cash Flow	6	2.91	29.6	12	3.33	19.9	11	3.33	20.2	11	3.45	18.4	12	3.44	24.1
12. Locating Qualified Workers	13	3.34	24.4	9	3.27	23.1	10	3.32	16.4	13	3.48	18.9	16	3.66	20.4
13. Cost and Availability of Liability Insurance	12	3.25	24.7	13	3.47	17.0	16	3.68	12.9	12	3.47	18.4	9	3.31	22.6
14. Poor Earnings (Profits)	14	3.35	21.3	17	3.68	15.2	17	3.68	14.6	14	3.62	17.4	13	3.48	19.8
15. Frequent Changes in Federal Tax Laws and Rules	16	3.37	25.6	15	3.60	12.8	19	3.69	10.5	16	3.66	13.8	15	3.59	18.3
16. Fixed Costs Too High	17	3.39	19.2	16	3.62	12.7	13	3.53	12.4	15	3.65	12.3	14	3.59	15.5
17. Finding and Keeping Skilled Employees	27	3.78	21.8	14	3.56	17.6	14	3.54	15.3	19	3.76	17.6	20	3.89	15.7
18. Federal Paperwork	19	3.50	20.1	21	3.73	9.1	21	3.76	11.2	18	3.70	12.5	19	3.75	15.2
19. FICA (Social Security Taxes)	22	3.56	18.1	19	3.70	11.4	27	3.92	8.1	17	3.70	12.6	17	3.68	17.2

Table 11 continued

Measures of Small Business Problem Importance by Readiness to Adopt New Business Practices or Technologies

	First to Try n = 209			Try Before Most n = 1004			Used by "Big Names" n = 253			Widely Accepted n = 1469			No Change if Works n = 453		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
20. Projecting Future Sales Changes	20	3.51	13.3	18	3.69	8.0	15	3.61	10.0	20	3.78	7.8	22	4.04	10.2
21. State/Local Paperwork	18	3.47	18.5	20	3.72	8.7	31	3.96	5.6	21	3.85	9.2	18	3.72	13.6
22. Highly Variable Earnings (Profits)	38	4.04	11.1	22	3.74	10.0	24	3.79	11.6	23	3.96	9.6	21	3.95	13.2
23. Controlling My Own Time	32	3.90	17.3	23	3.80	11.6	20	3.74	9.7	24	3.97	12.8	26	4.08	13.4
24. Telephone Costs and Service	25	3.73	15.3	28	3.94	6.6	33	3.98	4.0	22	3.95	6.7	28	4.12	7.8
25. Cost of Outside Business Services, e.g., Accountants, Lawyers, Consultants	21	3.53	16.6	24	3.83	7.1	25	3.85	8.0	27	4.03	7.3	32	4.22	11.0
26. Unemployment Compensation	33	3.93	14.2	25	3.85	10.2	26	3.88	7.6	26	4.03	10.7	27	4.08	13.7
27. Dealing With IRS/State Tax Agencies	29	3.80	14.2	26	3.89	11.1	30	3.96	8.4	25	4.01	9.7	25	4.06	12.8
28. Ability to Cost-Effectively Advertise	15	3.36	18.6	27	3.90	9.7	22	3.77	10.8	29	4.07	9.9	38	4.38	9.5
29. Competition From Large Businesses	26	3.78	19.4	31	3.99	10.6	23	3.78	12.7	28	4.05	12.3	24	4.06	16.8
30. Pricing My Goods/Services	31	3.87	11.6	29	3.96	8.7	18	3.69	8.1	33	4.18	6.6	33	4.25	10.0
31. Reducing Energy Use in a Cost-Effective Manner	24	3.72	15.2	32	4.01	7.0	32	3.97	8.8	35	4.22	7.1	29	4.13	10.3
32. Interest Rates	23	3.63	17.0	34	4.06	8.7	35	4.04	8.0	32	4.18	7.9	31	4.17	12.0
33. Physical Facilities Costs, Such as Rent/ Mortgage/Maintenance	30	3.83	15.3	30	3.99	8.5	28	3.92	8.4	31	4.18	8.1	36	4.30	11.3
34. Death (Estate) Taxes	42	4.12	22.5	33	4.05	18.2	29	3.93	16.9	34	4.20	19.3	23	4.05	23.5
35. Poor Sales	36	4.00	16.8	43	4.24	11.1	39	4.17	11.2	30	4.16	12.2	30	4.17	15.5
36. Locating Business Help When Needed	35	3.99	13.9	39	4.17	8.7	37	4.15	6.0	36	4.24	9.1	35	4.28	9.1
37. Applications for Licenses, Permits, etc.	28	3.79	16.0	41	4.20	8.2	45	4.33	4.0	37	4.27	8.1	34	4.27	12.6

Table 11 continued

Measures of Small Business Problem Importance by Readiness to Adopt New Business Practices or Technologies

	First to Try n = 209			Try Before Most n = 1004			Used by "Big Names" n = 253			Widely Accepted n = 1469			No Change if Works n = 453		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
38. Finding Out About Regulatory Requirements	41	4.12	11.4	35	4.09	6.0	40	4.17	6.4	39	4.31	5.4	40	4.48	6.6
39. Cost of Government Required Equipment/Procedures	34	3.99	13.6	38	4.17	8.7	44	4.28	7.3	40	4.32	7.6	41	4.49	9.0
40. Health/Safety Regulations	45	4.32	10.9	42	4.22	7.5	36	4.08	7.7	38	4.29	9.1	39	4.43	10.9
41. Training Employees	44	4.14	9.5	36	4.09	6.6	34	4.00	7.6	43	4.42	6.0	47	4.66	6.8
42. Hiring/Firing/Employment Regulations	46	4.33	10.1	37	4.16	6.6	38	4.16	6.0	42	4.41	6.5	43	4.54	7.5
43. Sales Too Dependent on Health of One Business or Industry	51	4.57	10.6	40	4.17	8.9	42	4.19	8.1	46	4.46	8.8	37	4.37	12.0
44. Keeping Up on Business and Market Developments	43	4.13	10.2	44	4.30	3.3	41	4.18	6.0	41	4.40	4.1	49	4.70	5.0
45. Delinquent Accounts/Customer Financing	37	4.02	15.8	45	4.32	7.3	43	4.22	9.6	47	4.50	6.9	46	4.63	9.9
46. Frequency of Tax Withholding Deposits	40	4.08	12.7	47	4.40	6.5	54	4.58	6.8	45	4.44	6.5	42	4.52	9.1
47. Environmental Regulations	47	4.42	10.0	46	4.38	7.2	46	4.36	7.8	44	4.44	8.1	44	4.54	10.1
48. Using Computer(s), the Internet or New Technology Effectively	56	4.70	11.1	57	4.80	4.0	51	4.53	5.2	48	4.60	5.3	48	4.70	6.1
49. Handling Business Growth	48	4.44	6.7	48	4.49	3.2	48	4.42	3.2	52	4.81	2.7	57	5.03	4.6
50. Getting Information on Government Business Assistance Programs	39	4.04	16.6	51	4.62	5.4	49	4.49	6.0	55	4.86	4.8	54	4.96	7.1
51. Employee Turnover	64	4.82	6.5	49	4.58	6.9	55	4.61	10.0	49	4.77	6.9	53	4.94	7.4
52. Rules on Retirement Plans	60	4.78	8.1	50	4.60	5.0	50	4.50	5.7	51	4.80	4.9	56	4.97	6.2
53. Minimum Wage/"Living" Wage	58	4.73	13.1	59	4.82	7.4	47	4.41	8.8	54	4.85	7.9	45	4.55	11.9

Table 11 continued

Measures of Small Business Problem Importance by Readiness to Adopt New Business Practices or Technologies

	First to Try n = 209			Try Before Most n = 1004			Used by "Big Names" n = 253			Widely Accepted n = 1469			No Change if Works n = 453		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
54. Zoning/Land Use Regulations	50	4.51	13.3	52	4.72	7.1	56	4.63	4.8	53	4.82	7.5	52	4.89	9.3
55. Aging Workforce	69	4.91	8.0	58	4.81	3.3	52	4.56	3.6	50	4.80	4.4	60	5.05	5.0
56. Bad Debts (Not Delinquencies) and/or Bankruptcies	52	4.59	13.3	53	4.74	6.4	58	4.74	4.0	57	4.90	4.8	59	5.05	5.9
57. Crime, Including Identity Theft, Shoplifting, etc.	49	4.46	11.8	56	4.80	4.6	60	4.86	5.2	58	4.91	5.7	51	4.86	9.0
58. Traffic, Congestion, Parking, Highways	54	4.62	12.4	61	4.86	5.5	59	4.84	7.6	56	4.89	6.9	55	4.97	7.2
59. Anti-Competitive Practices, e.g., Price Fixing	59	4.76	10.6	60	4.85	7.2	57	4.69	5.2	59	4.96	5.6	50	4.85	9.1
60. Mandatory Family or Sick Leave	53	4.61	14.0	54	4.75	7.9	61	4.89	5.7	60	4.97	7.3	58	5.04	8.8
61. Getting Useful Business Information	55	4.64	4.5	55	4.75	2.0	53	4.56	2.8	61	4.99	2.4	64	5.18	2.3
62. Protecting Intellectual Property	71	5.03	3.6	62	4.88	5.3	65	5.00	3.3	62	5.02	4.8	61	5.08	4.3
63. False Insurance Claims, Such as for Workers' Comp and UC	62	4.79	12.2	63	5.00	7.0	62	4.90	6.4	63	5.08	7.4	65	5.19	9.1
64. Solid and Hazardous Waste Disposal	73	5.06	5.5	65	5.06	3.4	64	4.95	4.8	64	5.13	5.0	62	5.12	6.4
65. Costs and Frequency of Law Suits/ Threatened Suits	68	4.89	9.9	64	5.04	6.4	63	4.92	6.8	67	5.21	7.0	66	5.20	9.1
66. Competition From Imported Products	67	4.88	13.0	66	5.08	8.5	72	5.22	6.0	65	5.16	7.9	67	5.22	11.6
67. Credit Rating/Record Errors	61	4.78	10.4	70	5.17	4.0	68	5.15	4.0	66	5.18	3.9	63	5.17	5.9
68. Increased National Security Requirements	66	4.84	7.1	71	5.22	2.7	66	5.02	3.2	68	5.25	2.9	69	5.35	3.4
69. Competition From Internet Businesses	72	5.06	9.5	68	5.13	4.9	69	5.18	4.0	69	5.26	4.6	72	5.53	6.8
70. Undocumented Workers (Illegal Aliens)	57	4.73	21.3	73	5.26	10.0	67	5.15	12.7	70	5.30	10.8	71	5.47	11.1

Table 11 continued

Measures of Small Business Problem Importance by Readiness to Adopt New Business Practices or Technologies

	First to Try n = 209			Try Before Most n = 1004			Used by "Big Names" n = 253			Widely Accepted n = 1469			No Change if Works n = 453		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
71. Winning Contracts From Federal/State/ Local Governments	70	4.98	9.0	67	5.12	5.7	70	5.21	4.9	71	5.33	5.0	73	5.60	5.1
72. Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans	65	4.82	11.7	69	5.15	5.0	73	5.31	4.0	72	5.43	3.8	68	5.34	6.6
73. Obtaining Long-Term (5 Years or More) Business Loans	63	4.81	11.4	72	5.23	4.5	71	5.22	4.8	73	5.44	4.4	70	5.40	6.5
74. Access to High-Speed Internet	74	5.54	8.2	74	5.55	5.8	74	5.49	6.0	74	5.62	5.2	74	5.90	3.6
75. Exporting My Products/Services	75	5.76	5.2	75	6.07	1.1	75	5.93	2.5	75	6.13	1.6	75	6.28	2.1

the 50th position for everyone else. The problem is also critical for about 17 percent of first adopters. Owners of these firms are likely to be seeking even more technology and/or financial support, including tax breaks, to help finance it. Early adopters are also likely to innovate themselves and look to participate in government technology programs or grants or to sell their innovations to government.

Several problems whose rankings across technology adoption classes resemble an inverted "U" shape. In this case, the rank of a problem falls, increases arithmetically, as the speed of technology adoption falls. Earlier adopters therefore have more with those most reticent to change with respect to these problems than they do with those in the middle. Examples include, "Crime, Including Identity Theft, Shoplifting, etc." which owners from the most adaptive to the least rank 49th, 56th, 60th, 58th, and 51st. Similarly, "Applications for Licenses, Permits" ranks 28th, 41st, 45th, 37th, and 34th. And, "State/Local Paperwork" ranks 18th, 20th, 31st, 21st, and 18th. However, the common interest between the most adaptive and the least adaptive is not clear.

Years of Ownership

Owner problems also vary by years of ownership. Once a business passes from a new business to a more established one, additional years of ownership mean comparatively little in terms of business problems. The differentials in problem ranking occur primarily between owners of new businesses and those who own more mature businesses (see Table 12). For example, when a new owner first begins operations the "Cash Flow" and "Poor Sales" problems are more common. As the firm ages, these problems generally decline in importance and other more complex problems, often related to regulations or taxes, become relatively more important.

"Cash Flow" is the fourth highest ranking business problem for those who have owned their firms less than four years. The problem becomes less important as firms age. It ranks 14th for those who have owned their firm for more than 20 years. Similarly, "Poor Sales" declines in importance from 30th for new business owners to 39th for those with the oldest firms. "Ability to Cost-Effectively Advertise" declines rapidly in importance as the firm ages, from the 6th highest ranking for new firms to the 35th ranking for owners of firms more than 20 years old. The former is seeking to establish a market and the latter likely has one.

"Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans" also drops from the 47th position for firms less than four years old to 72nd for firms more than 20 years old. The same general pattern holds for longer-term financing. While small business loans are increasingly credit scored using business as well as personal experience, young firms are likely to carry more debt and have fewer assets. In addition, they carry the liability of newness. Survival is substantially more precarious early in a business's life than after it is established.

An entire list of problems related to obtaining information, including information from government, seems to bother new business owners compared to the more experienced. The issue may be where to obtain information or frustration with the time it takes both to obtain and understand government requirements. For example, "Getting Useful Business Information" drops from the 43rd position for new business owners to 64th for those firms at least 20 years old; the population ranks it 61st. "Getting Information on Government Business Assistance Programs" drops from 31st for new business owners to 62nd for the oldest category of owners. Clearly there is a learning curve for many of these problems as well as perhaps a belief that more government assistance is available for new business owners than is actually the case.

The severity of many problems related to regulations is inversely related to the age of a firm. While part of this relationship may be a function of size and/or industry, the inverse

Table 12
Measures of Small Business Problem Importance by Years of Ownership

	< 4 Years n = 218			4 - 5 Years n = 182			6 - 10 Years n = 456			11 - 20 Years n = 892			> 20 Years n = 1731		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
1. Cost of Health Insurance	1	2.03	60.7	1	2.01	53.9	1	1.95	57.2	1	1.84	57.4	1	1.94	55.2
2. Cost of Natural Gas, Propane, Gasoline, Diesel, Fuel Oil	2	2.68	38.6	2	2.50	39.4	2	2.32	45.9	2	2.46	42.2	2	2.38	41.9
3. Federal Taxes on Business Income	3	2.78	31.3	3	2.95	24.4	3	2.96	27.9	3	3.00	24.5	3	3.04	23.9
4. Property Taxes (Real, Inventory or Personal Property)	11	3.40	22.1	6	3.21	22.9	4	3.09	24.0	4	3.02	26.1	4	3.04	25.2
5. Tax Complexity	9	3.20	23.9	8	3.25	22.1	5	3.15	22.5	5	3.04	24.1	6	3.15	22.0
6. Unreasonable Government Regulations	17	3.57	20.2	15	3.62	13.3	12	3.31	20.4	9	3.31	19.3	5	3.11	22.2
7. State Taxes on Business Income	5	2.90	31.9	10	3.30	21.0	6	3.18	22.0	6	3.19	21.5	10	3.34	19.7
8. Cost of Supplies/Inventories	7	3.16	20.4	5	3.07	18.9	8	3.21	18.2	11	3.33	16.0	8	3.28	16.7
9. Electricity Costs (Rates)	8	3.18	22.0	7	3.23	19.7	10	3.26	16.9	10	3.32	15.0	7	3.26	15.8
10. Workers' Compensation Costs	14	3.49	24.9	11	3.33	27.5	11	3.26	26.4	7	3.23	24.2	9	3.28	22.7
11. Cash Flow	4	2.84	34.9	4	2.98	28.9	7	3.19	21.3	8	3.25	21.9	14	3.59	16.9
12. Locating Qualified Workers	26	3.75	19.0	12	3.42	16.9	14	3.52	18.9	12	3.35	21.6	11	3.38	21.5
13. Cost and Availability of Liability Insurance	15	3.50	19.8	9	3.27	24.9	9	3.22	23.4	13	3.44	16.6	12	3.51	18.0
14. Poor Earnings (Profits)	10	3.23	22.4	13	3.61	20.2	16	3.63	16.5	15	3.63	16.9	17	3.62	16.6
15. Frequent Changes in Federal Tax Laws and Rules	23	3.69	17.0	18	3.67	14.4	19	3.70	14.3	14	3.59	14.8	13	3.58	14.9
16. Fixed Costs Too High	19	3.61	16.7	17	3.67	13.6	13	3.50	17.3	18	3.68	11.7	15	3.61	12.6
17. Finding and Keeping Skilled Employees	29	3.86	17.8	20	3.75	18.1	21	3.77	16.8	16	3.68	16.9	19	3.68	18.0
18. Federal Paperwork	27	3.78	12.1	30	4.01	11.7	22	3.80	11.1	20	3.73	12.8	16	3.62	12.5
19. FICA (Social Security Taxes)	18	3.59	19.0	21	3.76	12.9	15	3.55	16.7	19	3.70	11.8	21	3.76	11.5

Table 12 continued

Measures of Small Business Problem Importance by Years of Ownership

	< 4 Years n = 218			4 - 5 Years n = 182			6 - 10 Years n = 456			11 - 20 Years n = 892			> 20 Years n = 1731		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
20. Projecting Future Sales Changes	13	3.47	13.2	28	3.94	7.8	20	3.71	8.9	17	3.68	8.4	22	3.81	8.8
21. State/Local Paperwork	28	3.79	11.2	29	3.98	7.8	23	3.81	9.6	21	3.81	9.4	20	3.73	10.6
22. Highly Variable Earnings (Profits)	21	3.62	16.9	22	3.78	12.4	28	3.89	10.3	25	3.95	10.3	23	3.91	9.6
23. Controlling My Own Time	20	3.62	20.2	14	3.62	16.3	24	3.84	13.2	22	3.83	13.9	26	4.05	10.6
24. Telephone Costs and Service	25	3.71	11.1	19	3.72	10.0	17	3.66	8.0	28	4.01	6.9	29	4.06	6.6
25. Cost of Outside Business Services, e.g., Accountants, Lawyers, Consultants	22	3.64	15.2	23	3.87	10.0	29	3.91	9.6	26	3.99	7.1	25	3.98	7.9
26. Unemployment Compensation	33	3.97	15.5	34	4.16	8.4	31	3.97	10.6	24	3.92	10.1	24	3.95	11.9
27. Dealing With IRS/State Tax Agencies	24	3.70	16.6	26	3.92	12.9	26	3.86	11.1	23	3.91	11.1	28	4.05	9.7
28. Ability to Cost-Effectively Advertise	6	3.05	29.2	16	3.66	12.8	18	3.68	12.9	29	4.01	10.1	35	4.21	7.7
29. Competition From Large Businesses	12	3.45	21.8	31	4.03	10.2	25	3.86	14.0	30	4.04	10.7	31	4.08	12.5
30. Pricing My Goods/Services	32	3.94	11.3	25	3.92	11.2	32	3.99	7.9	32	4.08	7.6	33	4.13	7.6
31. Reducing Energy Use in a Cost-Effective Manner	35	4.02	9.0	39	4.30	8.9	36	4.17	8.1	31	4.08	7.6	27	4.05	8.2
32. Interest Rates	36	4.02	11.7	27	3.93	11.2	27	3.88	11.4	27	4.01	9.8	36	4.22	8.6
33. Physical Facilities Costs, Such as Rent/ Mortgage/Maintenance	16	3.56	17.5	24	3.89	11.2	30	3.93	11.9	33	4.10	8.3	40	4.24	7.9
34. Death (Estate) Taxes	65	5.18	9.4	60	5.02	8.4	48	4.56	14.6	38	4.25	18.4	18	3.67	24.6
35. Poor Sales	30	3.89	15.3	32	4.04	12.8	35	4.16	11.4	35	4.17	13.8	39	4.24	11.7
36. Locating Business Help When Needed	37	4.09	9.0	33	4.12	10.6	38	4.20	8.5	34	4.10	9.4	41	4.26	9.4
37. Applications for Licenses, Permits, etc.	34	3.98	12.7	38	4.29	8.3	37	4.19	9.7	37	4.25	8.5	38	4.23	8.6

TABLE 12 CONTINUED

MEASURES OF SMALL BUSINESS PROBLEM IMPORTANCE BY YEARS OF OWNERSHIP

	< 4 Years n = 218			4 - 5 Years n = 182			6 - 10 Years n = 456			11 - 20 Years n = 892			> 20 Years n = 1731		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
38. Finding Out About Regulatory Requirements	40	4.25	7.5	36	4.23	5.6	33	4.12	8.3	40	4.31	6.1	37	4.23	6.1
39. Cost of Government Required Equipment/Procedures	51	4.60	8.6	46	4.53	7.3	42	4.34	8.7	43	4.36	8.2	34	4.14	9.2
40. Health/Safety Regulations	52	4.61	10.8	51	4.77	5.1	47	4.48	6.0	42	4.32	8.8	32	4.11	10.0
41. Training Employees	49	4.55	7.6	45	4.51	6.3	40	4.32	6.2	36	4.21	6.8	43	4.31	6.3
42. Hiring/Firing/Employment Regulations	50	4.57	9.0	42	4.35	9.6	46	4.45	5.1	39	4.28	6.3	42	4.27	7.3
43. Sales Too Dependent on Health of One Business or Industry	46	4.49	12.9	44	4.38	9.1	43	4.35	9.7	41	4.32	8.8	44	4.37	8.9
44. Keeping Up on Business and Market Developments	38	4.13	7.5	41	4.34	2.2	39	4.29	6.1	46	4.42	4.2	45	4.42	4.3
45. Delinquent Accounts/Customer Financing	41	4.25	13.6	40	4.30	11.8	34	4.14	10.9	44	4.36	7.3	48	4.55	7.0
46. Frequency of Tax Withholding Deposits	39	4.23	10.5	35	4.19	9.6	45	4.40	8.2	45	4.40	7.4	46	4.50	6.3
47. Environmental Regulations	60	5.04	6.1	62	5.09	3.9	59	4.85	3.8	47	4.63	5.4	30	4.07	11.6
48. Using Computer(s), the Internet or New Technology Effectively	56	4.78	7.1	55	4.90	3.4	55	4.80	5.3	48	4.66	5.7	49	4.59	5.5
49. Handling Business Growth	42	4.26	8.1	37	4.24	2.3	44	4.38	6.0	49	4.67	3.1	58	4.87	2.3
50. Getting Information on Government Business Assistance Programs	31	3.92	16.8	43	4.36	9.6	41	4.33	9.2	52	4.71	5.3	62	4.98	4.4
51. Employee Turnover	54	4.71	10.7	47	4.53	10.7	52	4.74	6.4	51	4.71	7.1	52	4.76	6.5
52. Rules on Retirement Plans	62	5.05	6.0	59	4.99	2.3	53	4.77	5.3	50	4.70	5.3	50	4.66	5.5
53. Minimum Wage/"Living" Wage	45	4.39	14.2	49	4.63	9.0	58	4.84	8.3	53	4.72	10.2	54	4.80	7.6

Table 12 continued

Measures of Small Business Problem Importance by Years of Ownership

	< 4 Years n = 218			4 - 5 Years n = 182			6 - 10 Years n = 456			11 - 20 Years n = 892			> 20 Years n = 1731		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
54. Zoning/Land Use Regulations	61	5.04	6.5	56	4.91	7.9	54	4.79	5.8	55	4.83	6.4	51	4.67	9.4
55. Aging Workforce	71	5.35	3.3	72	5.40	0.6	69	5.17	3.1	62	4.97	3.2	47	4.53	5.8
56. Bad Debts (Not Delinquencies) and/or Bankruptcies	55	4.76	7.6	53	4.89	5.0	57	4.84	7.9	54	4.77	5.3	57	4.87	5.5
57. Crime, Including Identity Theft, Shoplifting, etc.	57	4.88	7.5	57	4.92	7.2	50	4.70	7.9	56	4.86	5.4	55	4.84	6.3
58. Traffic, Congestion, Parking, Highways	48	4.55	6.5	58	4.93	9.4	60	4.89	7.1	57	4.90	6.7	59	4.88	7.0
59. Anti-Competitive Practices, e.g., Price Fixing	53	4.67	10.3	64	5.11	5.1	51	4.72	7.2	59	4.91	5.7	60	4.91	7.0
60. Mandatory Family or Sick Leave	66	5.23	5.2	61	5.05	8.5	62	4.96	7.4	61	4.95	6.2	53	4.77	9.2
61. Getting Useful Business Information	43	4.33	4.7	48	4.61	3.9	49	4.68	4.0	58	4.91	2.2	64	5.03	1.9
62. Protecting Intellectual Property	59	4.98	6.2	63	5.09	3.5	61	4.94	5.0	60	4.92	5.2	63	5.02	4.7
63. False Insurance Claims, Such as for Workers' Comp and UC	73	5.49	6.1	65	5.19	6.8	65	5.06	8.7	64	5.04	6.6	61	4.96	8.5
64. Solid and Hazardous Waste Disposal	74	5.71	2.3	74	5.59	2.8	71	5.24	4.9	66	5.13	4.6	56	4.86	5.7
65. Costs and Frequency of Law Suits/ Threatened Suits	69	5.31	6.1	71	5.38	4.5	68	5.15	6.4	65	5.07	7.5	66	5.08	7.8
66. Competition From Imported Products	67	5.25	9.0	68	5.32	7.3	70	5.23	8.5	67	5.18	7.5	65	5.05	9.5
67. Credit Rating/Record Errors	58	4.95	6.5	52	4.78	5.6	56	4.81	8.3	63	5.02	4.2	71	5.37	3.6
68. Increased National Security Requirements	68	5.26	4.7	69	5.34	4.6	73	5.35	2.7	72	5.26	3.2	67	5.12	3.2
69. Competition From Internet Businesses	63	5.13	8.5	66	5.27	7.3	66	5.10	5.6	71	5.23	5.0	69	5.29	4.5
70. Undocumented Workers (Illegal Aliens)	70	5.32	10.7	67	5.28	13.4	72	5.32	11.9	68	5.18	11.7	68	5.28	10.8

TABLE 12 CONTINUED

MEASURES OF SMALL BUSINESS PROBLEM IMPORTANCE BY YEARS OF OWNERSHIP

	< 4 Years n = 218			4 - 5 Years n = 182			6 - 10 Years n = 456			11 - 20 Years n = 892			> 20 Years n = 1731		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
71. Winning Contracts From Federal/State/ Local Governments	64	5.18	5.2	70	5.35	5.1	67	5.14	6.5	69	5.21	4.2	70	5.34	5.9
72. Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans	47	4.50	14.5	54	4.89	7.3	64	5.05	6.3	70	5.21	4.5	72	5.54	3.7
73. Obtaining Long-Term (5 Years or More) Business Loans	44	4.33	18.4	50	4.77	9.5	63	4.98	6.7	73	5.29	5.0	73	5.61	2.8
74. Access to High-Speed Internet	72	5.39	7.7	73	5.53	7.8	74	5.71	4.0	74	5.59	6.4	74	5.63	5.3
75. Exporting My Products/Services	75	6.08	1.4	75	6.18	2.9	75	6.11	2.5	75	6.13	1.4	75	6.03	1.9

relationship with age is clear. Part of that is likely to be the increased awareness accompanying experience. For example, "Unreasonable Government Regulations" ranks 17th for owners of firms less than four years old and is critical for 20 percent. But, the problem is 5th for owners of firms more than 20 years old. However, it too is critical for about 20 percent. The population rank is 6th. "Health/Safety Regulations" ranks 52nd for owners of firms less than four years old, but 32nd for those more than 20 years old. "Environmental Regulations" ranks 60th for the former and 30th for the latter; the population rank is 47th. And, "Hiring/Firing Employment Regulations" ranks 50th for owners of firms less than four years old, and 39th for owners of firms 11 - 20 years old. The same pattern holds for "Solid and Hazardous Waste Disposal," 74th to 56th as the business ages.

Finally, many owner problems that one thinks should be related to age are not. For example, "Tax Complexity" varies between 6th and 9th position, depending upon firm age. The use of tax professionals by all business owners likely mitigates any potentially age-related problem. "Projecting Future Sales Changes" should be a problem influenced by experience and it is, particularly between owners of the youngest who rank it 16th and owners of those in the 4 – 5 years category who rank it 28th. But owners of firms older than five years are more likely to evaluate it as a low to mid-20s problem. "Locating Business Help When Needed," another potential problem presumably tied to age and experience shows no relationship. And, "Handling Business Growth" exhibits more of a two step rather than a linear pattern, a more serious problem for those under 20 years and less for those over. However, there is some relationship with owners of younger firms finding growth a greater problem.

Nativity of the Owner

Table 13, new in the 2004 edition of *Problems and Priorities*, shows the ranking of problems by business owner nativity status in 2008. It is particularly timely given the country's divisive debate over immigration policy. The three columns in Table 13 refer to problems ranked by "Native" born American owner (first column), "First Generation" owners (second column), and "Immigrant" owned businesses (last column). The most interesting information is contained in the second column, but immigrant owners and native born owners also have some specific concerns.

Few differences stand out among these groups of owners. The problems that are either more bothersome to native or immigrant owners are generally somewhat less bothersome to first generation owners and vice versa. What accounts for these differing sensitivities however is not entirely clear. But the message these data shout is that the differences for all intents and purposes are minor.

The most important exception is "Locating Qualified Workers" which ranks 3rd among immigrant owners and is critical for one-third of them. Yet, the problem ranks 12th across the population. Similarly, "Finding and Keeping Skilled Employees" ranks 7th for this group and is critical for one-quarter of owners. It ranks 17th across the population. One potential explanation is that immigrant business owners have higher expectations for employees than do those who have been in the United States for their life-times. Another potential cause is that their businesses are ethnic and hire immigrant labor, much of which has not had the level of formal education typically found in the United States. The difference could also represent communication difficulties, yet other employee problems such as "Employee Turnover" do not yield such differences.

Immigrant entrepreneurs are also much less interested in the "Estate (Death) Tax," 60th compared to 33rd. Since immigrants are in the process of establishing their business rather than having an already established business, their relative lack of concern over the tax is natural.

Table 13
Measures of Small Business Problem Importance by Nativity of the Owner

Problem	Native n = 3115			First Generation n = 137			Immigrant n = 72		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
1. Cost of Health Insurance	1	1.91	56.4	1	2.09	54.1	1	1.93	54.9
2. Cost of Natural Gas, Propane, Gasoline, Diesel, Fuel Oil	2	2.38	42.5	2	2.82	41.9	2	2.51	34.3
3. Federal Taxes on Business Income	3	2.97	25.4	8	3.39	15.9	4	2.93	25.7
4. Property Taxes (Real, Inventory or Personal Property)	4	3.06	25.0	3	3.18	29.6	13	3.32	22.5
5. Tax Complexity	5	3.12	22.9	4	3.26	22.0	5	2.93	25.4
6. Unreasonable Government Regulations	7	3.23	20.6	6	3.32	23.5	8	3.11	22.5
7. State Taxes on Business Income	6	3.23	21.4	10	3.47	22.6	10	3.25	25.0
8. Cost of Supplies/Inventories	8	3.24	17.5	13	3.60	11.8	12	3.31	18.3
9. Electricity Costs (Rates)	9	3.27	15.9	9	3.40	17.9	11	3.27	19.7
10. Workers' Compensation Costs	10	3.28	23.5	7	3.34	25.4	9	3.11	27.8
11. Cash Flow	11	3.34	20.9	5	3.32	19.9	15	3.40	18.6
12. Locating Qualified Workers	12	3.41	21.0	12	3.59	15.8	3	2.88	33.3
13. Cost and Availability of Liability Insurance	13	3.43	18.8	14	3.61	17.8	6	3.04	21.7
14. Poor Earnings (Profits)	14	3.58	17.7	16	3.63	14.8	17	3.56	14.1
15. Frequent Changes in Federal Tax Laws and Rules	16	3.60	14.9	11	3.48	17.7	19	3.66	16.9
16. Fixed Costs Too High	15	3.60	13.2	15	3.62	15.4	20	3.68	14.5
17. Finding and Keeping Skilled Employees	19	3.69	17.7	22	3.92	17.3	7	3.10	25.7
18. Federal Paperwork	18	3.68	12.5	18	3.82	12.6	23	3.75	12.7
19. FICA (Social Security Taxes)	17	3.68	12.9	27	3.99	11.9	16	3.44	16.9
20. Projecting Future Sales Changes	21	3.74	8.9	19	3.84	7.8	14	3.38	11.6
21. State/Local Paperwork	20	3.74	10.1	30	4.11	10.5	22	3.71	13.0
22. Highly Variable Earnings (Profits)	22	3.86	10.8	20	3.88	7.7	18	3.61	10.0

Table 13 continued

Measures of Small Business Problem Importance by Nativity of the Owner

Problem	Native n = 3115			First Generation n = 137			Immigrant n = 72		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
23. Controlling My Own Time	23	3.90	13.0	17	3.80	11.4	21	3.71	15.9
24. Telephone Costs and Service	24	3.92	7.4	33	4.19	6.0	31	3.88	5.8
25. Cost of Outside Business Services, e.g., Accountants, Lawyers, Consultants	27	3.95	8.3	24	3.95	9.6	27	3.81	11.4
26. Unemployment Compensation	26	3.95	11.0	29	4.02	13.0	24	3.76	11.1
27. Dealing With IRS/State Tax Agencies	25	3.95	10.7	32	4.14	11.1	25	3.78	14.7
28. Ability to Cost-Effectively Advertise	29	3.98	10.8	26	3.98	7.5	26	3.80	9.9
29. Competition From Large Businesses	28	3.97	12.9	36	4.24	10.3	38	4.10	12.7
30. Pricing My Goods/Services	30	4.07	8.1	23	3.94	9.7	32	3.91	7.1
31. Reducing Energy Use in a Cost-Effective Manner	31	4.08	8.1	31	4.14	8.5	34	4.04	7.2
32. Interest Rates	32	4.08	9.5	21	3.92	10.4	35	4.06	10.1
33. Physical Facilities Costs, Such as Rent/Mortgage/Maintenance	34	4.10	9.1	25	3.97	10.5	28	3.83	10.1
34. Death (Estate) Taxes	33	4.09	20.0	40	4.40	14.8	60	4.93	12.9
35. Poor Sales	35	4.17	12.4	35	4.21	11.5	36	4.10	14.3
36. Locating Business Help When Needed	36	4.19	9.4	28	4.01	11.3	30	3.86	12.7
37. Applications for Licenses, Permits, etc.	37	4.20	8.9	34	4.20	10.5	41	4.17	13.0
38. Finding Out About Regulatory Requirements	38	4.22	6.2	41	4.41	6.7	29	3.83	14.1
39. Cost of Government Required Equipment/Procedures	39	4.25	8.8	51	4.67	8.1	33	4.03	11.4
40. Health/Safety Regulations	40	4.26	9.1	43	4.50	8.3	45	4.27	4.2
41. Training Employees	41	4.29	6.7	39	4.39	5.3	39	4.10	10.0
42. Hiring/Firing/Employment Regulations	42	4.31	7.1	44	4.52	6.0	40	4.11	8.6
43. Sales Too Dependent on Health of One Business or Industry	43	4.34	9.4	46	4.55	7.0	44	4.23	8.5

Table 13 continued

Measures of Small Business Problem Importance by Nativity of the Owner

Problem	Native n = 3115			First Generation n = 137			Immigrant n = 72		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
44. Keeping Up on Business and Market Developments	44	4.39	4.4	37	4.26	4.6	37	4.10	10.0
45. Delinquent Accounts/Customer Financing	45	4.39	8.4	38	4.37	9.0	42	4.21	12.9
46. Frequency of Tax Withholding Deposits	47	4.42	7.2	42	4.49	7.5	46	4.36	7.2
47. Environmental Regulations	46	4.40	8.3	47	4.56	12.5	50	4.54	4.4
48. Using Computer(s), the Internet or New Technology Effectively	48	4.66	5.3	53	4.71	7.5	48	4.39	7.0
49. Handling Business Growth	49	4.68	3.5	50	4.65	2.4	43	4.23	7.0
50. Getting Information on Government Business Assistance Programs	50	4.70	6.2	52	4.67	6.1	59	4.93	8.6
51. Employee Turnover	51	4.71	7.2	60	4.95	4.5	49	4.49	14.3
52. Rules on Retirement Plans	52	4.71	5.5	57	4.87	2.3	57	4.91	7.2
53. Minimum Wage/"Living" Wage	53	4.74	8.8	55	4.75	10.0	65	5.06	4.2
54. Zoning/Land Use Regulations	54	4.76	7.7	49	4.65	11.9	62	4.97	10.0
55. Aging Workforce	55	4.80	4.5	69	5.18	1.5	56	4.91	0.0
56. Bad Debts (Not Delinquencies) and/or Bankruptcies	56	4.81	6.0	62	4.96	7.5	58	4.93	2.9
57. Crime, Including Identity Theft, Shoplifting, etc.	57	4.84	6.4	48	4.62	6.1	52	4.74	8.7
58. Traffic, Congestion, Parking, Highways	59	4.88	6.8	54	4.74	7.5	53	4.74	12.9
59. Anti-Competitive Practices, e.g., Price Fixing	58	4.85	6.8	67	5.12	5.3	47	4.38	13.0
60. Mandatory Family or Sick Leave	60	4.89	8.0	56	4.85	9.9	51	4.59	7.2
61. Getting Useful Business Information	61	4.89	2.6	45	4.52	4.5	55	4.86	1.4
62. Protecting Intellectual Property	62	4.98	4.8	58	4.90	6.4	54	4.81	5.8
63. False Insurance Claims, Such as for Workers' Comp and UC	63	5.04	7.3	65	5.02	10.5	61	4.94	9.9
64. Solid and Hazardous Waste Disposal	64	5.07	4.7	61	4.95	8.3	73	5.31	5.7
65. Costs and Frequency of Law Suits/Threatened Suits	66	5.12	7.0	59	4.94	12.5	70	5.20	8.6

Table 13 continued

Measures of Small Business Problem Importance by Nativity of the Owner

Problem	Native n = 3115			First Generation n = 137			Immigrant n = 72		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
66. Competition From Imported Products	65	5.12	8.7	70	5.18	9.0	74	5.39	9.9
67. Credit Rating/Record Errors	67	5.14	4.7	63	4.98	6.7	69	5.20	2.8
68. Increased National Security Requirements	68	5.18	3.3	72	5.31	6.2	71	5.22	2.9
69. Competition From Internet Businesses	69	5.25	4.9	64	5.00	8.1	64	5.03	9.7
70. Undocumented Workers (Illegal Aliens)	70	5.25	11.4	66	5.09	13.2	68	5.20	11.4
71. Winning Contracts From Federal/State/Local Governments	71	5.28	5.2	73	5.36	6.2	63	4.97	10.0
72. Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans	72	5.29	5.0	71	5.23	5.3	66	5.07	10.0
73. Obtaining Long-Term (5 Years or More) Business Loans	73	5.31	5.1	68	5.15	7.6	67	5.10	8.5
74. Access to High-Speed Internet	74	5.63	5.5	74	5.40	8.5	72	5.23	8.7
75. Exporting My Products/Services	75	6.09	1.8	75	6.02	3.9	75	5.77	1.5

Geographic Region

The range of small business problems across geographic regions has diminished over time. Problems are now similar in the regions. The movements of people and resources have worked to eliminate many of the former differences. Still, differences remain driven by differences in the economic base as well as prevailing social and economic values of the region (Table 14).

The following capsules provide highlights for each region.

a. Northeast

The Northeast (CT, MA, ME, NH, NJ, NY, PA, RI and VT) faces serious business cost problems. "Energy Costs, Except Electricity" is a good example with 47 percent thinking it a critical problem. "Electricity Costs (Rates)," a related example, sports the nations' highest rank at 3rd and is critical for 20 percent of small business owners in the Northeast. Responding to the energy cost problem, owners in the region are also relatively concerned with "Reducing Energy Use in a Cost-Effective Manner." They rank it 24th compared to 31st in the overall population.

The region suffers from other high basic operating costs as well. "Workers' Compensation Costs" has the highest national rank, 4th, and is critical for almost a third of owners. "Unemployment Costs" has the highest national rank at 17th compared to 26th across the population. Owners in this region are also more likely to complain about "Zoning/Land Use Regulations" than those in other regions, but even with an aging infrastructure owners in the region are no more likely to identify "Traffic, Congestion, Parking, Highways" as a business problem than those outside the region.

b. Southeast

Small business owners in the Southeast (DC, DE, MD, VA, FL, GA, NC, SC and WV) have few problems that distinguish them from owners elsewhere in the country. Only three appear. The first is the "Ability to Cost Effectively Advertise." The problem ranks 16th for owners in the region and 28th overall. The reason for the higher level of concern in the Southeast is not obvious. The "Cost and Availability of Liability Insurance" is the second differentiating problem. It ranks 6th compared to 13th nationally and is critical to more than one-quarter of owners. Liability costs are primarily a function of state law and the frequency of suits, also a partial function of state law. While the region as a whole has never been considered as favorable to suits as many others, the small business ranking represents a cost not reflective of the relative condition. Again, the fundamental cost is not obvious, but the insurance industry and liability law are the appropriate places to begin.

"Traffic, Congestion, Parking, Highways" also ranks comparatively high in this region, 43rd, 15 positions higher than its 58th place among the population. The traffic in south Florida, the Washington, DC, area and Atlanta drives the problem.

c. South

The eight states that make up the South region (AL, AR, KY, LA, MS, OK, TN and TX) have most problems in common with the Southeast. However, "Locating Qualified Workers" 7th in the region and 12th nationally is one of the region's more difficult problems. More than one-quarter consider it a critical problem. They also complain relatively more about "Locating Business Help When Needed." This suggests a relatively low level of business support infrastructure, another human resource issue. Relative difficulties in "Delinquent Accounts/ Customer Financing," ranking 37th in the region versus 45th nationally, and "Bad Debts (Not Delinquencies) and/or Bankruptcies," 48th in the region versus 56th nationally indicates a weaker small business population economically, or at least one suffering disproportionately from the current downturn.

D. Mid-west

Owners in the Mid-west region (IL, IN, MI, OH and WI) appear more concerned with the absolute basics than small business owners in other regions. Owners in the Mid-west give a higher ranking to "Cash Flow" than owners in any other region, 3rd compared to 11th nationally. Similarly, "Poor Earnings (Profits)" ranks 8th in the Mid-west compared to 14th nationally. Owners see both problems critical in 21 - 23 percent of cases. They are also relatively concerned with "Reducing Energy Use in a Cost-Effective Manner," ranking it 24th compared to 31st for the population.

E. Central

The distribution of problems in the central region (IA, KS, MN, MO, NE, ND and SD) closely resembles that of the nation. Owners in the region give "Property Taxes (Real, Inventory, or Personal Property)" the highest rating in the nation and it is critical to 21 percent of owners. The general lack of industry and the subsequent reliance on property taxes drives the concern.

F. Mountain

Employee and employee-related problems are of particular concern to small business owners in the Mountain region (AZ, CO, ID, NM, MT, NV, UT and WY). They rank the "Cost of Health Insurance" and "Workers' Compensation Costs" as acute concerns, more so than in other regions. In addition, they assess "Locating Qualified Workers" as a more severe problem than do owners elsewhere in the country. Owners in the Mountain region rank the problem 4th compared to 12th nationally. Almost one-quarter of owners think it is a critical problem. "Finding and Keeping Skilled Employees" is critical to 22 percent of employers in the region and ranks 11th compared to 17th nationally. Finally, "Undocumented Workers (Illegal Aliens)" ranks 60th, 10 positions higher than nationally.

"Locating Business Help When Needed, e.g., Accountants, Lawyers, Consultants" is tied with the South for the nation's highest ranking at 27th compared with 36th nationwide. Rapid population growth in the region, particularly in areas like Colorado and Arizona, often means playing catch-up. The region's distinguishing problems seem related to this phenomenon.

G. Pacific

Owners in the states of the Pacific region (AK, CA, HI, OR and WA) are more concerned about regulations than are those in other parts of the country. They evaluate "Health/Safety Regulations," "Environmental Regulations," "Zoning/Land Use Regulations," "Finding Out About Regulatory Requirements," "Hiring/Firing Employment Regulations," and "Cost of Government Required Equipment/Procedures" as more difficult problems than owners elsewhere.

They are also more likely to encounter more problems with employees than most other regions. For example, "Locating Qualified Workers" ranked 7th in the region compared to 12th nationally; only owners in the Mountain region report tighter labor markets. Owners in the region rank "Undocumented Workers/Illegal Aliens" 60th, the same as in the Mountain region, but 10 positions higher than nationally. Owners in this region also give the highest ranking to "Minimum Wage/'Living' Wage" issues. States in the region have a minimum wage higher than the federal minimum, often substantially higher.

Los Angeles is noted for its traffic. However, the problem is more wide-spread. "Traffic, Congestion, Parking, Highways" ranks 42nd, similar to the Southeast's, and at the top nationally.

Table 14
Measures of Small Business Problem Importance by Geographic Region

	Northeast* n = 483			Southeast* n = 387			South* n = 505			Mid-west* n = 798			Central* n = 507			Mountain* n = 407			Pacific* n = 443		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
1. Cost of Health Insurance	1	1.87	62.1	1	1.84	58.1	1	1.97	58.3	1	1.96	57.0	1	1.91	54.8	1	1.87	54.9	1	2.03	48.3
2. Cost of Natural Gas, Propane, Gasoline, Diesel, Fuel Oil	2	2.30	46.9	2	2.51	42.9	2	2.51	42.5	2	2.31	43.8	2	2.25	43.2	2	2.53	37.9	2	2.62	36.7
3. Federal Taxes on Business Income	7	3.11	23.7	3	2.81	31.5	3	2.79	33.8	5	3.05	21.6	4	3.15	18.2	3	2.94	26.0	4	3.09	23.4
4. Property Taxes (Real, Inventory or Personal Property)	6	3.06	27.8	4	3.04	28.6	4	2.87	29.0	4	3.00	27.2	3	3.14	20.9	6	3.08	22.9	13	3.46	16.6
5. Tax Complexity	8	3.19	21.6	5	3.06	28.5	5	2.94	25.2	7	3.20	19.0	5	3.17	22.5	5	3.07	25.4	6	3.24	20.3
6. Unreasonable Government Regulations	11	3.27	22.1	9	3.30	21.7	9	3.35	21.5	9	3.24	18.9	8	3.36	16.8	7	3.17	20.6	3	3.03	24.6
7. State Taxes on Business Income	5	3.00	24.4	13	3.52	15.9	13	3.39	26.6	3	2.99	22.6	9	3.40	15.5	13	3.47	19.5	8	3.30	22.1
8. Cost of Supplies/Inventories	10	3.26	18.1	10	3.30	19.0	8	3.19	19.0	6	3.12	17.9	6	3.28	15.0	14	3.48	13.0	9	3.36	17.5
9. Electricity Costs (Rates)	3	2.98	20.8	8	3.29	17.2	6	3.08	18.2	10	3.27	16.7	11	3.50	12.4	12	3.42	13.0	11	3.41	16.2
10. Workers' Compensation Costs	4	2.98	30.4	7	3.19	26.2	12	3.36	26.6	12	3.44	20.8	7	3.35	20.8	8	3.34	20.1	5	3.17	23.4
11. Cash Flow	12	3.40	19.7	11	3.35	21.5	10	3.35	24.8	8	3.22	20.5	12	3.53	16.1	10	3.39	19.9	12	3.41	22.4
12. Locating Qualified Workers	14	3.46	21.2	12	3.38	21.9	7	3.18	26.1	21	3.79	15.1	10	3.49	17.8	4	3.03	24.4	7	3.27	22.8

* Regions are defined at the end of the table.

Table 14 continued

Measures of Small Business Problem Importance by Geographic Region

	Northeast* n = 483			Southeast* n = 387			South* n = 505			Mid-west* n = 798			Central* n = 507			Mountain* n = 407			Pacific* n = 443		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
13. Cost and Availability of Liability Insurance	9	3.22	22.5	6	3.11	26.3	11	3.35	21.5	17	3.74	12.0	16	3.64	14.9	9	3.36	19.8	10	3.39	21.1
14. Poor Earnings (Profits)	15	3.60	18.6	15	3.62	19.8	17	3.62	18.0	11	3.38	17.9	14	3.61	15.3	23	3.89	14.2	18	3.72	16.5
15. Frequent Changes in Federal Tax Laws and Rules	16	3.64	14.0	14	3.60	16.6	14	3.49	19.3	13	3.61	13.0	15	3.61	13.6	16	3.65	14.3	15	3.68	14.6
16. Fixed Costs Too High	13	3.43	16.1	19	3.65	14.4	18	3.64	15.0	14	3.64	12.0	13	3.53	12.5	17	3.71	12.7	16	3.69	11.7
17. Finding and Keeping Skilled Employees	19	3.73	20.7	22	3.75	14.3	16	3.51	22.3	29	4.01	13.0	18	3.71	15.2	11	3.39	21.9	14	3.58	18.8
18. Federal Paperwork	22	3.86	11.1	21	3.74	13.2	15	3.50	17.4	18	3.76	10.8	17	3.69	12.2	15	3.60	12.0	21	3.75	10.3
19. FICA (Social Security Taxes)	20	3.75	9.7	17	3.64	17.9	19	3.69	13.6	15	3.69	12.9	19	3.73	11.2	18	3.77	13.9	17	3.69	11.8
20. Projecting Future Sales Changes	21	3.85	8.5	18	3.64	10.6	20	3.79	9.9	16	3.73	8.5	20	3.74	7.9	21	3.80	9.7	19	3.73	7.9
21. State/Local Paperwork	18	3.71	12.1	24	3.77	11.3	21	3.80	11.6	19	3.76	9.0	21	3.85	7.4	22	3.82	8.8	20	3.73	10.5
22. Highly Variable Earnings (Profits)	26	3.94	9.7	29	3.94	12.4	25	3.91	11.6	20	3.77	11.6	23	3.88	9.5	25	3.94	8.2	22	3.91	10.2
23. Controlling My Own Time	25	3.92	14.0	26	3.87	13.9	24	3.89	14.4	27	4.00	11.2	24	3.88	9.8	20	3.79	14.5	24	3.94	13.0
24. Telephone Costs and Service	23	3.88	8.8	20	3.68	10.1	22	3.84	10.7	30	4.02	6.8	29	4.06	5.2	30	4.01	5.0	33	4.07	5.3
25. Cost of Outside Business Services, e.g., Accountants, Lawyers, Consultants	27	3.94	6.9	27	3.88	10.8	30	4.04	6.9	22	3.89	9.9	26	4.00	8.0	26	3.96	8.0	25	3.96	8.3

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Table 14 continued

Measures of Small Business Problem Importance by Geographic Region

	Northeast* n = 483			Southeast* n = 387			South* n = 505			Mid-west* n = 798			Central* n = 507			Mountain* n = 407			Pacific* n = 443		
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26. Unemployment Compensation	17	3.67	15.4	31	4.02	11.9	33	4.11	11.1	23	3.93	11.1	30	4.07	10.1	24	3.93	7.9	26	4.00	10.6
27. Dealing With IRS/State Tax Agencies	29	4.02	9.8	23	3.75	14.7	23	3.85	12.3	32	4.05	10.1	33	4.12	8.2	19	3.77	9.9	27	4.03	12.0
28. Ability to Cost-Effectively Advertise	28	3.97	8.9	16	3.63	15.9	28	4.01	11.2	25	3.98	10.2	34	4.16	7.4	31	4.01	9.5	28	4.03	12.9
29. Competition From Large Businesses	35	4.20	12.2	25	3.85	14.6	27	3.96	15.5	26	3.98	12.8	22	3.85	13.6	29	4.00	10.0	40	4.15	10.4
30. Pricing My Goods/Services	30	4.03	9.3	36	4.16	8.5	35	4.14	8.2	28	4.00	7.3	25	3.95	8.4	37	4.22	6.0	36	4.10	9.0
31. Reducing Energy Use in a Cost-Effective Manner	24	3.89	10.0	38	4.21	7.0	31	4.08	9.2	24	3.97	8.3	27	4.00	9.1	39	4.27	4.3	46	4.32	8.6
32. Interest Rates	31	4.11	10.8	33	4.10	10.3	29	4.02	9.3	31	4.04	10.6	32	4.09	8.1	36	4.16	5.8	41	4.17	11.1
33. Physical Facilities Costs, Such as Rent/Mortgage/ Maintenance	32	4.11	10.5	32	4.05	10.6	40	4.29	7.4	35	4.22	7.9	28	4.03	9.1	28	3.98	9.8	23	3.91	10.7
34. Death (Estate) Taxes	33	4.16	20.7	30	3.99	24.4	32	4.08	22.8	36	4.22	18.9	31	4.08	15.9	32	4.04	17.7	34	4.07	19.0
35. Poor Sales	34	4.19	14.0	28	3.89	17.8	36	4.21	11.6	33	4.06	13.3	37	4.27	9.2	46	4.41	10.0	44	4.29	11.6
36. Locating Business Help When Needed	36	4.21	10.0	39	4.22	9.0	26	3.95	12.1	43	4.44	6.7	38	4.27	7.7	27	3.96	10.7	38	4.11	11.0

* Regions are defined at the end of the table.

Table 14 continued

Measures of Small Business Problem Importance by Geographic Region

	Northeast* n = 483			Southeast* n = 387			South* n = 505			Mid-west* n = 798			Central* n = 507			Mountain* n = 407			Pacific* n = 443		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
37. Applications for Licenses, Permits, etc.	37	4.22	9.7	34	4.12	8.9	42	4.30	9.2	34	4.21	9.1	39	4.31	8.1	41	4.29	8.1	29	4.03	10.0
38. Finding Out About Regulatory Requirements	39	4.31	6.1	35	4.15	8.4	38	4.26	5.5	38	4.31	5.5	40	4.31	6.2	33	4.09	6.5	37	4.10	7.7
39. Cost of Government Required Equipment/ Procedures	42	4.41	8.5	40	4.31	7.9	43	4.34	9.3	39	4.31	8.8	42	4.32	7.1	34	4.12	9.2	30	4.04	10.0
40. Health/Safety Regulations	38	4.27	10.3	49	4.60	6.4	41	4.29	9.1	37	4.29	8.5	35	4.21	8.7	42	4.29	8.0	31	4.05	11.5
41. Training Employees	43	4.41	7.6	46	4.52	4.9	34	4.11	8.9	47	4.51	4.9	36	4.26	5.5	35	4.13	5.8	39	4.11	9.0
42. Hiring/Firing/Employment Regulations	41	4.34	6.8	41	4.31	7.7	44	4.36	6.3	45	4.48	6.8	43	4.32	6.4	40	4.27	6.1	32	4.06	8.5
43. Sales Too Dependent on Health of One Business or Industry	44	4.41	10.3	37	4.18	11.4	45	4.39	10.1	41	4.42	8.0	46	4.34	8.8	43	4.36	9.4	45	4.31	9.2
44. Keeping Up on Business and Market Developments	40	4.33	5.4	42	4.36	4.5	47	4.53	4.5	40	4.41	3.2	44	4.32	3.8	48	4.43	6.0	43	4.28	5.8
45. Delinquent Accounts/ Customer Financing	48	4.58	7.8	44	4.42	7.5	37	4.23	12.7	44	4.44	8.9	41	4.31	7.0	38	4.25	8.5	51	4.59	5.5
46. Frequency of Tax Withholding Deposits	47	4.57	5.5	45	4.51	6.7	39	4.27	11.5	42	4.42	6.3	47	4.50	4.8	44	4.37	7.4	47	4.39	8.8

* Regions are defined at the end of the table.

Table 14 continued

Measures of Small Business Problem Importance by Geographic Region

	Northeast* n = 483			Southeast* n = 387			South* n = 505			Mid-west* n = 798			Central* n = 507			Mountain* n = 407			Pacific* n = 443		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
47. Environmental Regulations	45	4.45	9.6	48	4.59	7.1	51	4.68	5.7	46	4.50	7.7	45	4.32	8.5	45	4.37	7.8	35	4.08	10.6
48. Using Computer(s), the Internet or New Technology Effectively	53	4.76	5.9	58	4.86	4.8	54	4.77	5.7	49	4.69	4.6	48	4.52	4.6	51	4.60	5.6	48	4.41	8.0
49. Handling Business Growth	49	4.65	4.6	50	4.63	4.1	53	4.76	2.9	50	4.76	3.4	51	4.72	2.4	49	4.56	2.3	52	4.63	4.5
50. Getting Information on Government Business Assistance Programs	50	4.70	6.2	54	4.80	5.1	49	4.63	7.2	48	4.66	6.6	49	4.65	5.0	55	4.73	5.8	62	4.99	7.8
51. Employee Turnover	57	4.88	7.8	53	4.75	6.9	46	4.48	10.4	56	4.92	5.9	55	4.78	6.8	47	4.42	7.2	57	4.73	5.3
52. Rules on Retirement Plans	55	4.80	6.6	51	4.64	7.3	55	4.78	6.2	52	4.78	4.3	53	4.75	3.0	52	4.64	5.8	54	4.66	5.1
53. Minimum Wage/"Living" Wage	54	4.78	9.5	64	5.02	8.0	52	4.71	9.1	51	4.77	8.2	52	4.72	7.5	59	4.77	8.1	50	4.52	11.8
54. Zoning/Land Use Regulations	46	4.49	11.9	52	4.64	9.0	69	5.15	5.3	55	4.91	6.5	57	4.84	6.4	53	4.65	6.8	49	4.47	10.2
55. Aging Workforce	51	4.75	4.7	61	4.96	5.3	58	4.91	4.5	57	4.94	3.3	50	4.66	4.4	54	4.72	4.8	58	4.77	4.1
56. Bad Debts (Not Delinquencies) and/or Bankruptcies	60	5.03	6.2	59	4.86	5.3	48	4.57	9.8	54	4.82	5.9	54	4.77	4.0	57	4.76	6.4	64	5.03	3.7
57. Crime, Including Identity Theft, Shoplifting, etc.	62	5.06	5.3	47	4.56	8.9	50	4.65	8.6	60	5.02	3.9	62	5.03	4.2	50	4.57	8.1	56	4.70	8.3

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Table 14 continued

Measures of Small Business Problem Importance by Geographic Region

	Northeast* n = 483			Southeast* n = 387			South* n = 505			Mid-west* n = 798			Central* n = 507			Mountain* n = 407			Pacific* n = 443		
	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem	Rank	Mean	% "Critical" Problem
58. Traffic, Congestion, Parking, Highways	56	4.83	7.1	43	4.40	9.2	59	4.91	6.0	68	5.30	4.4	66	5.19	4.8	56	4.75	6.5	42	4.25	13.5
59. Anti-Competitive Practices, e.g., Price Fixing	58	4.93	7.1	55	4.80	7.5	57	4.89	6.6	53	4.80	6.9	56	4.82	7.3	61	4.84	6.1	65	5.08	6.0
60. Mandatory Family or Sick Leave	52	4.75	10.0	60	4.92	7.3	56	4.86	7.2	59	4.97	8.1	60	4.96	6.3	65	5.01	6.8	53	4.65	10.1
61. Getting Useful Business Information	59	4.94	2.1	56	4.82	3.7	61	4.93	2.2	58	4.95	2.2	59	4.92	1.6	58	4.76	2.8	59	4.81	3.5
62. Protecting Intellectual Property	61	5.05	2.8	57	4.85	6.8	60	4.91	6.3	61	5.03	3.3	58	4.89	6.4	64	4.97	4.9	67	5.12	4.9
63. False Insurance Claims, Such as for Workers' Comp and UC	63	5.06	8.5	62	4.99	8.9	62	4.99	8.5	65	5.27	5.9	63	5.10	6.8	66	5.01	7.1	55	4.66	10.9
64. Solid and Hazardous Waste Disposal	64	5.09	4.9	69	5.18	3.7	66	5.10	5.7	63	5.12	4.7	61	4.98	4.4	68	5.10	4.5	61	4.95	6.3
65. Costs and Frequency of Law Suits/Threatened Suits	66	5.12	8.1	66	5.05	9.0	63	5.01	8.6	64	5.19	7.2	68	5.28	4.8	69	5.11	6.3	63	4.99	7.1
66. Competition From Imported Products	68	5.25	8.1	70	5.19	9.1	64	5.08	10.6	62	5.06	10.1	65	5.16	6.7	70	5.17	8.2	66	5.09	7.2
67. Credit Rating/Record Errors	65	5.11	4.9	68	5.14	3.9	65	5.08	6.5	66	5.28	3.2	67	5.21	4.4	63	4.94	5.8	69	5.13	5.5

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Table 14 continued

Measures of Small Business Problem Importance by Geographic Region

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68. Increased National Security Requirements	67	5.21	4.1	71	5.19	3.5	73	5.27	3.3	70	5.33	2.1	64	5.13	5.2	62	4.93	3.3	71	5.26	2.3
69. Competition From Internet Businesses	69	5.28	5.5	65	5.03	6.1	71	5.22	5.1	69	5.31	4.9	69	5.29	5.0	72	5.27	4.5	70	5.18	5.3
70. Undocumented Workers (Illegal Aliens)	71	5.33	12.9	63	4.99	13.3	67	5.10	13.6	73	5.58	8.6	74	5.66	7.6	60	4.81	14.3	60	4.90	12.8
71. Winning Contracts From Federal/State/Local Governments	73	5.42	5.3	67	5.10	5.9	68	5.10	7.8	71	5.33	5.1	70	5.35	3.9	67	5.08	6.1	73	5.40	4.8
72. Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans	70	5.29	3.8	73	5.25	6.4	70	5.17	7.1	67	5.29	4.1	71	5.43	3.4	73	5.28	4.0	72	5.27	7.9
73. Obtaining Long-Term (5 Years or More) Business Loans	72	5.34	4.4	72	5.20	6.1	72	5.23	6.5	72	5.43	3.5	72	5.47	4.0	71	5.26	5.3	68	5.12	8.6
74. Access to High-Speed Internet	74	5.67	6.0	74	5.62	6.7	74	5.51	6.6	74	5.62	4.7	73	5.61	4.6	74	5.59	4.6	74	5.64	7.2
75. Exporting My Products/ Services	75	6.17	1.3	75	6.16	0.3	75	6.12	2.8	75	6.12	0.9	75	6.00	2.5	75	6.01	2.3	75	5.97	3.3

* The regions are listed below:
Northeast (CT, MA, ME, NH, NJ, NY, PA, RI, VT); Southeast (DC, DE, GA, FL, MD, NC, SC, VA, WV); South (AL, AR, KY, LA, MS, OK, TN, TX); Mid-west (IL, IN, MI, OH, WI); Central (IA, KS, MN, MO, NE, ND, SD); Mountain (AZ, CO, ID, NM, MT, NV, UT, WY); Pacific (AK, CA, HI, OR, WA)

Concluding Observations

The rankings in this report can lead readers to the conclusion that only the most highly ranked problems matter. That may be true for the group, but it certainly is not for the individual small business owner. A critical problem for the individual is critical regardless of the problem's overall rank across the population. For example, obtaining business loans is not an issue for the group. But if you need a business loan and cannot get one, it is a critical problem for you. The same would be true of imported goods. It is not an important, or even relevant, issue for the group, but it certainly is for a number of individuals. Someone termed every one of the 75 potential problems listed on the survey, "critical." If an additional 75 problems had been listed, each of those would almost assuredly have also encountered owners who thought it critical, too. Perhaps the most important aspect of this report then is that it helps policymakers and others identify which is which; which problems are widely shared and which problems are parochial. While one can sympathize with the parochial and work to alleviate those concerns, the need is to focus on the widely shared. The rankings therefore provide data and rationale to establish a small business problem priority list headed by the most widely shared.

Policymakers characteristically focus only on the problems they and their immediate colleagues create for small business owners. The Congress looks at the federal taxes it levies; the state legislature looks at the state taxes it levies; the city council looks at the municipal taxes it levies. No one, except the business owner who must pay the taxes, looks at the accumulation of levies. Owners see the problem as a whole and do not distinguish among the problem's sources. The high ranking of federal, state and locally generated taxes underscore the point. But, taxes are only the most obvious example. The point holds across most policy topics. The inherent dual perspectives cause considerable misunderstanding between policymakers and small business owners. It is not clear how the problem can be resolved, but policymakers must at least understand it exists.

This report discusses costs on numerous occasions. It identifies the cost cluster as the most pressing problem cluster and notes cost increases are broadly affecting their businesses. The term for general rising prices is inflation. Inflation has not been a matter of concern for 25 years. But those small business owners who experienced it in the 1970s and early 1980s recognize how insidious the problem can be. They cannot want to return to those conditions and those too young to remember them should not want to do so. To this point, it does not appear that prices are out of control. But small business owners and others are shooting hyperbolic flares to alert those in authority of a potentially serious problem. The question is, is anyone listening?

It appears that the Internet has had a notable impact over time on the ability of small business owners to discover and access business-related information. The business world is new and better in many ways because of it. But the Internet has created an associated problem that small business owners must traverse, information overload. Filtering the useful from the non-useful on a large scale and in minimal time is a new skill that is likely to become highly important to small business owners as time passes. Those who learn the skill will thrive and those who do not will likely have a less bright future. But if nothing else, the problem points to the need of small business owners to constantly reinvent themselves and their skill set in order to face new competitive challenges.

Finally, the problem that no policymaker wants to address is the longer-term fiscal problem the federal government, in particular, faces. While huge federal deficits are not directly a small business problem, the taxes required to fund government are, as are the programs those taxes pay for. Small business therefore has a huge stake in fiscal policy. But to return current fiscal trends to a rational course will require difficult political decisions that policymakers seem abhorrent to discuss, let alone to make. Thus, future issues of *Problems and Priorities*, or a variant, will likely need to focus on policy choices and off-sets. It is in small business's interest to do so even when the choices are unattractive. Small business owners must help force the difficult issues important to them because policymakers will not face them until the public demands they do.

Methodological Appendix

The survey on which *Problems and Priorities* is based was conducted from mid-January to March of 2008 across a randomly drawn sample of 20,000 members of the National Federation of Independent Business (NFIB). Sampled small business owner members received a four-page mail questionnaire and up to two follow-ups. They provided 3,530 useable responses by the March cut-off date for a response rate of 18 percent.

Appendix Table 1 provides a comparison between NFIB members and the overall small business population by employee size of business and industry, the two most important variables distinguishing respondents in the survey. Note that NFIB member respondents have marginally larger businesses than the population. But the distributions are reasonably similar and reflect the large skew toward the smallest firms. Also, NFIB member respondents contain 8.9 percent non-employers. The population sample contains non-employers for the week in which the data were collected. However, those non-employers did have employees at some time during the preceding year, information not available for NFIB non-employers. Totals will therefore marginally reduce concern over employee-related problems and somewhat overstate concerns with certain regulatory issues. Yet, the fit is still quite good.

The industry comparison between NFIB member respondents and the population is not as satisfactory, in part due to the detail of the NAICS codes. The major discrepancy is that respondents more frequently have businesses in traditional industries, such as manufacturing and construction, and less frequently in rapidly growing newer services industries. Agriculture represents the most pronounced difference because official statistics do not include farmers and ranchers in the population and NFIB does. The result of these differences is that the concerns of the services will be muted in totals, though far from unrepresented, while those from production will be louder than its population's share. Still, significant numbers of respondents reported from every major industrial sector and industry differences are revealed in the industry break-out.

The sampling frame could lead to modest biases, but they are likely to be minimal. Certainly they will not alter the relative position of any problem by more than a rank or two. Problems that are of great concern would remain problems of great concern (even with a weighted result) while problems in the middle would remain in the middle and those at the bottom would remain at the bottom.

Despite being only four pages, the questionnaire could easily become tedious for the respondent. To avoid possible bias brought about by respondent fatigue, half of the sample received version A of the questionnaire and half received version B. The two versions are identical except that version B is inverted. The first question on version A is the last question on version B, and so on. The purpose is to ensure that should fatigue set in, it would not affect one half of the questionnaire's responses any more than the other. The data collected from version B was inverted prior to tabulation to produce a unified data set.

NFIB member respondents evaluated each of the 75 potential problems presented to them on a scale of "1" to "7." The former represents a "Critical Problem." The latter represents "Not a Problem." The numbers between represent varying degrees of problem difficulty

within the 1 - 7 extremes. An average for each problem was calculated and it served as the basis for ranking or rank-ordering problems. There are two associated issues. Non-response could be treated as non-interest, effectively relegating it to the lowest rating ("7"), or it could be treated as indecision or oversight, effectively giving the problem average score. The latter was selected because non-response seemed to generate no pattern across problems. The second issue is the rank of those problems with the identical average score. Ties led to the arbitrary decision to give precedence to those with a higher standard deviation.

Appendix Table 1
Small Business Population and Survey Sample

Employee Size	Small Bus. Population[1]	Survey Sample*
0 - 4 Employees	61.4%[1]	40.8%[2]
5 - 9 Employees	17.5	21.1
10 - 19 Employees	10.5	17.2
20 - 49 Employees	6.6	11.6
50 - 99 Employees	2.1	3.7
100 or More Employees	1.5	2.5
Unclassified; DK	—	3.0

Industry	Small Bus. Population[1]	Survey Sample
Agriculture, Forestry, Fishing	0.0%[3,4]	8.3%[5]
Construction	13.0	19.1
Manufacturing	4.7	9.1
Wholesale	5.6	3.5
Retail	12.3	18.3
Transportation, Warehousing	2.8	2.8
Information	1.2	0.6
Finance, Insurance	4.3	3.2
Real Estate, Leasing	5.0	1.7
Professional, Technical, Scientific Services	12.6	4.8
Administrative Support Services	5.3	0.8
Educational Services	1.2	0.3
Health and Social Services	10.0	2.7
Art, Entertainment, Leisure	1.9	0.7
Accommodations, Food Services	7.7	2.8
Other Services (Personal Services)	11.3	5.5
Not Elsewhere Classified; DK	0.0[4]	15.9

* Percents may not add to totals due to rounding.

1 Source of figures: www.census.gov/csd/susb/index.html

2 Not directly comparable; the population includes only firms that employed people at some point in the year, though not necessarily the week of survey.

3 Estimate

4 Less than 0.05 percent

5 The population includes no farmers or ranchers; the survey sample does not distinguish between farmers, ranchers (production agriculture) and other agricultural activities.

Appendix Table 2
Response to Small Business Problem Severity (Percent)*

Problem	1 Critical Problem	2	3	4	5	6	7 Not a Problem	N/A	Total
Cost of Health Insurance	55.6	22.9	8.6	4.4	1.6	1.4	4.1	1.3	100.00
Cost of Natural Gas, Propane, Gasoline, Diesel, Fuel Oil	41.5	21.3	14.5	8.5	4.2	2.9	5.3	1.8	100.00
Federal Taxes on Business Income	24.4	22.4	17.9	14.1	6.9	5.1	7.1	2.2	100.00
Property Taxes (Real, Inventory or Personal Property)	24.5	20.5	17.3	14.6	7.6	6.2	7.2	2.0	100.00
Tax Complexity	22.2	20.5	17.5	16.9	7.9	5.9	6.9	2.2	100.00
Unreasonable Government Regulations	20.2	20.1	18.2	16.2	8.6	7.3	7.4	1.9	100.00
State Taxes on Business Income	20.8	21.1	17.5	14.9	7.6	6.4	9.6	2.0	100.00
Cost of Supplies/Inventories	16.9	20.5	21.2	17.7	9.9	6.1	6.1	1.4	100.00
Electricity Costs (Rates)	16.1	20.8	22.2	17.0	9.6	6.3	6.2	1.7	100.00
Workers' Compensation Costs	23.2	17.8	18.3	13.1	7.7	6.7	10.8	2.4	100.00
Cash Flow	20.3	17.5	17.3	17.1	9.6	8.4	8.2	1.5	100.00
Locating Qualified Workers	20.1	19.3	16.7	13.2	9.0	7.4	11.7	2.6	100.00
Cost and Availability of Liability Insurance	18.4	18.1	17.2	16.7	9.6	8.4	9.2	2.4	100.00
Poor Earnings (Profits)	16.9	16.5	15.5	17.6	11.1	11.6	8.7	2.0	100.00
Frequent Changes in Federal Tax Laws and Rules	14.4	15.6	18.9	19.2	11.2	9.3	8.6	2.8	100.00
Fixed Costs Too High	12.9	15.9	19.3	20.4	11.7	8.5	7.9	3.4	100.00
Finding and Keeping Skilled Employees	17.1	17.1	15.7	13.7	9.8	10.1	14.1	2.5	100.00
Federal Paperwork	12.1	17.2	18.9	19.4	10.7	10.0	10.0	1.7	100.00
FICA (Social Security Taxes)	12.6	15.8	19.2	20.7	10.0	9.2	10.4	2.1	100.00
Projecting Future Sales Changes	8.6	15.2	21.5	23.4	11.5	8.3	8.5	2.9	100.00
State/Local Paperwork	9.7	16.0	19.7	21.5	11.4	10.3	9.1	2.3	100.00
Highly Variable Earnings (Profits)	10.2	13.8	18.4	20.9	11.9	10.8	10.6	3.4	100.00
Controlling My Own Time	12.4	14.5	16.5	18.4	10.3	11.1	13.9	2.8	100.00

Appendix Table 2 continued

Response to Small Business Problem Severity (Percent)*

Problem	1 Critical Problem	2	3	4	5	6	7 Not a Problem	N/A	Total
Telephone Costs and Service	7.2	13.6	20.6	22.7	13.3	11.7	9.2	1.7	100.00
Cost of Outside Business Services, e.g., Accountants, Lawyers, Consultants	8.3	13.5	19.6	22.6	12.7	10.7	10.8	1.8	100.00
Unemployment Compensation	11.0	15.2	18.3	17.7	9.2	11.0	15.5	2.2	100.00
Dealing With IRS/State Tax Agencies	10.6	13.7	16.6	20.1	13.6	12.6	11.1	1.7	100.00
Ability to Cost-Effectively Advertise	10.4	15.4	17.9	17.6	10.4	11.0	15.3	2.0	100.00
Competition From Large Businesses	12.5	14.7	15.8	16.2	11.2	11.6	16.1	2.0	100.00
Pricing My Goods/Services	7.9	14.6	18.2	18.8	12.0	12.8	13.4	2.4	100.00
Reducing Energy Use in a Cost-Effective Manner	8.0	12.5	17.3	21.8	13.1	12.8	11.9	2.7	100.00
Interest Rates	9.3	12.1	17.2	20.0	13.2	12.7	13.3	2.1	100.00
Physical Facilities Costs, Such as Rent/Mortgage/ Maintenance	9.0	12.3	17.0	20.6	11.9	12.9	13.5	2.8	100.00
Death (Estate) Taxes	19.2	12.3	10.9	11.3	7.7	11.2	24.4	3.1	100.00
Poor Sales	12.2	10.9	13.1	17.7	13.2	16.3	14.4	2.1	100.00
Locating Business Help When Needed	9.0	11.6	15.4	19.9	12.9	13.5	14.9	2.8	100.00
Applications for Licenses, Permits, etc.	8.8	12.3	16.0	18.8	11.6	13.8	16.3	2.4	100.00
Finding Out About Regulatory Requirements	6.2	12.7	16.8	20.8	13.3	12.4	15.2	2.7	100.00
Cost of Government Required Equipment/Procedures	8.4	12.4	15.3	17.5	11.7	14.7	16.9	3.0	100.00
Health/Safety Regulations	8.7	11.6	14.8	19.2	11.9	13.1	17.6	3.1	100.00
Training Employees	6.4	11.6	17.1	19.2	13.5	12.7	16.9	2.7	100.00
Hiring/Firing/Employment Regulations	6.7	12.2	16.4	19.6	10.8	13.7	18.2	2.4	100.00
Sales Too Dependent on Health of One Business or Industry	9.0	11.6	13.4	16.1	12.4	14.4	18.8	4.2	100.00

Appendix Table 2 continued

Response to Small Business Problem Severity (Percent)*

Problem	1 Critical Problem	2	3	4	5	6	7 Not a Problem	N/A	Total
Keeping Up on Business and Market Developments	4.4	10.0	16.1	21.8	16.2	15.6	13.0	2.8	100.00
Delinquent Accounts/Customer Financing	8.2	12.4	14.5	14.9	11.8	16.0	19.9	2.1	100.00
Frequency of Tax Withholding Deposits	7.0	10.7	14.2	20.8	11.1	12.9	20.5	2.7	100.00
Environmental Regulations	7.9	12.3	14.4	15.8	10.9	14.4	21.8	2.4	100.00
Using Computer(s), the Internet or New Technology Effectively	5.4	8.5	14.5	17.1	13.5	17.9	21.0	2.2	100.00
Handling Business Growth	3.3	7.4	13.3	22.3	14.5	16.7	18.7	3.9	100.00
Getting Information on Government Business Assistance Programs	6.1	8.3	11.2	18.9	12.4	16.3	23.7	3.0	100.00
Employee Turnover	7.0	9.7	12.1	14.1	12.0	17.2	25.9	2.1	100.00
Rules on Retirement Plans	5.1	7.9	12.3	19.2	13.3	16.1	23.0	3.0	100.00
Minimum Wage/"Living" Wage	8.6	8.9	11.0	14.1	10.9	14.6	29.0	3.0	100.00
Zoning/Land Use Regulations	7.6	9.3	10.5	15.0	11.2	16.4	27.6	2.3	100.00
Aging Workforce	4.2	9.1	12.6	16.7	12.5	16.2	26.3	2.4	100.00
Bad Debts (Not Delinquencies) and/or Bankruptcies	5.8	8.1	11.3	15.2	12.3	20.0	24.4	2.8	100.00
Crime, Including Identity Theft, Shoplifting, etc.	6.2	8.0	10.9	15.3	11.8	21.0	24.3	2.4	100.00
Traffic, Congestion, Parking, Highways	6.9	9.3	11.0	13.9	10.0	16.2	31.0	1.8	100.00
Anti-Competitive Practices, e.g., Price Fixing	6.6	7.8	10.0	15.8	10.8	19.1	26.9	3.1	100.00
Mandatory Family or Sick Leave	7.8	8.0	8.8	15.5	9.7	17.9	29.4	3.0	100.00
Getting Useful Business Information	2.4	6.4	11.4	21.2	15.3	19.5	21.3	2.5	100.00
Protecting Intellectual Property	4.6	6.5	10.7	16.3	11.8	16.7	28.6	4.7	100.00
False Insurance Claims, Such as for Workers' Comp and UC	7.6	7.6	9.3	11.1	9.1	18.0	34.6	2.6	100.00

Appendix Table 2 continued

Response to Small Business Problem Severity (Percent)*

Problem	1 Critical Problem	2	3	4	5	6	7 Not a Problem	N/A	Total
Solid and Hazardous Waste Disposal	4.8	7.0	11.1	14.4	10.1	16.7	33.5	2.5	100.00
Costs and Frequency of Law Suits/Threatened Suits	7.1	7.8	8.3	10.8	9.0	18.8	35.8	2.5	100.00
Competition From Imported Products	8.5	7.6	7.6	9.7	8.2	17.1	38.8	2.7	100.00
Credit Rating/Record Errors	4.6	6.4	9.2	13.3	11.6	21.2	31.2	2.5	100.00
Increased National Security Requirements	3.2	5.6	9.2	15.1	11.6	21.0	31.1	3.0	100.00
Competition From Internet Businesses	5.0	7.2	9.0	11.3	9.8	16.7	38.8	2.1	100.00
Undocumented Workers (Illegal Aliens)	11.2	5.3	5.9	8.6	6.9	13.8	45.9	2.4	100.00
Winning Contracts From Federal/State/Local Governments	5.3	6.6	8.8	11.7	8.7	14.2	40.9	3.7	100.00
Obtaining Short-Term (Less Than 12 Months or Revolving) Business Loans	5.0	6.2	7.3	12.0	10.8	19.3	36.8	2.7	100.00
Obtaining Long-Term (5 Years or More) Business Loans	5.1	5.4	7.5	12.5	10.1	19.4	37.6	2.2	100.00
Access to High-Speed Internet	5.5	5.1	5.7	8.3	7.1	14.6	50.6	3.2	100.00
Exporting My Products/Services	1.8	2.4	4.0	7.6	6.0	14.2	59.1	5.0	100.00

* Percents may not add to totals due to rounding.

SMALL BUSINESS PROBLEMS AND PRIORITIES

A 1

1. What is your form of business?
[1] Proprietorship [2] Partnership [3] Corporation [4] Sub-Chapter S Corp. [5] Limited Liability Co. 2

2. How important is **each** of the following business problems for you? (Indicate the importance of each problem by circling the appropriate number on a scale of 1 "Critical Problem" to 7 "Not a Problem.")

	IMPORTANCE OF THE PROBLEM							
	Critical Problem						Not a Problem	
PROBLEM AREA	**1**	**2**	**3**	**4**	**5**	**6**	**7**	
a) Access to High-Speed Internet	1	2	3	4	5	6	7	3
b) Locating Qualified Employees	1	2	3	4	5	6	7	4
c) Crime, including Identity Theft, Shoplifting, etc.	1	2	3	4	5	6	7	5
d) Cost and Availability of Liability Insurance	1	2	3	4	5	6	7	6
e) Controlling My Own Time	1	2	3	4	5	6	7	7
f) Mandatory Family or Sick Leave	1	2	3	4	5	6	7	8
g) Reducing Energy Use in a Cost-Effective Manner	1	2	3	4	5	6	7	9
h) Bad Debts (Not Delinquencies) and/or Bankruptcies	1	2	3	4	5	6	7	10
i) Hiring/Firing/Employment Regulations	1	2	3	4	5	6	7	11
j) Using Computer(s), the Internet or New Technology Effectively	1	2	3	4	5	6	7	12
k) FICA (Social Security Taxes)	1	2	3	4	5	6	7	13

3. How many employees do you have (**not** including yourself or unpaid family)?
[1] None [2] 1-4 [3] 5-9 [4] 10-19 [5] 20-49 [6] 50-99 [7] 100 or More 14

4. How important is **each** of the following business problems for you? (Indicate the importance of each problem by circling the appropriate number on a scale of 1 "Critical Problem" to 7 "Not a Problem.")

	IMPORTANCE OF THE PROBLEM							
	Critical Problem						Not a Problem	
PROBLEM AREA	**1**	**2**	**3**	**4**	**5**	**6**	**7**	
a) Poor Sales	1	2	3	4	5	6	7	15
b) Keeping Up on Business and Market Developments	1	2	3	4	5	6	7	16
c) Federal Taxes on Business Income	1	2	3	4	5	6	7	17
d) Exporting My Products/Services	1	2	3	4	5	6	7	18
e) Environmental Regulations	1	2	3	4	5	6	7	19
f) Aging Workforce	1	2	3	4	5	6	7	20
g) Physical Facilities Costs, such as Rent/Mortgage/Maintenance	1	2	3	4	5	6	7	21
h) Cost of Government Required Equipment/Procedures	1	2	3	4	5	6	7	22
i) Interest Rates	1	2	3	4	5	6	7	23
j) Pricing My Goods/Services	1	2	3	4	5	6	7	24
k) Employee Turnover	1	2	3	4	5	6	7	25

5. Estimate the average annual (fiscal or calendar) changes in your sales volume over the last **three** years:
[1] Decrease – 10% or more [4] Increase – 10%-24% [7] Too New to Estimate
[2] Decrease – Less than 10% [5] Increase – 25%-49% 26
[3] Increase – Less than 10% [6] Increase – 50% or More

6. How important is **each** of the following business problems for you? (Indicate the importance of each problem by circling the appropriate number on a scale of 1 "Critical Problem" to 7 "Not a Problem.")

	IMPORTANCE OF THE PROBLEM							
	Critical Problem						Not a Problem	
PROBLEM AREA	**1**	**2**	**3**	**4**	**5**	**6**	**7**	
a) Traffic, Congestion, Parking, Highways	1	2	3	4	5	6	7	27
b) Getting Useful Business Information	1	2	3	4	5	6	7	28

PROBLEM AREA	IMPORTANCE OF THE PROBLEM Critical Problem 1	2	3	4	5	6	Not a Problem 7	
c) Obtaining Long-Term (5 years or more) Business Loans	1	2	3	4	5	6	7	29
d) Competition from Large Businesses	1	2	3	4	5	6	7	30
e) Zoning/Land Use Regulations	1	2	3	4	5	6	7	31
f) Telephone Costs and Service	1	2	3	4	5	6	7	32
g) Dealing with IRS/State Tax Agencies	1	2	3	4	5	6	7	33
h) Ability to Cost-Effectively Advertise	1	2	3	4	5	6	7	34
i) Competition from Internet Businesses	1	2	3	4	5	6	7	35
j) Federal Paperwork	1	2	3	4	5	6	7	36

7. Which **best** describes your most important customer? (Mark **one** only.) 37
   [1] One or Two Firms
   [2] One or Two Industries, e.g., firms in steel or lumber, etc.
   [3] Business in General
   [4] The Public
   [5] Governments, including public schools, hospitals, etc.

8. How important is **each** of the following business problems for you? (Indicate the importance of each problem by circling the appropriate number on a scale of 1 "Critical Problem" to 7 "Not a Problem.")

PROBLEM AREA	IMPORTANCE OF THE PROBLEM Critical Problem 1	2	3	4	5	6	Not a Problem 7	
a) State Taxes on Business Income	1	2	3	4	5	6	7	38
b) Competition from Imported Products	1	2	3	4	5	6	7	39
c) Rules on Retirement Plans	1	2	3	4	5	6	7	40
d) Highly Variable Earnings (Profits)	1	2	3	4	5	6	7	41
e) Finding and Keeping Skilled Employees	1	2	3	4	5	6	7	42
f) False Insurance Claims, such as for Workers' Comp and UC	1	2	3	4	5	6	7	43
g) Cost of Natural Gas, Propane, Gasoline, Diesel, Fuel Oil	1	2	3	4	5	6	7	44
h) Handling Business Growth	1	2	3	4	5	6	7	45
i) Winning Contracts from Federal/State/Local Governments	1	2	3	4	5	6	7	46
j) Finding Out about Regulatory Requirements	1	2	3	4	5	6	7	47
k) Electricity Costs (Rates)	1	2	3	4	5	6	7	48

9. Were you or your parents born outside the United States? 49
   [1] Both parents and I were born in the U.S.
   [2] Both parents were born outside the U.S.; I was born in the U.S.
   [3] One parent was born outside the U.S.; I was born in the U.S.
   [4] I was born outside the U.S.

10. How important is **each** of the following business problems for you? (Indicate the importance of each problem by circling the appropriate number on a scale of 1 "Critical Problem" to 7 "Not a Problem.")

PROBLEM AREA	IMPORTANCE OF THE PROBLEM Critical Problem 1	2	3	4	5	6	Not a Problem 7	
a) Cash Flow	1	2	3	4	5	6	7	50
b) Cost of Health Insurance	1	2	3	4	5	6	7	51
c) Obtaining Short-Term (less than 12 months or revolving) Business Loans	1	2	3	4	5	6	7	52
d) Increased National Security Requirements	1	2	3	4	5	6	7	53
e) Training Employees	1	2	3	4	5	6	7	54
f) Getting Information on Government Business Assistance Programs	1	2	3	4	5	6	7	55
g) State/Local Paperwork	1	2	3	4	5	6	7	56
h) Anti-Competitive Practices, e.g., Price Fixing	1	2	3	4	5	6	7	57
i) Delinquent Accounts/Customer Financing	1	2	3	4	5	6	7	58
j) Cost of Supplies/Inventories	1	2	3	4	5	6	7	59

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11. When it comes to new business practices or new technologies, how would you describe yourself?
[1] I attempt to be the first to try new things.
[2] When a new idea shows promise, I jump on before most others do.
[3] When the "big names" use it, I am ready to try. 60
[4] I use what is widely accepted and understood.
[5] If the current stuff works, I am not going to mess with it.

12. How important is **each** of the following business problems for you? (Indicate the importance of each problem by circling the appropriate number on a scale of 1 "Critical Problem" to 7 "Not a Problem.")

	IMPORTANCE OF THE PROBLEM							
	Critical Problem						Not a Problem	
PROBLEM AREA	**1**	**2**	**3**	**4**	**5**	**6**	**7**	
a) Unemployment Compensation	1	2	3	4	5	6	7	61
b) Unreasonable Government Regulations	1	2	3	4	5	6	7	62
c) Projecting Future Sales Changes	1	2	3	4	5	6	7	63
d) Tax Complexity	1	2	3	4	5	6	7	64
e) Locating Business Help When Needed	1	2	3	4	5	6	7	65
f) Poor Earnings (Profits)	1	2	3	4	5	6	7	66
g) Applications for Licenses, Permits, etc.	1	2	3	4	5	6	7	67
h) Property Taxes (real, inventory or personal property)	1	2	3	4	5	6	7	68
i) Undocumented Workers (Illegal Aliens)	1	2	3	4	5	6	7	69
j) Cost of Outside Business Services, e.g., Accountants, Lawyers, Consultants	1	2	3	4	5	6	7	70
k) Frequency of Tax Withholding Deposits	1	2	3	4	5	6	7	71

13. How many years have you owned/operated this business?
[1] 3 Years or Fewer [3] 6-7 Years [5] 11-15 Years [7] 21 Years or More 72
[2] 4-5 Years [4] 8-10 Years [6] 16-20 Years

14. How important is **each** of the following business problems for you? (Indicate the importance of each problem by circling the appropriate number on a scale of 1 "Critical Problem" to 7 "Not a Problem.")

	IMPORTANCE OF THE PROBLEM							
	Critical Problem						Not a Problem	
PROBLEM AREA	**1**	**2**	**3**	**4**	**5**	**6**	**7**	
a) Credit Rating/Record Errors	1	2	3	4	5	6	7	73
b) Costs and Frequency of Law Suits/Threatened Suits	1	2	3	4	5	6	7	74
c) Solid and Hazardous Waste Disposal	1	2	3	4	5	6	7	75
d) Death (Estate) Taxes	1	2	3	4	5	6	7	76
e) Sales Too Dependent on Health of One Business or Industry	1	2	3	4	5	6	7	77
f) Workers' Compensation Costs	1	2	3	4	5	6	7	78
g) Protecting Intellectual Property	1	2	3	4	5	6	7	79
h) Fixed Costs Too High	1	2	3	4	5	6	7	80
i) Frequent Changes in Federal Tax Laws and Rules	1	2	3	4	5	6	7	81
j) Minimum Wage/"Living" Wage	1	2	3	4	5	6	7	82
k) Health/Safety Regulations	1	2	3	4	5	6	7	83

15. Please classify your major business activity, using one of the categories or examples below. (If more than one applies, circle **the one** which contributes the most toward your gross sales or total revenues.)
[1] Agriculture, forestry, fishing (farming, logging, aqua-culture, harvesting, ginning, etc.)
[2] Construction (general contractor, painting, plumbing, heating, highway, etc.)
[3] Manufacturing and mining (food processing, printing, machine shops, ready-mix concrete, drilling, mining support, etc.)
[4] Wholesale (sales to resellers, such as distributors, manufacturer's rep, grain elevators, etc.)
[5] Retail (sales to ultimate consumer, such as gas stations, direct sellers, vending machine operators, florists, etc.) 84
[6] Transportation and warehousing (truckers, movers, towing, messenger service, air control, marine loading, etc.)
[7] Information (newspapers, directories, data processing, software publishing, broadcasting, motion pictures, etc.)
[8] Finance and insurance (banks, loan brokers, securities brokers, insurance sales, etc.)
[9] Real estate and rental/leasing (property sales/leasing, auto rental, video rental, community equipment rental, etc.)
[10] Professional, scientific or technical services (legal, accounting, photography, advertising, testing labs, etc.)
[11] Admin. support services (employment agencies, call centers, copy shops, collection agencies, guards/security, janitorial or landscaping services, waste collection, etc.)
[12] Education services (schools, flight training, language schools, barber training, driving schools, etc.)
[13] Health care and social assistance (dental office, medical lab, nursing care, ambulances, daycare, vocational rehab., etc.)
[14] Arts, entertainment, recreation (arcades, bowling alleys, golf courses, promoters and agents, artists/writers, etc.)
[15] Accommodations or food service (motels, B&Bs, RV parks, caterers, bars, restaurants, etc.)
[16] Other service (repair and maintenance, dry cleaning, beauty/barber shops, funeral homes, photo finishing, parking lots, etc.)
[17] Other (please describe) _____

16. Is there any problem you consider important, but was not included? _____
_____
_____
_____
_____

The Sponsor

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. Included are analyses of selected proposed regulations using its Regulatory Impact Model (RIM).

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