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THE IMPACT OF ECONOMIC REGULATION AND PAPERWORK:  
IS SMALL BUSINESS BEING CRUSHED?  
by  
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But the greatest contribution to this study was made by the 100 businessmen who took much time out of their busy schedules to discuss their views on regulations with us and the thousands of members of the C.F.I.B. who carefully answered the surveys.

As is customary, we accept total responsibility for all the conclusions and findings presented in this study.

Rein and Mari Peterson  
January, 1981  
Sydney, Cape Breton  
Nova Scotia

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\* Available upon request from Author.



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## Résumé

Dans la présente étude, l'auteur examine l'incidence de la réglementation économique sur le secteur, très diversifié, des petites entreprises au Canada et conclut qu'en général, elles ne sont pas écrasées par la réglementation. Il est évident, toutefois, que la répartition des ressources rares dans ce secteur -- en particulier le temps productif des entrepreneurs-propriétaires-cadres -- est trop orientée vers les travaux de paperasserie et de réglementation. Ce n'est souvent pas l'esprit ou la lettre des règlements qui est en faute, mais plutôt la façon dont ils sont appliqués par les organismes de réglementation, qui ont souvent des objectifs trop étroits, comprennent mal les effets des règlements et de la paperasserie qu'ils créent, et encore plus mal les entreprises. Une de leurs lacunes, notamment, est de ne pas comprendre que la réglementation économique peut avoir des effets différents et relativement plus grands sur les petites entreprises que sur les grandes.

L'ouvrage résumé ici est une étude indépendante qui a été commandée par le Conseil économique du Canada. À la suite de la Conférence des premiers ministres de février 1978, le Conseil a reçu un mandat du Premier ministre de formuler des recommandations concernant les mesures à prendre dans le domaine de la réglementation économique à tous les niveaux de gouvernement.

## SUMMARY

This study explores the impacts of economic regulation on the diverse small business sector in Canada and concludes that in general, small business is not being crushed by regulation. Although, evidence suggests that the allocation of scarce resources in the sector, in particular the productive time of entrepreneur-owner-managers, is being diverted to cope with paperwork and regulations to an unnecessary extent. Often it is not the intent or the content of the regulations that is at fault, but rather the way regulations are being applied by regulators who are too often narrow in purpose, who lack understanding of the effects of the regulations/paperwork they create or who have a very limited understanding of business. In particular they fail to understand that economic regulations can have a different and relatively greater impact on small business than larger firms.

This is an independent study commissioned by the Economic Council of Canada. The council was instructed by the Prime Minister, after the First Ministers Meeting, February 13-15, 1978 to prepare recommendations for action regarding economic regulations at all levels of government.

## PART I- INTRODUCTION

### A. OVERVIEW

During 100 in-depth interviews conducted with small business owners located mostly in Ontario, very few claimed that their small business was being "crushed by economic regulations."\* In most interviews owner-managers were found to have a limited knowledge of economic regulations that affected them. Only in a few cases were small businessmen able to provide an estimate of the total cost impact of regulations on their business. In many interviews care had to be taken so as not to put words or quantitative estimates in the mouths of the owner-managers who were anxious to co-operate, but found it difficult to respond fully to the more in-depth and probing enquiries.

Most owner-managers were able to discuss, in detail, specific distasteful incidents which often involved the inconsistent interpretation of vague regulations by overzealous or poorly trained regulatory officers. Many independent business person resented any sort of interference with their operations by outsiders, such as government regulators, large landlords, large suppliers or customers, etc. who had the power to impose rules on them. In fact, many small business owners did not distinguish between economic regulations imposed by governments, restrictions imposed by other large organizations, or the taxation system they were subject to.

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\* A number of "Free Enterprise" groups claim that the answer to this question is definitely 'yes'. Douglas Hartle in Public Policy Decision Making and Regulation, Institute for Research on Public Policy, Montreal, Quebec, 1979, p. 143, is less sure: "Regulatory compliance would appear to be particularly onerous for small businesses relative to large enterprises. To what extent? Is this true? What could be done to ameliorate the situation if there is, indeed a problem?"



Probably the only generalization about the small business sector that holds true is that one cannot really generalize about the many, diverse small businesses that exist in Canada. About 1 million in number, small business constitutes in many ways, the miscellaneous category (which must always exist in any categorization). All generalizations about small business must be qualified in terms of size, location, ownership, and, industry sectors being served.

The difficulty in doing research on small business comes about because of the individuality of the entrepreneur-owners who do not fit into neat SIC codes or other economic moulds.

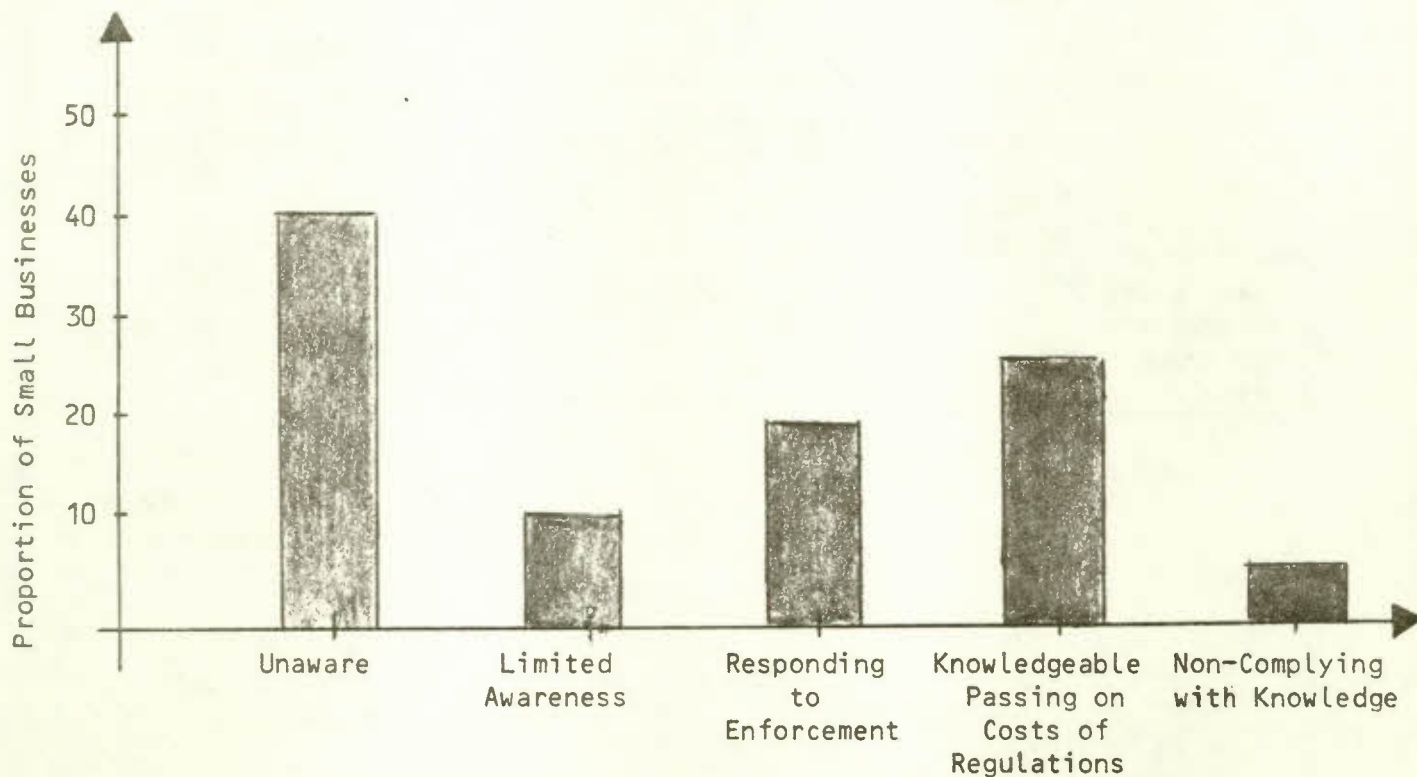
The sample of small businesses interviewed can be divided into two groups. The portion of our sample representing the vast majority of small businesses, those consisting of, say, less than five employees, had a very limited awareness of regulations that affect their businesses. Probably all of these smaller firms operated in non-compliance of some economic regulation out of ignorance. With this large group, consisting of hundreds of thousands of small businesses, it would be very costly and difficult (if not impossible) to have all relevant regulations enforced by authorities. At the same time, were it possible to strictly enforce regulations on the more marginal of the smallest of these businesses, economically disastrous consequences would follow to their owners and our economy. Generally speaking, the level of enforcement is not that intense for this to be happening. At the same time, many of these small businessmen will go to great and ingenious lengths to legally avoid being subject to unreasonable regulations which are seen as just another business problem to be overcome.

A second group of larger owner-managed businesses are aware of selected, specific regulations that directly and routinely affect their businesses. But, very few of them are aware of all of the many regulations that may apply to them. Very few of them have

taken the time to investigate and study which regulations apply to their operations. In this group, without exception, most are aware of the paperwork that is required and enforced by taxation, statistical, labour, etc., agencies. Their level of awareness of economic regulations appears to be directly proportional to the required paperwork and the enforcement and follow-up procedures being used. With regulations that require no paperwork or regular visits by inspectors, the level of awareness and compliance is considerably lower. Figure 1 below is an impressionistic view of the level of involvement that small business persons have with economic regulations. We are adopting this approach to communicate the highlights of the major patterns that emerge from being closely involved with massive amounts of qualitative data. The orders of magnitude presented are consistent with the quantitative findings of the Charlesworth study carried out in the United States and selectively presented in Part I.D.1.

Figure 1

IMPRESSIONISTIC VIEW OF LEVEL OF SMALL  
BUSINESS PERSONS INVOLVEMENT WITH ECONOMIC REGULATIONS



Level of Involvement With Economic Regulations

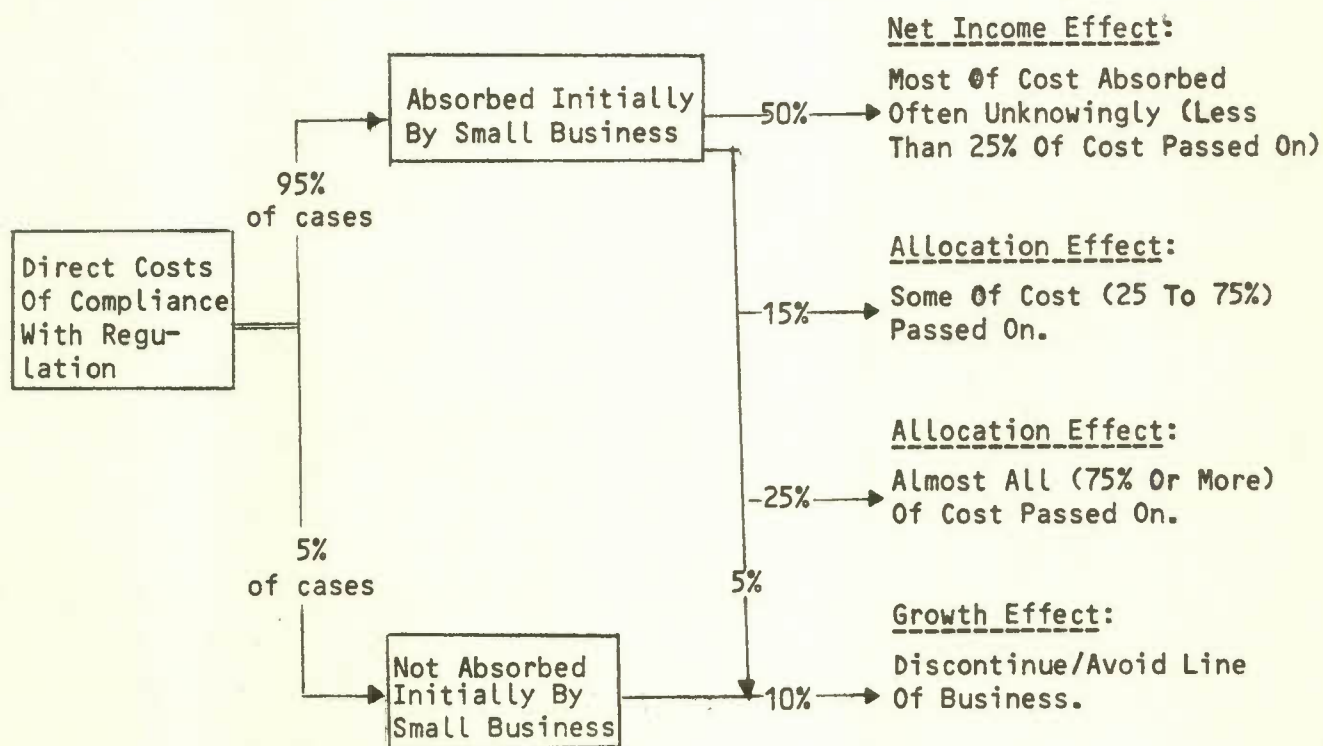


Most of the very small business owners are unaware or have limited awareness of economic regulations, even those that are affecting them. About 20 per cent are responding to enforcement of regulations that are brought to their attention. Another 25 per cent of small firms could be considered knowledgeable, actively passing on costs to customers whenever possible. An unknown number, as little as 5 per cent, may be non-complying with knowledge, taking advantage of lax enforcement.

During the interviews, every effort was made to assess the allocation, income distribution and growth effects of economic regulations on the small owner-managed company. The following diagramme, Figure 2, is an impressionistic view of the direct costs of economic regulation.

Figure 2

IMPRESSIONISTIC VIEW OF COST OF ECONOMIC REGULATION



Most entrepreneurs have at any time, many irons in the fire. Therefore it is conceivable that ALLOCATION EFFECTS exist through the choosing of alternatives that involve the least amount of regulatory hassles and costs. As is implied in Figure 2, the direct costs of compliance are often not the most important. How the entrepreneur-owner-manager allocates his own time, followed by how he invests his limited financial resources are of paramount concern from a societal point of view.

In terms of INCOME DISTRIBUTION EFFECTS, small business persons are able to pass at least some of the direct costs of regulations on to their customers, few take action to avoid such costs, most reported that regulations had increased their costs somewhat (not necessarily significantly) and that they were not able to pass them on. Pass through costs tend to be all or nothing in nature as is implied by Figure 2. Manufacturers seem to be better able to pass through cost increases than wholesalers, and wholesalers better than retailers.

In almost all cases, owner-managers reported that there often was a time lag between the time they incurred the incremental regulatory costs and the time they were able to pass them on. From a societal point of view it is the unnecessary inefficiency in regulatory procedures, processes, rather than the substance of the regulations that is most often at issue.

GROWTH EFFECTS, like allocation effects, were hard to measure precisely. Regulations are seen as part and parcel of being in business by most small business persons. "You tell me the rules and I will play the game." What owner managers complained about was vagueness, uncertainty and inconsistency in regulations (especially Customs and Excise Duties). Such uncertainty often dampened their enthusiasm or delayed their expansion decisions. Capital to meet regulatory requirements is often difficult to get because such investments are

considered as being non-productive by bankers. Growth can be impeded when limited available capital is diverted to such non-productive enforced investments.

ALTERNATIVES to economic regulation suggested tended to involve process rather than content. Why not consult with knowledgeable small business experts when conjuring up new regulations? Combine federal, provincial and municipal inspections into one, to avoid unnecessary duplication. Coordinate information, reporting needs of government departments. Resorting to regulation should be a last resort.

A number of MISCONCEPTIONS were debunked. We have already mentioned the fact that small business is not being crushed by economic regulation. While process appears to be more of a problem than content, many regulations probably exist that serve noone but the selfish interests of the regulators.

Evidence seems to suggest that small business persons do not understand the difference between paperwork and regulations. Many consider such differentiations as only of academic interest. But there are also some important practical differences. "Regulations can put you out of business, or frustrate you all to hell, while there are always ways to handle the paperwork burden."

It is clear that paperwork is seen as doing relatively little of benefit for a small business. Although sometimes it forces an entrepreneur to become better organized, keep better records, etc. which can have side benefits. Regulations are more likely to benefit a small firm -- protection against unfair practices, sometimes small business service opportunities rise out of new regulations. But almost always paperwork and regulation disguise the real costs of governments. They are always a hidden cost being transferred from the public to the private sector.

Paperburden has served as the lightening rod of economic regulation. The tip of the iceberg. It is always visible. Easier to enforce. A manager three levels down in a company doesn't consider paperwork as a problem. An entrepreneur-owner-manager, the closer he gets involved with daily operation, the more he considers paperwork a problem.

It would be incorrect to say, that, in general, small business persons are devious and chose not to comply with well conceived economic regulations as an explicit act of defiance. In fact, most smaller business persons want to avoid bringing attention to themselves whether from governments or other larger businesses. Generally speaking, they fear direct confrontation with organizations that are larger than themselves. In a number of interviews the researchers were mistakenly seen as being anti-regulations. In such cases we were subjected to lecturettes on the responsibilities of citizens to comply with the laws of the land and, for example, the necessity of protecting our natural environment from pollution, etc.

The complaint that small business is being "Crushed by regulation," may originate from the general distaste that small independent business persons have for any outside influence on their operations, and from the drudgery of paperwork. Small business owners have a tendency to worry and complain (often with cause) about their future. They complain that government is too involved in the marketplace, competing through paying higher wage rates at the post office, in crown corporations, and to civil servants in general. They also complain that many of the small business assistance programmes aimed at them by governments are ineffective and ill-conceived. They resent the unavailability of small business loans and that the cost of legitimate financing is much too high for small business. They complain (with good cause) that government refunds are difficult to get and, that unions are being allowed to run rampant.



The majority of small businessmen often feel helpless in an environment that they see as progressively becoming more complex and dominated by "big guys". This trend manifests itself to them particularly when dealing with government agencies, where too many levels of government affect any particular issue. Where jurisdictions are overlapping. Where overly cautious civil servants are unwilling to make decisions. Where delays and uncertainty sometimes cost several times more than is necessary.

When dealing with small business owners, one must think in terms of margins. The owner manager's decisions are strongly affected by life style considerations. He focuses on the margin: Is there enough money left after all the costs for me to carry on the life style I am accustomed to? If yes, then regulatory costs over which I have no control have relatively little effect on my allocation and growth decision. Other considerations are more important.

The following two quotations from two of the interviewers capture the gist of the interviews that were undertaken during this study:

"I went out with the idea at the back of my mind that regulations were causing major problems for small business. I found that this was not so. At least not the way the popular press would have it. A lot of small business persons like to propogate the popular image that they are downtrodden. And I am sure some are. But I think for the most part this is an effective strategy to keep regulators, taxation officials, etc. off their backs. There are a significant number of small businesses that wouldn't exist if it weren't for government regulations."

"To me the big message that emerges from the interviews is that government regulations are not killing small business. But there sure is a need for better house-keeping and neatness among the many overlapping, unnecessary annoying and just plain stupid regulations. I was surprised by the resilience of small business owners, not as much animosity against civil servants as

I expected, a significant number of officials even could be classified as truly helpful and knowledgeable. There seems to be a slight trend of better qualified officials entering the service."



## B. RESEARCH QUESTIONS AND FINDINGS

The following research questions, answered in point form, cover the main findings of this research:

Question 1 -- Is small business being crushed by economic regulations as is often claimed?

No, because the general level of enforcement and the level of regulatory knowledge among small business persons is low. Those small businesses that are aware and knowledgeable are able to cope with the added regulatory costs.

Question 2 -- Which creates the greater time and/or cost burden for small business: regulation or paperwork?

The C.F.I.B. Provincial Survey data showed clearly that Paperwork constituted the greater burden (range 78%-89% by Province). However, from our interviews it became clear that small business persons did not always distinguish between economic regulations (as defined in our sample questionnaire and the C.F.I.B. survey) and paperwork caused by the filling out of forms for statistical and other purposes. They were often unaware of the regulations that affected them but were bugged by bureaucratic paperburden that had to be dealt with on a regular basis. When the interviewees were probed about the regulations and what affect they had on their business, they often became upset because they had not really thought about the costs of various regulations (accepting them as a fact of doing business) while ranting and raving about the paperwork burden. Very often it was difficult for them to distinguish between the difference of economic regulations and the paperwork generated by these regulations.

However, if we look at the interview data, it indicates that once the small businessman is made aware of the differences between regulations and paperwork (as defined in the beginning of the interview), and he really gets thinking about what regulations do indeed impact on his business, he will more often list regulations as impacting more than paperwork. The balance is still in favour of paperwork, though the statistics are not as clear cut.

Question 3 -- Which level of government imposes the greatest burden of paperwork and/or regulation on small business?

In the C.F.I.B. Provincial Survey, Federal government was reported as creating the greatest paperburden for all provinces, except Quebec, where the Provincial government was the culprit. The interview data also indicated that the Federal government imposed more of the paperwork burden. Much of this paperburden is created by tax forms, etc. that have to be filled out for each employee as well as corporate documents.

Question 4 -- Throughout the year, on the average, how many man hours does a business spend per week on government paperwork.

Overwhelmingly in both the C.F.I.B. Provincial Survey data and our interviews, the answer was in the 1-10 hour category. The only trend noticeable was that as the number of employees increased, so did the number of hours that the company had to spend on paperwork.

Question 5 -- Is the cost of compliance with regulations significant in relation to the total costs of a small business?

We were unable to precisely measure the total cost of regulation. It is likely that the direct costs of regulation, that cannot be passed on, do not constitute a major cost in most small firms. The time required by an owner manager, in some situations, to comply with regulation is probably the greatest cost.

Question 6 -- How well do the small business owners understand the objectives of the regulations that affect them? How aware are they of the regulations that affect them? How do they deal with the cost of non-compliance?

It must be noted that the interviewees were not primed as to the kinds of questions they would be asked and thus had very little time to really think about such an in-depth question as above, especially when it comes to allocating costs. Many small businessmen operate from day-to-day and hand-to-mouth and do not have time to worry about the long term effects of regulations on their business situation. Small businessmen tend to be reactive rather than proactive in dealing with regulations.

Question 7 -- How vigorously and consistently are regulations enforced in the small business sector? To what degree does voluntary compliance take place?

In general, they are not enforced as strictly as they could be due to a shortage of enforcement officers and a lack of training and incompetence on the part of inspectors and bureaucrats. "If your inspector is friendly, you do O.K., if not, he can really screw you." There is also a tremendous overlap between various government agencies and regulations

dealing with specific issues such as health and safety. Most small businessmen do not deliberately want to flaunt regulations especially when it comes to human health and safety regulations as well as environmental pollution concerns. Most often regulations are not complied with due to ignorance or a misunderstanding of exactly what it is that has to be complied with.

Question 8 -- In terms of regulations impacting small business most -- who benefits and who pays. To what degree can small business pass on the cost of compliance?

As often as possible, the small businessman tries to pass on his costs to the customer, but this is not always possible, simply because often he is unaware of the direct costs of regulatory compliance incurred by him. There is no clear cut answer to who benefits and who pays -- it depends on what issue the regulation is dealing with. There is a vast difference between paying minimum wage to unskilled labour and spending hours training them to have them quit on you just as you have them trained, and spending dollars (in one shot) on some pollution equipment that you can pass on over a number of years to your customer.

Question 9 -- Can one generalize about the kind of regulations that affect small business most? By industry? By size of company? By form of business organization?

In terms of our interview sample, we divided our interviews into three industry categories: Manufacturing, Service, and Wholesale/Retail. As expected, we found that regulations were indeed industry specific, but all of the three groups had Human Rights, Workmen's Compensation, and Taxation as common areas of regulations impacting most on their business.



Both our interview data and the C.F.I.B. National Survey Data indicated that of the 9 broad categories of regulations listed, very few were seen to have a major impact on the small businessman. (For an example of the question see Part III.A. Interview Questionnaire.)

The interview data indicated labour standards and zoning were of greatest concern to the service, retail/wholesale industries. Our interviewers were surprised at the lack of complaints in the retail area. Sales tax was an issue and store hours a minor complaint but, there seemed to be few major regulations to complain about. However, even though the manufacturing industry appeared to have the least number of regulations (as listed by the interviewees), they expressed most concern with their industry, because it was so labour intensive. They reported that there was much abuse of the U.I.C. and Worker's Compensation Act on the part of the employees.

The different political leanings of each of our Provinces was evident. Each Provincial government stresses different regulations (especially in terms of human rights and compensation). A Province has the ability to attract small business depending on the tax breaks it gives to various "new ventures" which are in turn dictated by the natural resources and climate of each Province.

There does not appear to be any significant variability in the type of regulations that impact by size of company except that for companies with 100 or more employees, Labour Standards, Zoning Bylaws and Transportation problems impacted more. They were also the only ones (when looking at the sample overall) who reported Packaging and Labelling, and Health and Safety as being significant problems.

The form of business organization (corporation, proprietorship, partnership), did not seem to make a difference in either the C.F.I.B. National Survey or our interviews. In fact, 95% of the interview sample consisted of corporations.

Question 10 -- How do regulations affect small business differently than large firms?

Our interview data indicated that one of the major problems a small businessman has is that he deals at a different level than does the big businessman. He deals with the small guns, while the big businessman has connections or lawyers or friends of friends who have the right connections to make the difference, be it in terms of loans, zoning restrictions, interpretation of legislation or the right law firm. As alluded to above, regulations are not standard across the country and have to be interpreted depending on regional and local needs, current pollution standards, etc. The large firm has access to experts whereas the small businessman probably is an expert, but not in every facet of the industry he is involved in.

Large business is less labour intensive than small business. Many of the regulations deal with labour and are human relations oriented and relatively speaking the total costs to small business in terms of time to administer these regulations is high when compared to large business. Large businesses have lawyers and money to fight for a cause, they have strong lobbies and can tackle an issue before it becomes a regulation, or at least help to mould it to meet their needs. Small business does not have this capital and human resource pool available to it. Small business has to react, rather than proact, and thus they are often on the defensive, they know what they want, but they don't have the resources to accomplish their goals. Thus, large business has more leverage and can anticipate regulations.

Large business also has more financial flexibility than small business, it can draw from a pool of funds and shunt surplus cash where it is needed most. The small businessman operates on a margin and does not have this kind of flexibility. What it adds up to is that a large business has more expertise, experience and power to



deal with regulations.

Question 11 -- What general principles, alternatives and debunking of myths arise from the data?

This was a very difficult question for us, as well as for the small business person interviewed. The reason is that alternatives are given by people who have time to think and we really did not give our interviewees any warning of what we were going to ask them ahead of time.

Small businessmen are often put into the situation of coping rather than thinking, they get stuck with moment to moment decisions because they are the owner manager of a business which provides them their livelihood, they have no alternatives, no time to think -- they are survivors. The kinds of answers our interviewers got to this question were vague -- less government, less hassle with taxes, less paperwork ... .... In terms of regulations, the general consensus was that they did not mind regulations and even saw them as necessary, but they would like to see more standardization of regulations, more reasonable regulations and less levels of government bureaucracy to deal with. Often the interviewers got a stream of frustration about some double standard or bureaucratic bungling that had cost them much time and money that they could not pass on to their clients or customers not to mention the ulcers and headaches.

As mentioned in the overview, for some of the interviews it was very hard to listen and not to put words into the mouths of our interviewees. Generally speaking, the small businessman wants to be left alone to do his own thing, he is often an entrepreneur and an independent thinker who resents forms and people telling him what to do.

### C. RECOMMENDATIONS

In general we believe that the main problem exists with regulators. They are too often narrow in purpose, lack understanding of the effects of the regulations/paperwork they create, and careless in having regulations that overlap, or that are written in sloppy language and fail to serve societal goals. We agree with the Nova Scotia Task Force Report referred to in Part I.D.6: Further extensive research into the regulatory problem is probably not needed. Instead we need to get on with the challenge of educating and informing individuals on all sides of the regulatory process:

1. Make regulators more aware of the impact they have on smaller firms.
2. Change the process by which regulations are made.
3. Establish mechanisms that ensure that regulations are kept consistent with prevailing government policies.
4. For specific recommendations see Part I.D. The results and recommendations in these previous studies were for the most part replicated by our own research.
5. We specifically endorse the C.F.I.B. small business related recommendations in Part I.D.2 and process and mechanisms changes recommended in Part I.D.6.

#### D. REVIEW OF SOME RELATED ACTIVITIES

##### 1. United States

Established government policy in the United States seeks to maintain competition in the market place through the encouragement of small business. The Robinson-Patman Act, Resale Price Maintenance Act and state licensing procedures represent only a few of the devices that are being used. Some U.S. economists abhor these devices believing that the attendant costs exceed the benefits. Others believe that some degree of inefficiency can be tolerated as a price for diluting and preventing concentrations of economic and political power and for maintaining equality of opportunity.

Small business is an important basic axiom of U.S. society, for example as expressed forcefully in the preamble to a resolution at the 1980 White House Conference on Small Business.\*

"The American Dream is to be an owner of one's own business. Almost everyone has had the dream and millions of Americans have lived it. The American Dream is the cornerstone of our 200 year old American Heritage and also is the reason for our country's position as the most economically powerful nation in the world today. Would we have achieved this status as a nation if we had not been presented with opportunity unencumbered by government regulation? ... Now, therefore, in consideration of the foregoing and; whereas the Small Business Community is represented by some 14 million small and independent businesses and; whereas these 14 millions businesses represent 100 million people and 58% of all private sector jobs in America, and; whereas 97% of all newly created jobs in the past 7 years have been created among these 14 million small and independent businesses representing 48% of America's gross business product and; whereas 50% of all new inventions, innovations and patents are developed in the small and independent sector of American business .... Therefore be it resolved that ...."

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\*The White House Conference on Small Business, January 13-17, 1980, Preliminary Conference Report, Washington, D.C., U.S.A., p. 14

In Canada similar research findings appear to hold true.\* The value system evident in the above quote was prevalent in the interviews and data examined for our research. Although in true Canadian style, understatement was more prevalent. This is not to say that some small businessmen did not get carried away with their invective against government intervention in any form.

There are few statistical data that reveal the magnitude of the impact of regulation on small business in the U.S. Statistics on business failures reflect overwhelming aggregative conditions from which we cannot isolate the regulatory effects. The number of small businesses that have been closed down because of regulation is thus a matter of speculation. An Environmental Protection Agency (EPA) survey revealed that ninety plants employing 19,000 people had been forced to close, "partly or entirely," because of emissions standards.\*\*

The so-called Charleswater (CAI) report is the most comprehensive survey of the impact of regulations on small business to date.\*\*\* The survey relied on interviews and questionnaires mailed to members of four small-business associations. The methodology employed was far from "scientific" and resulted in no quantitative information relating to the differential impact of regulations on small versus large business. The major finding was that about 60% of the small firms were unable to pass on regulatory costs, suggesting that the "passing on" assumption sometimes made by regulatory agencies should be reexamined. However, while most small firms reported an inability to pass on costs, only 5 per cent reported a marked decline in profits due to regulation. These two findings can be consistent

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\* Rein Peterson, Small Business: Building a Balanced Economy, Press Porcepic, Erin, Ontario, 1977, Chapters 4, 5, & 6.

\*\* Private Communication.

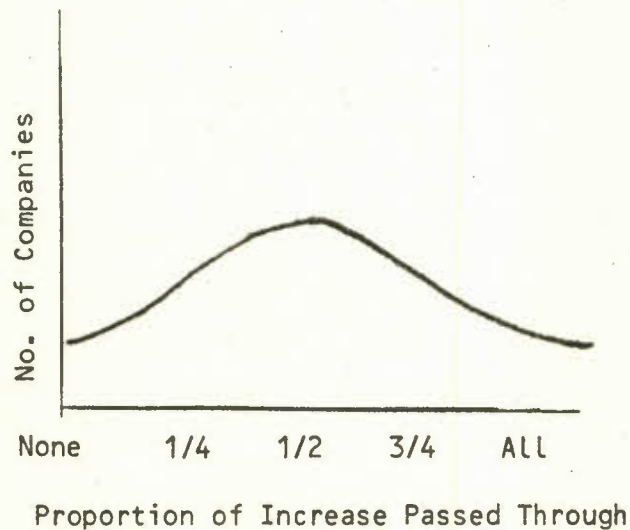
\*\*\* The Impact on Small Business Concerns of Government Regulations that Force Technological Change, Small Business Admin., Washington, D.C., 1975, prepared by Charleswater Associates, Inc., Mass.



only on the assumption that regulatory costs do not loom heavily in the small business sector. Our research findings appear to confirm this to be also the case in Canada.

The CAI report also pointed out that they had expected (before undertaking field research) a graphic representation of the cost, per unit of product, of complying with economic regulations, as a function of company size, to look something like Figure 3.\*

FIGURE 3  
Expected Pattern of Compliance Costs



The higher per unit costs for smaller firms would simply be a reflection of the economics of scale. Fixed compliance costs are distributed over a much smaller output.

Instead, CAI survey results suggested that unit compliance

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\* Charleswater Associates, Inc., IBID, p.90.

costs as a function of company size were distributed as in Figure 4 .

FIGURE 4  
Actual Pattern of Compliance Costs



According to CAI the compliance cost tail-off can be accounted for in the modifications and exemptions provided in U.S. regulations for small business. Also "our discussions with agency officials indicated clearly that enforcement efforts were not uniform" for any size of company, but were directed at larger offenders. Agencies simply did not have the manpower to achieve uniform enforcement given the millions of small businesses in existence.

In our research we corroborated the existence of the general shape of Figure 4 in the Canadian environment. Our research suggested insights and explanations in addition to those given by CAI. In Figure 4 no precise scale is given for company size, but it would appear that smaller medium-sized companies (companies who have succeeded and are growing) carry the highest unit compliance costs. This finding agrees with some of our previous research.\* The implication is that

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\*Rein Peterson, OP. CIT. P. 97.



growing, successful companies are being penalized and could be held back from providing the needed vitality to the economy as a whole. Our interview results were successful in coming up with some examples of such cases.

The CAI report listed the impacts of economic regulation on small business as follows.\* In general our research found that similar factors held in Canada, but we have added our comments in parentheses on the list below:

1. Time demands placed on the small business manager (especially in the case where there is a single key entrepreneur-owner).
2. Confusion engendered by uncertain, conflicting, and shifting regulatory requirements (and no-one to turn to for help).
3. Inadequacy of existing technology to do the job (because small firms often lack a broad range of technical skills).
4. Unavailability of equipment and supplies, and as a corollary of this, delays in delivery of what is available (small business is usually lowest priority and poorest service).
5. Inability to identify most cost-effective approach to compliance (lack of time, information, knowledge).
6. Necessity of reliance on outside technical expertise and on the representations of contractors and manufacturers of control equipment (most equipment salesmen cannot afford to call on smaller firms).
7. Cost and availability of capital, particularly in light of the fact that expenditures for regulatory compliance are considered to be non-productive investments (most capital investments in smaller firms are forced upon them by dire production requirements of higher priority).
8. Difficulties in dealing with agency personnel -- a problem more frequently cited in dealings with the newer and more aggressive federal agencies; personnel from older agencies were considered

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\*Charleswater Associates, Inc., Op. Cit. pp. 148-149.

more technically competent, those from state and local agencies were viewed as more responsive to small business problems because they were thought to be more concerned with the communities in which they operate (small businessmen often lack interpersonal skills).

9. Paperwork burdens (forms are designed to meet a broad range of firms and the specialized small firms do not fit the mould).
10. Under-representation by trade associations which were thought to be dominated by their large members, and little other opportunity to have input into the formulation of legislation and regulations (previous research from Industry, Trade and Commerce confirms this).
11. Retraining employees, laying off others, hiring new employees to supply skills needed for compliance, e.g., operating pollution control equipment (but small firms find it difficult to retain such personnel in a highly competitive labour market).
12. Shifting product lines or simply dropping products altogether as well as plant shutdowns and business failures (we were able to find only a few specific examples in our research -- hard to research, measure).
13. Meeting time deadlines for compliance which were considered to be unrealistic and cost-inefficient -- many industry people felt that regulatory agencies had an unrealistic view of what could be accomplished not only time-wise but performance-wise, given technological capabilities and limitations (our research sample suggested that officials are becoming more realistic in this regard).

The U. S. Commission on Federal Paperwork established in October, 1975 (for a period of two years) probably constituted the most comprehensive governmental endeavour in this field anywhere in the world. The Canadian Paperburden Office, launched in 1978 benefitted in many ways from the U.S. experience. The Commission claimed estimated savings to the U.S. economy of \$3.5 Billion from recommendations implemented by Agencies and Congress even while the study was still

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\* Rein Peterson, Small and Large Firms Together: An Exploratory Narrative, Department of Industry, Trade and Commerce, Small Business Secretariat, Ottawa, Ontario, 1978

underway. Many subsequent claims of real benefits, which were usually difficult to corroborate, followed.

The report of the U.S. Commission on Federal Paperwork also pointed to long-term measures. Discussions of the paperburden/regulatory problem in the United States are at present focussing on a "total approach". While measures such as combination of forms, reduction of reporting frequency requirements, total elimination of forms, etc. are needed, they form only a part of a combined strategy that must be developed for a comprehensive attack on the root causes of paperburden and the process problems of implementing regulations (for example as in the 13 listed above).

Because there are many vested interests on all sides: business (small, medium, large), all levels of government, consumers, labour, etc. the politics of bringing about "total" change have proven very complex in the U.S. The euphoria that existed early in the Carter administration has been quenched. It is all very reminiscent of the constitutional debate in Canada, during 1980.

## 2. Canadian Federation of Independent Business

The C.F.I.B. is the successor organization to an ad hoc group called The Canadian Council for Fair Taxation which was formed in the late sixties in opposition to a federal government White Paper on Taxation. The Council and its successor, C.F.I.B., were both organized by John Bulloch, Jr. The two basic objectives of the Federation are:

- a. To promote and protect a system of free competitive enterprise in Canada.
- b. To give independent businessmen a greater voice in laws governing business and the nation.

The central philosophy which dominates the actions of the C.F.I.B. is the diffusion of power in all sectors. Concentration of power and the proliferation of impediments to free and competitive enterprise are seen as the consequence of:

- a. Natural forces in a competitive market system which tend to encourage concentration of power and constraining rules and regulations.
- b. A history of commerce in which cartels, price-fixing arrangements and other forms of anti-competitive behaviour have been commonplace. "Any businessman who is honest will tell you that he would prefer to see increased competition among his suppliers and less competition for himself."
- c. "Man creates technology and structures to channel technology, but eventually they end up dominating his behaviour."

The C.F.I.B. is convinced that small businessmen in Canada must be politicized if they are to provide the stimulus necessary to counter the trends that are bringing about an increasing number of blockages to free and competitive enterprise.



If we consider regulation in the broadest sense, as "the essential function of government",\* then it is easy to understand why the C.F.I.B. finds itself constantly monitoring and opposing proposed government actions. The C.F.I.B. originates from a citizens revolt; Hartle points out taxation and government expenditures are but two special cases of regulation. In this sense, then, the basic objectives of the C.F.I.B. can be seen as dealing directly with government regulation, per se, even though the C.F.I.B. has tended not to differentiate between regulation and paperburden, nor has it used the label regulation, as such to describe its work.

Organized on a federal, electoral-riding basis, its approximately 55,000 members (each representing a business entity) can be found in every community in Canada. The C.F.I.B. is the largest, individual voting, business association in the country.

Members are polled quarterly through a National Survey regarding general issues affecting them. Opinions on specific legislation proposed by the federal government are compiled nine times a year through a ballot system called the Mandate. More recently the C.F.I.B. has started to tap member opinions on a regional basis through Provincial Surveys which will be conducted on a yearly basis. All views collected are passed on directly to each member's M.P. in Ottawa and to legislators in respective provinces. In this study we have made extensive use of data collected by C.F.I.B. in this manner.

Since its inception the C.F.I.B. has been asking its members on a quarterly basis what their most important problem was. Consistently "regulation and paperburden" have ranked high on the list. In 1979 the C.F.I.B. decided to ask their members for specific examples of "Forms and regulations that bother you most?" The response was unexpectedly large and emotional. These "bitch lists", as they became to be known, were

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\* Douglas G. Hartle, Public Policy Decision Making and Regulation, Institute for Research on Public Policy, Montreal, Quebec, 1979, p. 1.

forwarded to every provincial government, as well as to Ottawa.

"We found from the responses that small business people out there are angry and frustrated. Many have real problems, others have what they perceive to be problems. ... perceived problems are the more serious as they reflect an attitude ... whether fair, logical or not ... governments will have to work hard to overcome (these perceptions)."\*

The C.F.I.B. points to the following impacts on small business of real and perceived excesses of government regulatory programmes:

- a. There are enormous costs both direct and indirect. "Time spent doing the government's will is time away from operating a business, generating profits, creating jobs."
- b. The burden of regulatory costs borne by small business is, relatively speaking, inequitable. "Large businesses have the resources to meet the governmental requirements, which can pose formidable hurdles for smaller firms."
- c. A small businessman does not have the time or skill to determine whether he is or is not subject to a myriad of duplicative regulations. Government officials tend to adopt the attitude with smaller firms: "We know you're cheating, we just have to find out how."
- d. Regulations tend to lack a general logic; they are reactive to specific problems. "Why are ant, roach, spider and fly killers taxable, while insect strips, hornet, wasp and silverfish killers are exempt?"
- e. The only contact most small businessmen have with government officials is when they are being forced to do something not necessarily in their own interest. "Do this or else" or "Do this for us in the interest of developing public policies!"

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\*"The Impact of Regulatory Programs and Paperwork on Small Business," Presented to The Seminar On Regulatory Reform for the Public Service Commission of Ontario, Toronto, Ontario, October 16, 1979.

- f. Government departments have unrestricted access to the small business community. The reverse is not the case. "Frequently a small businessman gets passed from one department to another receiving no answers or help, encountering indifferent attitudes."

The C.F.I.B. recommends the following remedies:

- a. Put yourselves in the shoes of the people you are trying to access.
- b. Consult with small business before you put in a law or regulation that affects business.
- c. Before imposing a regulatory requirement on the public investigate the socio-economic impact of such a move. Does the cost out-weigh the benefit?
- d. Co-ordinate the information and reporting needs of the various ministries so that as few requests as possible are made for the same information. (Central computerized data gathering for example.)
- e. Simplify and get rid of the legalese in the regulations and forms. Don't keep asking for the same information year after year.
- f. Review all reporting and compliance criteria to see whether it is: (i) still necessary, (ii) excessive, could be reduced in frequency, perhaps selective reporting arrangements for small businesses should be considered.
- g. Government should consider paying for services rendered -- for example, the government pays for jury duty and retail sales tax collection, why not for other services? Forcing governments to pay for services will make it more vigilant of how it uses that service.
- h. Consideration should be given to combining federal and provincial inspections (e.g. federal government health and safety inspections are contracted to the provinces.) Other types of inspection could be treated in the same way.

- i. Before modifying a regulatory form or requirement consider the learning curve involved for those affected. Was the change worth it?
- j. Is sufficient notice of regulatory requirements being given? In the same vein, put several changes to legislation in one bulletin instead of several different mailings.

The C.F.I.B. would welcome an intermediary advisory role between regulators and small business.



### 3. I.T.C./Enterprise '77

In the Spring of 1977, the Department of Industry, Trade and Commerce sent teams of civil servants across Canada to listen to the views of businessmen on how well government operated generally. Of the 5,000 businessmen interviewed 35 per cent identified paperburden as a "major irritant." The overwhelming response to the subject of paperwork was negative (85 per cent) and this response was fairly uniform in all regions of the country:\*

1. Lack of Communication - if the affected public were consulted early enough during the program design, laws might be simpler and more effective.
2. Insensitivity - Government is sometimes insensitive to the problems that paperwork causes others.
3. Complex Government Forms - Often businesses and citizens forego the benefits, services and rights to which they are legally entitled simply because they do not understand the instructions or procedures they are expected to follow.
4. Overlapping Organizations - Paperburden results when laws issued by multiple levels of government overlap each other in whole or in part (e.g. building codes).
5. Deficient Program Design - Concerned with the substantive administration of their program, officials often neglect the very real negative spinoffs which a program's implementation may have in terms of poor design.
6. Other Causes - Paperburden also arises where there are no limitations on the authority of program administrators to collect information; no provision for modifying information requirements based on the capacity of businesses to respond (such as minimum size inter-governmental and inter-departmental data-sharing; few indications of the intended

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\* Paperburden, Discussion Paper, Ministry of State for Small Business, February 2, 1978, p.3.

use of information; ineffective requirements for consultation with respondents or other affected parties impacted by the government paperwork; or inadequate performance criteria for measuring departmental efficiency or effectiveness.

Note that while the Paper was entitled "Paperburden" its findings dealt also with economic regulation -- it was difficult to separate the two empirically.

The paperwork requirements which governments imposed on business, identified by the study, were grouped under four categories:

1. Reporting - This includes the entire array of information gathering activities in which the government acts as requestor and the public as respondent. It includes statistical surveys of all kinds, information collected for government policy and management purposes, information collected for program evaluation, etc.
2. Application Services, Benefits or Assistance - This includes all forms that business or the public must complete to obtain some kind of service, benefit or assistance from the government. It includes welfare, medical and health benefits, veteran's aid, student loans, small business loans, licenses, registrations, permits, etc.
3. Record-keeping Requirements - This covers all requirements described by law or regulation as binding business or the public to some kind of record-keeping. The records may be for the purpose of financial audit, compliance with some regulation or rule (such as records of safety and health practices, etc.).
4. Regulations, Procedures and Systems - Collectively, this refers to: the sum of administrative processes associated with individual regulations, procedures or instructions; a single program or a family of related programs; or an entire benefit/delivery system.

The ITC study correctly pointed out that all paperwork requirements do not constitute a burden. Paperburden consists of information requirements established by government which can be judged to be unduly burdensome and costly. A world without government paperwork is impossible to conceive. Paperwork is one of the fundamental ways

that government communicates and interacts with the electorate.

The Enterprise '77 study raised the expectations and stirred the awareness among Canadian businessmen regarding economic regulation and government operations in general. Some kind of follow-up action became necessary.

#### 4. British Columbia Study

In 1977 the B.C. government commissioned a study to measure the cost of compliance with economic regulations at all levels of government.\* The study, which we were not able to get a copy of, consisted of two case studies of small firms and failed to produce generalizable conclusions. The estimated cost of paperwork was set at \$5,000 annually. Income Tax associated regulations added an additional \$3,000 per year. Secondly, very important "psychological costs" expressed in terms of anger, frustration, disillusionment, and general attitude that it is "them against us" were documented.

Subsequent studies by ITC (Enterprise '77) confirmed the general conclusions of the B.C. research.\*\* The empirical research reported in Part II makes us think that the B.C. estimate of annual cost of paperwork is understated. Most firms in our research reported spending 1 to 10 hours per week on paperwork and a firm with 20 employees or more had at least one half of one person's time taken up by government regulations and paperwork.

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\*"Review of Government Burdens Upon Select Business Sectors In British Columbia", Ministry of Economic Development, Victoria, B.C., 1977.

\*\*Paperburden, February 2, 1978, op cit.



## 5. Paperburden Office

In the Throne Speech of October, 1976 the federal government committed itself to the development of means to reduce the amount of paperwork which was being required of business and the general public. Subsequently, On August 4, 1977, Cabinet agreed to a Small Business Policy for Canada and identified one element of that policy as a commitment to reduce excessive paperwork.\* It was estimated that federal government paperwork, to small business alone, was costing as much as \$3 billion annually.\*\*

The Office for the Reduction of Paperburden, created by the Minister of State for Small Business in April, 1978, involved a relatively modest commitment of resources -- a staff of 15, with an annual operating budget of \$600,000, for a two year trial period. The Office's primary purpose was to serve as a focal point to receive complaints, suggestions, enquiries and requests for assistance from business and others. Perhaps its most important activity proved to be a widely publicized Action Line Service which small business persons could call collect from anywhere in the country. The Office proudly claimed an average turnaround time, from telephone complaint to solution, of 5.3 working days. A single complaint (case) sometimes took up to 40 telephone and person enquiries by Officers to find its way through the federal bureaucratic maze to resolution. In 75% of the cases, the Office was able to develop, in cooperation with the departments affected, a positive response. Figure 5 groups the 2260 complaint cases dealt with during the two years by source of problem.\*\*\*

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\* Perspectives, Department of Industry, Trade and Commerce, Small Business Secretariat, Ottawa, 1977.

\*\* Paperburden, Discussion Paper, Minister of State for Small Business Ottawa, February, 1978.

\*\*\* Office for the Reduction of Paperburden, Action Line/Ombudsman Group, 1980.

Figure 5  
OMBUDSMAN COMPLAINTS BY DEPARTMENTS  
April 1, 1978 - March 31, 1980

<u>DEPARTMENTS</u>	<u>NUMBER OF COMPLAINTS</u>	<u>%</u>
Statistics Canada	642	34
Customs Excise	300	16
Revenue Canada	270	14
Industry, Trade & Commerce	124	7
Provincial Governments	96	5
Consumer/Corporate Affairs	51	3
Supply & Services	48	3
Employment & Immigration	81	4
Post Office	14	1
Other Departments	<u>238</u>	<u>13</u>
	1864	100
General Enquiries	<u>396</u>	
TOTAL	<u>2260</u>	

A review of the case files revealed that complaints involved more than just the paperburden issue. Paperwork proved to be the emotional lightning rod of economic regulation. "Paperburden draws the emotional ire of owner-managers frustrated with costly, wasteful, unworkable, or incomprehensible inter-relationships that they are forced to have with government officials who are perceived as too narrowly specialized, having a total disregard for the burdens regulations impose on the public."

As an individual independent business person, paperwork is something concrete that one can complain about. The skill and

knowledge required to fight the Law of the land and regulations is generally not within the experience set of owner-managers (most of whom employ less than 20 persons). But there is a vocal cluster of small business persons in Canada who will complain eloquently, with cause about paperwork required of them by Law.

The Paperburden Office made numerous recommendations and suggestions to federal agencies and departments, mostly with regard to statistical forms and data gathering procedures.\* They were able to implement a number of changes through "personal persuasion, consultation, a network of like-minded public service change agents, giving credit to departments for changes and by doggedly seeing that complaints were followed through to a satisfactory end." Specific measures developed by the Office were estimated to save business at least \$300 million per year during the two years of operation.

The mandate of the Office for the Reduction of Paperburden was not renewed in March, 1980, without comment. It is possible that this small quasi-entrepreneurial group of civil servants succumbed to the pressures brought to bear by the federal bureaucracy. "bureaucracy itself constitutes an extremely powerful interest group ...".\*\*

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\*Fact Sheet: Measures to Reduce Paperburden, Office for the Reduction of Paperburden, Government of Canada, Undated (1979?).

\*\*Douglas G. Hartle, Public Policy Decision Making and Regulation, Op. Cit. p. 33.

## 6. Nova Scotia Study

In February, 1979 the Premier of Nova Scotia called together a group of approximately 50 citizens to address problems relating to regulation. In an interim report the essence of the regulatory problem is clearly stated:

"... the regulatory 'problem' in Canada and Nova Scotia is only on the surface one of bad or unnecessary regulations. More fundamentally, the problems of substance flow from problems of process ... the procedure through which regulations are made often fails to provide sufficient input or close analysis ... a better process would produce better results."\*

The report goes on to point out that it is only recently being recognized that regulation has become one of the major tools of government:

"Regulation, in part by its inherent nature, in part by the nature of government process now in place tends to be less visible. Its major costs are usually indirect and its benefits frequently are taken as matters of faith."\*\*

In Chapter IV a series of Principles for the regulatory process are layed out. For example, "better" regulations would encompass:\*\*\*

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\*Premier's Task Force on Deregulation and Paperburden: Interim Report, Government of Nova Scotia, Halifax, N.S., March, 1980, p.3.

\*\*Nova Scotia Task Force Report, IBID, p.8.

\*\*\*Nova Scotia Task Report, IBID, pp. 55-56. While the Nova Scotia Task Force made recommendations for the business sector in general, the province has very few enterprises that would not be considered small.



1. Regulations which reflect a fuller consideration of the balance between real costs and benefits of regulation.
2. Regulations which are more effective in achieving their purpose.
3. Less use of regulations where other means are available to achieve the same end.
4. Reduced duplication, overlap and inconsistency among regulations.
5. Regulations which can be administered at a minimum cost to the public and to government.

More specifically regulations should be made only after careful consideration is given to the following factors:\*

1. Intent - What objective is the legislation intended to achieve?
2. Alternatives - Are there other ways by which the same end might be achieved?
3. Cost-Effectiveness - Who is affected negatively? Positively?
4. Duplication and Overlap - Does the proposed measure overlap or conflict with other regulations?
5. Administration and Paperburden - Can affected persons easily determine what regulations apply to them and how they can comply? Has an attempt been made to minimize the number of forms, supporting documents, retention period, etc.?
6. Legal Authority - Is the regulation authorized by the Statute pursuant to which it is made? Is the language used clear and understandable?

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\* Nova Scotia Task Force Report, IBID, pp. 88-89

It is not intended that every factor be fully documented and receive elaborate analysis. But every question should be posed and answered.

The above principles may appear to be obvious and simple, until one recognizes that they have not been implemented in the past, as will become evident from the examples documented by our own research. The Nova Scotia study correctly implies that further extensive academic research on the "regulatory problem" is probably unneeded. Instead we should get on with the challenge of educating, consulting and informing individuals on all sides of the regulatory process. This will take time and political will.

## PART II - EMPIRICAL RESEARCH FINDINGS

### A. METHODOLOGY

#### 1. Introduction

Small business as a classification is so diverse that most generalizations about its nature are open to qualification. For example, even the definition of what constitutes small business is often challenged.\* At the same time, the total number of regulations that impact on small business decision makers is overwhelmingly large.\*\* As a result, a highly selective research approach appears to be the only one feasible. Priest, et al, suggest that Pareto's Law probably also applies to regulations as it does to other phenomena.\*\*\* That is, we should try to focus on the 20 per cent of regulations that have 80 per cent of the total impact on small business decision makers.

The Canadian Federation of Independent Business defines small business as follows:

"A small business concern is one which is independently owned and managed. For Statistical and Policy making purposes, unless

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\* Rein Peterson, Small Business: Building A Balanced Economy, Press Porcepic, Erin, Ontario, 1977, Chapter 4.

\*\* Douglas G. Hartle, Public Policy Decision Making and Regulation, Institute for Research on Public Policy, Montréal, March, 1979, p. 143.

\*\*\* Margot Priest, W. T. Stanbury, and Fred Thompson, "On the Definition of Economic Regulation", Chapter 1 in Government Regulation: Scope, Growth, Process, (Edited by W. T. Stanbury), The Institute for Research on Public Policy, Montreal, 1980, p. 9.

otherwise limited by specific regulations, a small business has at most five hundred employees."\*

That is, there is usually a single important decision maker (or a dominant coalition) in a small business, the owners who not only make the decisions but who also directly accrue the benefits and penalties. That is, in defining small business, size per se, is not at issue. It is the linking of decision makers with their own capital at risk that distinguishes small business as a group, from employee-managed firms (that are usually larger) where decision making is less individualistic and where the capital at risk is often not that of the decision makers.

Hartle has proposed a methodology for research on the impact of regulations on individual decision makers which we have adapted for our purposes\*\* -- to see how the individuals who owner-manage small businesses are affected by economic regulation. For the purpose of this study, economic regulation will be taken to include "... all types of statutory instruments under regulatory statutes, including regulations, orders, bylaws, proclamations, directives and warrants. The focus in this study is on economic regulations intended to modify economic behaviour significantly. However, exclusion for the purpose of this study are revenue regulations (taxation) and those under the Anti-Inflation Board."\*\*\* In most general terms, the Economic Council defines "Economic regulation, ... (as) the imposition of rules intended to modify

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\* Rein Peterson, Op. Cit., p. 62.

\*\* Douglas G. Hartle, Op. Cit., p. 143.

\*\*\* Taken from the terms of reference of our sister study, Cost of Compliance Study: Methodology for Conduct of Case Studies, Woods, Gordon & Co., 1979, p. 11. See also G. Cook and Woods Gordon, Management Consultants, Working Paper No. 13, Economic Council of Canada, January 1981.



economic behaviour significantly, which are backed up by the authority of the state. Such rules typically attempt to modify one or more of the following: price, entry, (e.g. franchises, permits, licences), rate of return, disclosure of information, attributes of a product or service (e.g. quality, purity, safety, availability), methods of production (e.g. pollution standards, worker health and safety standards), conditions of service, and discrimination in employment or the sale of goods and services."\*

Most persons in the small business sector whom we consulted and/or interviewed believed the above definitions to be somewhat narrow. They seemed to agree with Hartle who has said that, "Regulation, in the broadest sense, is the essential function of government. Indeed taxation and expenditures, the other two principal instrumentalities, can be thought of as special cases of regulation."\*\* The small business persons were particularly aware of the paperwork burden imposed by governments. They were very reluctant to exclude the paperwork problems from this study, especially in the case of paperwork that was directly related to economic regulation (as defined by the Economic Council).

Therefore, the approach we adopted attempts to focus on economic regulation (as defined by the Council), and paperwork, as separate entities, but, in that order of priority. We also chose not to cull out of our protocols all examples of "economic regulation" that were not backed up by legislative sanctions of government. Many small businessmen saw "regulations" imposed by larger companies, unions or land developers, etc. as having an equally and at times even a larger impact on their decision

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\* Sylvia Ostry, Regulation Reference: A Preliminary Report to First Ministers, Economic Council of Canada, Ottawa, November, 1978, p. 15.

\*\* Douglas G. Hartle, Op. Cit., p. 1.



making. Including these examples puts economic regulations that impact small business in a proper perspective.

## 2. Research Questions

The following issues were addressed by our research:

- a) Is small business being crushed by regulations as is often claimed?
- b) Which creates the greater time and/or cost burden for small business: regulation or paperwork?
- c) Which level of government imposes the greatest burden of paperwork and/or regulation on small business?
- d) Throughout the year, on the average, how many man hours does a small business spend per week on government paperwork?
- e) Is the cost of compliance with regulations significant in relation to the total costs of a small business?
- f) How well do small business owners understand the objectives of the regulations that affect them? How aware are they of the regulations that affect them? how do they deal with the cost of non-compliance?
- g) How vigorously and consistently are regulations enforced in the small business sector? To what degree does voluntary compliance take place?

- h) In terms of the regulations impacting small business most -- who benefits and who pays? To what extent can small business pass on the costs of compliance?
- i) Can one generalize about the kind of regulations that affect small business most? By industry? By size of company? By form of organization?
- j) How do regulations affect small business differently than larger firms?
- k) What general principles, alternatives and debunking of myths arise from the data?

### 3. In-Depth Interviews

The in-depth interviews were conducted on ideas presented in Hartle.\* According to Hartle the most constructive approach to analysing objectively the impact of economic regulations on individuals was one that sought to explain the underlying processes, and estimated the direction and magnitude of (1) the distributional, (2) the allocative and, (3) the growth consequences of decisions made in response to regulations. This is the approach we tried to implement through the following structured interviews:

- a) We sought out 100 owner-managed businesses, selected approximately equally from the Retail Trade, the

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\*See Douglas G. Hartle, Op. Cit., in particular pages 94, and pp. 142-144.

Service Sector and The Manufacturing Sector.\*

An attempt was made to include companies in the sample from a range of sizes (number of employees), number of years in business, and whether they were likely to be affected by economic regulations.

- b) At the beginning of the interview the general purposes of the study were explained. Economic regulation was defined and contrasted with paperwork:

[1] Regulation

(e.g. Laws/rules concerning health and safety; consumer protection; transportation; zoning/building codes; pollution protection; store hours; labour standards; etc.)

[2] Paperwork

(e.g. filling out tax, statistical and other forms, questionnaires or surveys required by all three levels of government such as: UIC; CPP; Statistics Canada; Workmen's Compensation; etc.)

- c) Some demographic data conforming with C.F.I.B. Survey categories was then recorded (see Figure 8, Part IIB).
- d) The interviewee was then asked to rank order all regulations that were perceived as impacting him/her -- starting with the regulation that had the greatest impact on his/her decision making. He/she was asked to be as specific as possible, presenting the interviewer with copies of Acts or Regulations when possible, and indicating whether he/she thought the regulations were Federal, Provincial or Municipal.

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\* See Appendix A. Interviews number 1-13 and 100 were conducted by Rein or Mari Peterson. Interviews numbered 14-99 were conducted by G. G. Cunningham & Associates, Toronto, Canada.

- e) Examples of the impact of regulations on the individual's small business were then elicited starting with the regulation ranked 1, in the following categories:
- i) ALLOCATION EFFECTS: In which ways has the regulation affected the way you have invested your money, your time and the time of your employees in your business?
  - ii) DISTRIBUTION EFFECTS: How has the regulation affected your own, your customers' and your suppliers' net incomes?
  - iii) GROWTH EFFECTS: How has the regulation affected your expectations about your company's future in your industry? That of your competitors? That of your suppliers?
- f) An attempt was made to measure the impacts in the following four ways. In all examples it was stressed that impacts identified should be relative to alternative ways of accomplishing similar goals, relative to other individuals, relative to the impact on the Canadian social/economic system as a whole:
- i) First priority was given to attempting to MEASURE COSTS in dollars and cents or alternatively in terms of per cent increases /decreases or in terms of positive/negative impact.
  - ii) If this was not possible the interviewee was asked to suggest how ALTERNATIVE METHODS could be adopted to achieve the regulatory objectives being examined.

- iii) Alternatively, the interviewee was asked to DEBUNK MISCONCEPTIONS that he believed to be widespread about how a particular regulation impacted him and his industry.
- iv) Finally the interviewee was asked whether for the particular example of regulatory impact, he could identify SMALL-LARGE FIRM DIFFERENCES.
- g) When all the ranked regulations had been discussed the interviewee was asked whether he had any general comments to make.
- h) Then the interviewee was asked to answer three questions from the C.F.I.B. Provincial Survey and one question from the National Survey. For each multiple choice answer the interviewee was asked to comment on his reasons. These questions were asked to gather information that would be useful in interpreting the statistical results from Provincial and National Surveys that were conducted on a mail-in basis. (See Figures 6 and 7 .)
- i) At the end of the interview the following general question was posed: In your industry when you think of the most important regulations, who benefits and who pays.



Figure 6  
Provincial Survey Questions

Question 1 - Which of the following creates the greater time and/or cost burden for your business? (mark one)

(1) Regulation

(e.g. laws/rules concerning health and safety; consumer protection; transportation; zoning/building codes; pollution protection; store hours; labour standards; etc.)

(2) Paperwork

(e.g. filling out tax, statistical and other forms; questionnaires or surveys required by all three levels of government such as: UIC; CPP; Statistics Canada; Worker's Compensation; etc.)

Question 2 - The paperwork (filling out forms, questionnaires, surveys) required by which level of government impose the greatest burden on your business in terms of time or money? (mark one)

(1) Municipal

(2) Provincial

(3) Federal

Question 3 - Throughout the year, on the average, how many man hours (including professional and clerical time) does your business spend per week on government paperwork (i.e. filling out forms, questionnaires, surveys)? (mark one)

(1) 1-10 hrs/wk

(2) 11-20 hrs/wk

(3) 21-40 hrs/wk

(4) More than  
40 hrs/wk

(General Probe: For all three questions on the Provincial Survey -

- (a) Are you a member of the C.F.I.B.?
- (b) Did you receive this questionnaire from the C.F.I.B.?
- (c) Why did you make the choice you did?
- (d) Did you answer the questionnaire any differently?
- (e) Have your opinions changed since you answered the questionnaire?

Figure 7

National Survey Question

This question was asked by the C.F.I.B. on their latest National Survey regarding GOVERNMENT REGULATIONS:

How have each of the following types of government regulations affected your business? (mark one)

(1) No problem                      (2) Minor problem                      (3) Major problem

	NO PROBLEM	MINOR PROBLEM	MAJOR PROBLEM
8. Labour Standards (min. wages, hours of work, etc.)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3
9. Employee Health & Safety Regulations	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3
10. Zoning, Planning, Building codes	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3
11. Store Hours	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3
12. Occupational or Business Licencing	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3
13. Packaging & Labelling	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3
14. Sales Practices (misleading advertising, unfair trade practices, etc.)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3
15. Transportation (truck/railroad)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3
16. Human Rights (race, sex, age, etc.)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3

#### 4. C.F.I.B. Provincial Surveys

The Provincial Survey is a fairly recent activity for the C.F.I.B. The first ones were mailed to the membership of approximately 55,000 in the fall of 1979. The Surveys are identified by Province and ask a series of pre-coded questions on legislative activities. Most of the time, the questions for each Province are identical, but at times some questions may vary by Province depending on the politics of the moment. The Quebec Survey is sent out in French to C.F.I.B.'s French members.

We were successful, in early 1980, in getting 3 questions inserted into the Provincial Surveys (questions 11, 12 and 13 -- see Figure 22, Appendix C). A total of 15,718 members of C.F.I.B. answered these questions. The answers were analysed and tabulated by special computer runs commissioned by this study, using the original data provided by C.F.I.B. (see Appendix E for an example of computer data). This particular survey also asked a general question. Members were asked to comment on, "What Provincial Government Paperwork and Regulations bother you the most? Please specify on the reverse side so that we can alert Government." This open-ended question generated many comments which were compiled by Province into "bitch lists" by the C.F.I.B. We were able to use some examples to back up and explain specific research results. However, the lists did not lend themselves to statistical analysis.

The data was analysed (percentage responses in each category) by Province, Size of Company, Type of Company, Length of Time in Business, Area of Activity. We only reported on categories where definite trends were noticeable. The sample sizes for each category are noted in the tables and we did not include any category with less than 100 responses. (See Part II.C for analysis of Provincial Surveys.)

## 5. C.F.I.B. NATIONAL SURVEYS

National Surveys are compiled on a quarterly basis. They are administered by C.F.I.B. salesmen at the time of membership application or membership renewal. The surveys ask members to state their opinion, on a pre-coded form, on current issues, as well as what they feel is the most important problem their business is facing at the time of filling out the survey (i.e. inflation, high interest rates, government regulations and red tape, etc.). There is room on the back of the survey for members to comment, though no specific question is posed.

In terms of the current study, two recent National Surveys were of particular interest, one dealing with Government Reporting and one with Government Regulations, see Figures 23 and 24, Appendix B. We were able to combine data for two quarters (last quarter 1979 and first quarter 1980) for the question on Government Reporting with a total response rate of 15,513. Government Regulation responses yielded a total of 10,846 replies during the third quarter of 1980.

We were able to get data as far back as 1975 on The Most Important Problem question. Responses for each group ranged from a low of 2,009 to a high of 27,497. All data is reported in percentage of answers in a particular category, or rank ordered. Individual sample sizes are listed on the tables. From a methodological viewpoint, it was difficult to do the trend analysis on the first question (Most Important Problem) because the wording changed from one survey to another. While we did not combine responses, we did group responses by similarity of category (see Figure 14). For an analysis of the National Survey data, see Part II.D.

## 6. C.F.I.B. MANDATE QUESTIONS

The Mandate is a newsletter/information bulletin that the C.F.I.B. mails out to its members 9 times a year. It deals with legislative and policy issues of national concern. Each Mandate usually contains 4 questions that have carefully thought out and worded pro and con arguments, as well as a description of the issue to be voted on. Members are asked to vote for, against or no opinion on each question. The results of the ballots for each Mandate are computer tabulated and included in the subsequent issue. The tabulation is done on a total response basis in percentage figures for each of the three response categories.

Since the articles in the Mandates set the tone for the balloting that takes place, certain biases are bound to occur. Also many members may not feel qualified to vote on some of the issues presented. In our analysis we were aware of these biases, and while we do not claim our results to be "scientific", we believe that the questions dealing with economic regulations and policy yielded interesting results. These results are reported in Part II.E. For an example of the Mandate, see Appendix D.



## B. INTERVIEW DATA

### 1. Methodological Comment

In general we found it difficult to measure allocation, net income and growth effects, etc. as envisioned in the original methodology. The net costs or benefits were usually difficult to quantify precisely and validation was not possible in most cases given the time available.

The level of awareness of regulations that impacted was generally low. One was always in danger of leading the interviewee to say things that were not intended. The time that would have been required in the in-depth interviews to probe for opportunity costs, costs of non-compliance and total cost impacts, etc. proved prohibitive. Because of the limited interview sample of 100, mostly in Ontario, it became clear that generalizations about the diverse small business sector in Canada must be put forward with great caution.

Therefore, we have resorted to presenting the perceptions and actions of a selected group of small business persons (see full transcripts in Part IIIB) which could be used to sensitize regulators and to increase the awareness of all concerned with regulations that impact the small business sector. The methodology we outlined could be used, at a cost and it would take much time and effort, in selected well-defined areas of small business concern. Such areas would have to be identified by a more macro approach. For example, the Mandates, Provincial and National surveys of the C.F.I.B. could be used to identify target areas for in-depth analysis using our methodology. By way of example consider the following selected specific regulatory impacts which we were able to identify:

### Allocation Effect

In a pharmacy, the owner (or a partner) must be on the premises at least 45 hours a week. Otherwise, the store must be closed. The owner must own by himself (or in conjunction with other licensed pharmacists) more than 50 per cent of the business.

(Interview No. 1)

### Net Income Effect

Small manufacturers of electroplating in Ontario are faced with increasing regulations which require considerable investment that can be recovered only over time. The maintenance of profitable operations has been severely jeopardized. The economics of the industry have changed and 20 per cent of the smaller companies are expected to disappear as the industry becomes more specialized.

(Interview No. 11)

### Growth Effect

In a discount retail operation that depended on an after hours and Sunday clientele, Sunday closing By-Laws and limited opening hours on other days, resulted in the loss of an estimated \$60,000 in sales a year to another classification of store that was allowed to stay open, selling like goods. (Interview No. 4)

### Small-Large Firm Differences

Smaller companies tend to be put into a single Workmen's Compensation rate category which discriminates against the higher portion of non-production workers found in small as compared to larger companies. Also in small companies there is a relatively wider variety of jobs and type of skills being employed so it is difficult to come up with a single uniform classification vis-à-vis Workmen's Compensation. (Interview No. 8)

### Alternatives

It was suggested that regulations regarding hiring/firing could be more precise. For example, if a man works for one year, a businessman would have to give him one week of severance pay. After two years, say, 2 weeks are required, etc. By spelling out a specific formula no long, and expensive, discussions are needed. A good hiring decision can be made knowing all the costs right from the start. (Interview No. 8)

### Debunking

Government regulations, at least with respect to Department of Consumer and Corporate Affairs, were seen as becoming more reasonably administered over the years. The quality of inspectors has improved and the small businessman was allowed to conform to regulations at a pace which was seen as feasible. (Interview No. 13)

But note from the above examples that the costs of compliance, especially in terms of total net impact would require more detailed investigation over a longer period of time for each case -- using an approach not unlike the methodology adopted by the Cost of Compliance Study carried out by Woods, Gordon and Company under the direction of Dr. G. Cook.\*

One should also be alerted to the fact that most interviews emphasized "the problems of regulation/paperburden". As a result the transcripts put a greater emphasis on the negative than probably exists in general. We were also able to interview only the "survivors", those who were put out of business by economic regulations (if any) could not be interviewed. We also know, from research especially in underdeveloped countries, that as regulatory pressure increases, small business tends to go "underground" -- that is, form an informal (barter) economy. To what degree this is happening

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\*Woods, Gordon & Co., "Cost of Compliance Study: The Impact of Government Regulations on Business Efficiency", A Proposal to the Economic Council of Canada, June 12, 1979.

in Canada we were not able to determine.

## 2. Summary of Findings

Some differences in emphasis were evident between manufacturers, retailers/distributors and service establishments interviewed. Many overlaps in concern existed: human rights, taxation, labour laws and prescribed standards. Manufacturers complained most about Federal paperwork. They also reported in greater depth about regulations in general. In the other two groups, complaints were approximately equally divided between regulations and paperwork. The number of hours spent on paperwork varied directly with the size of firm and proved to be greatest for manufacturers.

Figures 8 and 9 summarize the characteristics and the responses to specific questions asked for the interview sample. Labour standards, hiring laws, labour relations, workmen's compensation, employee tax deductions bothered the small labour intensive manufacturers interviewed the most. Manufacturers were the only group where a significant number of firms reported that Statistics Canada was a major nuisance to them. (Three of the service sector firms mentioned Statistics Canada as a minor irritant.)

In the service sector, construction appears to be the most regulated. Permits, licenses, union rules, Labour Relations Act, Building Codes, By-Laws, etc. make the "free enterprise" oriented construction company owners the most vocal group that was interviewed.

The retailers interviewed were relatively less concerned with regulations than was first expected, given the debate in the C.F.I.B. Mandates. Paperburden effects received most attention when

Figure 8

Interview Sample  
(100 Small Businesses)

	<u>Sample</u>	<u>C.F.I.B. (%)</u> *	<u>Canadian Manufact. (%)</u> **
1. Type of Business Activity			
Manufacturing	26	17	
Retailer/Distributor	32	46	
Service	42	37	
2. Number of Employees			
1 to 4	28	43	31
5 to 11	34	} 54	} 54
15 to 99	31		
100 and over	7	3	15
3. Number of Years in Business			
1 to 2	7	18	
3 to 10	48	38	
11 and over	45	44	
4. Form of Organization			
Corporation	95	65	73
Other	5	35	27
5. Unionized			
Yes	7		
No	93		
6. Member of C.F.I.B.			
Yes	16		
No	84		
7. Person Interviewed			
Owner	87		
Senior Manager	13		

\*Mandate No. 41, May, 1976 (Canadian Federation of Independent Business).

\*\*Rein Peterson, Small Business: Building a Balanced Economy, Op. Cit.  
Chapter 4.



Figure 9

Results of Questions Asked From  
Provincial and National Surveys  
During 100 Interviews-----

1. Provincial Survey

	Sample (%)	Greatest Burden		Impacted by Regu- lations most at		No. of Hours per Week Spent on			
		Regu- lation (%)	Paper- work (%)	--- level (%)	Prov. Mun. (%)	1-10 (%)	10-20 (%)	> 40 (%)	
Manufacturing	26	28	72	77	23	--	72	24	4
Retail/Distri- butor	32	45	55	52	48	--	94	6	--
Service	42	50	50	50	43	7	71	19	10

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2. National Survey

	Most often quoted Major Problems-----	Most often quoted Minor Problems-----
Manufacturing	Zoning, Planning, Building Codes Transportation (trucks/railroad)	Human Rights (race, sex, age) Employee Health & Safety Regulations
Retail/Distri- butor	Zoning, Planning, Building Codes Labour Standards (minimum wage)	Zoning, Planning, Building Codes
Service	Zoning, Planning, Building Codes Labour Standards (minimum wage)	Human Rights (race, sex, age)

the retailer was small and ran a one-man operation. In general, paperburden complaints (regardless of industry) declined as one interviewed individuals more junior in an organization.

The relatively small sample of 100 companies interviewed yielded a wide variety of different regulations and Acts that were seen as impacting on small business in both positive and negative ways. Because of the vast number of specific concerns detailed, it is hard to generalize, except to say that concerns with regulations were not limited to specific industries. Although it became clear that paperburden and regulatory problems and benefits are industry specific, depending on the size of business impacted and vary from Province to Province, municipality to municipality -- dependent on the type and form of government being practiced.

The tone of the interviews indicates that small business does not necessarily disagree with regulation, per se. Strong feelings exist that many regulations (and attendant paperwork) are poorly administered, inconsistent or administered by too many levels of government. Frustration with paperwork stemmed mostly from tax related items such as employee deductions, severance pay, Provincial Sales Tax, Federal Sales Tax, and excise taxes, all of which require many hours of form filling and directly impact net income.

The regulations that frustrated the people interviewed in our sample the most were ones where many jurisdictions intersected. This was most evident in the construction and manufacturing areas. Many of the small businessmen were not aware of the difference between economic regulations and paperwork that impacted them, and would often quote the paperwork related tax items as regulations.

The theme recurring most often related to their frustration of having to pay taxes on their own accounts receivable, while not

getting paid interest on overdue government accounts. Similarly, the customs and exise tax procedures or many other tax structures where refunds could be expected, were seen as treating the businessman unfairly.

The people who were most aware of regulations were those that had to appear before various regulatory boards. Most often these businessmen had copies of the various regulations that affected them on hand in their office. They had learned a lot about dealing with governments.

### 3. Some Representative Themes in the Interviews

We claim no statistical significance for the themes excerpted below. They are presented here to give the flavour of the content of interviews that dealt with complaints. We have also included a small number of "comments" that were handwritten on the back of C.F.I.B. Provincial Surveys. The detailed transcripts of the 100 interviews are presented in Part IIIA.

#### a) How, In General Terms, Do Small Businessmen Perceive And React To Regulations?

- i) "I look at this business of complying with regulations quite rationally. It depends on what the regulation is very much. I'm not interested in doing something illegal or doing anything unsafe. Where the consequence is simply that complying with a regulation will delay getting something done then I will go ahead without approval and take my chances. Similarly when a regulation is stupid, I will make them force me to comply. They are very inconsistent in their enforcement of regulations so it's better to wait them out." (Owner - Interview No. 4)

ii) "... seemed to understand the regulations that he was aware of, but he suggested that there were probably others that he didn't realize affected him. He said he did not comply with some regulations to do with building permits and had made changes to the warehouse without permits. His reason for this decision was the bureaucracy and the slow reaction of the people involved with giving permits although additional costs were minimal." (Interviewer comment - Interview No. 15)

iii) "The owner displayed a good knowledge of regulations affecting his business. He felt that regulations with the major impact on real estate were beneficial. He said that like most businessmen he disagreed with government regulations in general, but felt that he was quite capable of both living with them and expanding his business within the regulations." (Interviewer comment - Interview No. 23)

iv) "He did not know if he was complying with all of the regulations as it was impossible to know what all the regulations were due to the volume in his occupation. He felt that some of the regulations should exist, but that they should be managed in a more efficient manner by using instant permits and some deadline on processing the documents at the municipal level." (Interviewer comment - Interview No. 16)

v) "This small business owner set up programs which are charged out to various individuals (and organizations) to inform them of the details of regulations. Most customers were non-profit associations, any costs in this regard are passed on to members or individuals who participate in the association or at seminars. New regulations are causing this owner to expand the scope of his company to provide educational details ...." (Interviewer comment - Interview No. 15)

"Larger firms have more problems because the regulations are compounded in their size, whereas a small firm is more flexible in dealing with the details. There should be more communication from government sectors to the specific companies to inform them what was expected of them as I'm sure many companies just don't know." (Owner - Interview No. 15)



- vi) "If a small manufacturer gets caught disposing wastes illegally there are substantial fines involved. I don't think they would be shut down. Rather they would be fined something like \$1,000 a day. The enforcement of the law is really very lax. It is also very hard to police everyone. I don't want you to think that all our customers behave illegally. But, I recall one company, which has since gone out of business, had a certain waste that should not have been put down the sewer drain. It had a 2,000 gallon waste tank, and they left open the valve and let the material trickle out during the night. Such quantities cannot be detected." (Owner - Interview No. 6)
  
- vii) "In our industry (fibreglass reinforced plastic production) we find a terrible discrepancy between the enforcement of preventative safety measures such as fire prevention, environmental air requirements, and occupational safety and health measures in the cities (i.e. Calgary, Edmonton, etc.) and in the small towns and villages in the Province. City enforcement in the big metro centres is almost to the point of being repressive, while our country cousin competitors are operating in unsafe environments at low overhead which creates unreal competition for the manufacturers located in the bigger centres. The enforcement of these laws should be uniform and REALISTIC for all." (Owner - C.F.I.B. Provincial Survey (Alberta) Comment)
  
- viii) In the end, in most cases, the consumer pays for all those regulations. Overall, regulations often depress our profits as contractors. The small guy suffers more because he doesn't have the resources or the power to fight back." (Owner - Interview No. 9)
  
- ix) "We have to have regulations although industry is capable of policing itself. We are also kept in line by the competitive element. My big concern is what do regulations do for my business? As a result of regulations, we are faced with the cost of a growing civil service, many hours spent by industry, the consumption of paperwork and the dollars expensed in wages." (Owner - Interview No. 22)



- x) "If government is going to regulate they must be prepared to enforce regulations. It is the double standard which inconsistencies create that is my major criticism." (Owner - Interview No. 59)
  - xi) "If regulations were suscint, and totally enforced, you could live with them. But there is so much uncertainty and inconsistency. They should also be much more aware of the relative impacts of regulation effects on large and small firms which also differs by type of industry." (Owner - Interview No. 8)
- b) The Language Of Regulation Is written By Non-Business Specialists Without Consultation With Businessmen Involved. Language Is Often Vague, Hard To Comprehend And Open to Unintended Interpretation.
- i) "When you do need a ruling from government officials, it is impossible to get a quick answer, and once you do receive a reply, you need a further opinion to interpret the ruling. Regulations do not seem to be updated. Some regulations use obsolete language. For example, they refer to 'engraving'. This is an item which was common in manufacturing in the early 1900's but in today's language this is interpreted as lithographic film, but they do not use this term in their regulations." (Owner - Interview No. 22)
  - ii) "On ne nous consulte pas. Le gouvernement passe toujours des lois pour nous écoeurer nous les employeurs ..... " (Owner - C.F.I.B. Provincial Survey (Quebec) Comment)
  - iii) "Les règlements si le langage de la paperasserie gouvernementale est tellement vague que, je dois payer le comptable pour le faire." (Owner - C.F.I.B. Provincial Survey (Quebec) Comment)
  - iv) "I'm a restauranter. Therefore I have to be inspected periodically by health inspectors. The provincial government has adopted a set of rules. These regulations were passed and adopted without any consultation with the food industry in the province. The threat of government regulations hangs over our head. They

are not fully enforcing these regulations but can at any time. (Owner - C.F.I.B. Provincial Survey (Nova Scotia) Comment)

- v) "The company accepted that there had to be regulations in this regard but objected strongly to 'the vagueness of the regulations, the cumbersome enforcement mechanisms and the extreme cost in both money and time in complying'." (Interviewer comment - Interview No. 7)

"Vagueness and lack of specific detail in various tariff items. Any mistake in placing the item under the wrong tariff can result in substantially greater duty than need be the case - example - custom broker makes slight error in tariff code resulting in substantial overpayment of duty. Incredible hassle, and up to six months to obtain a refund."

"Similar items have slightly different classifications, e.g. description under 'fish' - preserved or kept is one tariff item with no mention of 'frozen'. Numerous arguments, hours of haggling, letters and counter-letters to obtain lower duties. Officials seem as unclear of the regulations as the businessmen, and we have had instances where a higher duty has been paid merely to get the parcel cleared and refunds arranged afterwards." (Owner - Interview No. 7)

- vi) "The problem with most regulations is that they are very general and do not deal with contingencies -- the exception to the rule. Many regulations are made from personal experience and are either too narrow or too general. If I'm in charge of making regulations to cover how one should cross a road, and I have never seen a 100 foot wide road, then how would I allow for it, or would I?" (Owner - Interview No. 100)

c) Regulators Have A Narrow Sense Of Mission And In Their Interpretation Of Vague Regulations Do Not Understand Business Concerns And Needs. This Becomes Most Noticeable To Small Businessmen In Their Contacts With Government Inspectors, Enforcement Agencies, Etc.

i) "... the refusal to deal section (of the Combines Investigations Act) is incorrectly interpreted by most people ... manufacturers cannot refuse to deal with anyone who purchase their products. Company ... salesmen who work full-time on a commission basis (purchase) directly from suppliers products, re-invoicing on (their) own, in addition to selling on a commission basis for the company. Many sales people were going out on their own, working out of the basement of their homes, giving poor service, which reflects very badly on the industry as a whole."

"The growth of the company has been limited. If this section (of the Act) did not exist, we would have invested in more sales staff and my sales would have doubled which would have resulted in profits of another \$100,000 before taxes. The small competitors are protected by this Act, but, the Act gives the suppliers an excuse to sell to everyone, not only to the professionals in the field." (Owner - Interview No. 14)

ii) "Ce n'est pas une question d'argent ou de temps, c'est une question de 'raison d'être'. C'est le prétexte qui est utilisé pour exiger des entrepreneurs une information qui ne semble pas service 'correctement' à qui que ce soit ... et j'y inclut 'L'index ou cout de la vie!'" (Owner - C.F.I.B. Provincial Survey (Quebec) Comment)

iii) "... (I) was talking about things beyond their ken .... they had little sophistication in business ... no understanding of marketing, supply and demand, management etc. ... This board was a bunch of lay people (as it should be) but they had no business experience to judge my case." (Owner - Interview No. 100)

- iv) "Safety officials were reported to be going 'beyond the spirit of the Act.' Officials required safety committees to continue to meet, even though the company found it difficult to get any meaningful input. The letter of the Law provides for staff committees. He suggested that too many of the regulations were a case of overkill and were being complied with reluctantly in 9 out of 10 companies (interviewees estimate)." (Interviewer comment - Interview No. 24)
  
- v) "He did not disagree with the basic regulations, but he seriously objected to the method of administering them and their interpretation by bureaucrats. He installed a one-compartment sink with the approval of an inspector. At a future date, another inspector showed up and made him change to a three-compartment sink and the regulations had not changed from one time to the other. The cost of the new installation was \$1,700. 'This sort of thing happens on many occasions, especially relating to staff washrooms.' One of his cafeterias was in a department store, and his staff was using one of the department store's washrooms. This was alright until a new inspector arrived on the scene and made them build separate washrooms for the male and female personnel at a cost of some \$10,000." (Interviewer comment - Interview No. 67)
  
- vi) "Labour inspectors (safety) don't know a hammer from a hydraulic machine -- cushy government jobs.... Sending 5 statements to 5 different addresses to collect a government bill, and no interest allowed on 120 day accounts and so on into the night .... tell them they own another business to f\*\*\* in the way they have done with everything else they touch ... (Owner - C.F.I.B. Provincial Survey (Saskatchewan) comment)
  
- vii) "He spoke out strongly against the bureaucrats who administer or manage the regulations, especially in the building departments of the municipal offices. In his opinion, most of these people are hired because they can't make it anywhere else." (Interviewer comment - Interview No. 16)



d) The Problem With Regulations Is One of Overlap Between Jurisdictions That Waste Time And Money Without Reason.

i) "The owner took particular offence to 'ludicrous interference to ensure compliance with satisfactory working conditions by inept officials.' 'My working conditions were developed on a European norm and are way in excess of what in fact is required in North America.' Nevertheless, he felt he was subjected to time-wasting repetitive checking from departments who obviously were not passing on the information gathered from year to year, or from official to official." (Interviewer comment - Interview No. 36)

ii) "The regulations themselves are not unreasonable, but the attitude of the inspectors leaves very much to be desired. I find myself involved on behalf of clients in laborious time wasting in pushing through various departments masses of information for very minor alterations. If I don't follow the rules, I am in danger of being ordered to pull everything down. There must be some method of streamlining the system. I estimate a time cost here would be in the order of \$4,000 to \$5,000 per year." (Owner - Interview No. 66)

iii) "... our problem was that whoever cuts (wood) has to have Lands and Forests (Provincial/Nova Scotia) approval, but they do not agree with the selective cutting technique, BUT the Canadian Forest Service (Federal) likes selective cutting and they also have jurisdiction over us.... Eventually we got permission to cut selectively, but the whole process took 3 years. (Owner - Interview No. 100)

iv) "... a family room plus enlarging a kitchen (\$35,000 job) took five weeks to obtain a permit. The various municipalities have their own rules and regulations even though there is an Ontario building code which should govern everything." (Owner - Interview No. 16)

v) "We have 2 Federal inspections a year. It probably takes 2 or 3 days of my plant manager's time. Then we have quarterly inspections ... a day and a half per inspection, .... We also have the Municipal Health



Department coming in about every 30 days for a fairly quick, general check. In our case they are in and out constantly (approximately 18 inspections a year). ... I'd say they could cut it down to 10 in total. It costs us now about \$100 a day, there may be some disruption to the operation at another, say, \$100. ..." (Owner - Interview No. 12)

vi) "The store is located on a main arterial road which has been the subject of continual dispute between the City of Toronto and the boroughs as to whether it should be widened or not. The storekeepers on the strip 'do not know from day to day which level of government is going to vary the arrangement. No sooner do we win one battle, than another level of government takes it to yet a third, e.g. North York appealed to the Ontario Municipal Board'. .... unnecessary regulations, essentially the result of 'politicians playing games'. He felt there was far too much government and far too many levels of government. 'Either roads are a municipal matter or they are a provincial matter, but they should not be both.' He felt that very little concern had been given to how these nonsensical affairs affect often the life and blood and the commerce of an area." (Interviewer comment - Interview No. 43)

vii) "Development Permits before one can start a project or industry must be received from - Department of Development; Department of Municipal Affairs; Department of Health; Department of Highways; Department of Environment. Why must one go to so many different departments of government -- why not one body particularly when a change in application by one body necessitates re-applying to the other departments. Then any change by the Municipal government involved also necessitates re-approval by government departments. It's too frustrating." (Owner - C.F.I.B. Provincial Survey (Nova Scotia) comment)

- e) Small Businessmen Often Do Not Manage Their Interactions, Nor Do They Put Enough Time Into Interactions, Nor Do They Get Enough Expert Advice In Interacting With Regulatory or Government Agencies.
- i) "... I wanted to generate our own power and we got shafted (by a regulatory agency) and they won the day at that point. But I reapplied ... did my homework ... I appealed. Sure I had to submit briefs and substantiating evidence, but I won the argument ..."  
(Owner - Interview No. 100)
- ii) "... We requested a lower tax rate because under the Act we were eligible ... Maybe I was a bit flamboyant in my (first) presentation ... they turned us down flat. Well I figured I had failed to get my story across, ... so I waited 18 months, put in a lot of time and effort and went back to the same body again and this time was accommodated." (Owner - Interview No. 100)
- iii) "We just don't do government business, period. Most government purchasing goes to large companies. There may be small firm benefits as a ripple effect, but, that's all. Recently I wrote them regarding some export business and all I got back was a list of forms to fill out and a suggestion to contact their local D.S.S. office. ... I prefer to deal with the private sector, with larger companies. They are more business-like. They have purchasing agents and other experts who can evaluate your work. At D.S.S. you mostly have only bureaucrats." (Owner - Interview No. 8)
- iv) "The Act limits rent increases to a maximum of 7% per year which in the general manager's view causes substantial monetary losses, especially during inflationary environmental times. The interviewee spelled out the difficulty in obtaining rent review increases above 6% and in many instances in the past he had decided merely to accept a 6% raise rather than go through the tremendous hassle and substantial cost (between \$2,000 and \$3,000 in time, bookkeeping, accounting fees and cost of specialists, etc.) to pursue a single rent review application. The general manager felt that the attitude of the rent review officers was that they were protecting abuse on the part of landlords like himself. (Interviewer comment - Interview No. 17)

f) Regulations Are Forcing Small Businessmen to Delimit Their Expansion or Take Action That Is Suboptimal.

- i) "The company found it difficult to keep up-to-date with the various regulations that applied to them, and in fact they found it most difficult to interpret the various bulletins. ... After opening offices in Vancouver and New Brunswick, the senior partner felt that they would not get involved in opening more offices. 'because it's not worth the hassle of dealing with the various authorities to get established.' He felt that 'the indirect costs are stress, health problems, dampening of spirit and reduction in the challenge of life that is created by the regulations that are ever expanding'." (Interviewer comment - Interview No. 53)
- ii) "... critical of the lack of qualified people in the printing business. Government regulations should be established to provide an apprentice program similar to that for mechanics, mill rights or industrial electricians. ... during the first two years of employment, young workers almost act in an observational capacity while learning their skills. The company has had to overcome the lack of apprenticeships by hiring European tradesmen and thus we have been depriving young Canadians of developing careers in the printing industry." (Owner - Interview No. 94)
- iii) "... the cost impact especially of rent reviews and the bureaucracy of building codes, etc. (involved) direct costs as well as an indirect impact on growth by way of reduction of incentives for further investment. I suggest an abolishment of rent review and a substantial review of the landlord and tenant act. I don't see why there has to be involvement at city, municipal and provincial levels on often the same item -- essentially far too much government." (Owner - Interview No. 17)
- iv) "The standard contractual agreements of the Canadian Construction Association or the Canadian Construction Documents Committee, are very much slanted towards protecting the designers from negligence lawsuits. The contractor is made responsible for checking out all designs, and to make them work."

"Every once in a while they revise these contracts, they are now extending the warranty period from 1 to 6 years. The contractor's liability is becoming unreasonable. ... The engineering and architect associations are all pushing for the warranties because then they are protected even more. We recently invested \$2,000 to \$3,000 in tendering a job. We won the contract and we passed up the job. The consumer is better protected under these contracts because someone is made responsible. Most consumers expect this individual to be the designer, I believe, but as things now stand it is the contractor, and we are not in the design business." (Owner - Interview No. 9)

v) "Ci que me tracasse le plus, c'est la proliféricité des lois et règlements gouvernementaux. On rythme dont nous multiplions, les nouveaux lois et amendements, les fonctionnaires gouvernementaux seraient les seuls à voir le contrôle de ces lois. L'entreprise privée ne pourrait plus suivre tous ces chambardements. (Owner - C.F.I.B. Provincial (Quebec) Survey Comment)

vi) "My clients have stopped investing as a result of the rent legislation which has placed a limitation on the growth of my business. I blame the complexity of the legislation and the unreasonable amount of detail required by the bureaucracy to consider rent increase applications. I estimate that the time spent on rent reviews costs my company \$5,000 to \$6,000 a year." (Owner - Interview No. 41)

vii) "... regulations by non-compliance. ... as opposed to a cost of compliance. A few years ago, the fire department requested us to install a ladder on the roof which would have cost several hundred dollars. We simply ignored the regulation. Because of the lack of follow-up, we saved funds which would have otherwise been expended. Other similar requests have been made which in our opinion were excessive or impractical, and once again there has been no follow-up. (It should be noted that they have met all the standards required by the fire insurance company." (Owner - Interview No. 94)



- g) Regulations Can Limit The Net Income Of Small Business.  
It Is Sometimes Difficult To Pass On Compliance Costs.
- i) "Legislation affecting his industry prevented a passthrough of real costs to tenants. The only alternatives open to him involved the lowering of maintenance standards causing decay of buildings, and the worsening of the living environment of tenants. Most of his buildings were run at an operating loss, with the capital appreciation over the long term being the only justification for staying in business."  
(Interviewer comments - Interview No. 35)
- ii) "Larger firms have special support staff to deal with the bureaucracy and in fact due to the volume of their operations probably get to know them personally and are able to obtain permits faster. In addition, the larger firms are also geared to the long-term of one or two years and not the immediate requirements of his small operation." (Interviewer synthesis - Interview No. 16)
- iii) "... restrictions in advertising for tenants (e.g. for adult buildings) forced him to accept undesirables which created monetary losses through damages done to the rental property and through non-payment of rents."  
(Interviewer comments - Interview No. 17)
- iv) "He suggested that a national building code be developed to allow a uniform code so that any builder could build anywhere in Canada and be governed by the same regulations instead of the current situation where each municipality had its own thing. He indicated that the Ontario code would be fine if in fact it was worked. He also suggested that the instant permit would alleviate a lot of the problems for the small contracting jobs. (Interviewer comments - Interview No. 16)



### C. C.F.I.B. PROVINCIAL SURVEYS

According to the C.F.I.B. Provincial surveys, members clearly reported that paperwork constituted a greater burden than regulation (see Figures 10 , 11, and 12). Note that on the Provincial survey forms paperwork and regulation were defined by giving specific examples. Paperwork was reported as the greatest burden by New Brunswick members in the manufacturing and processing industry (95.7%) and the least by B.C. members in the service sector (71.6%). However, in our in-depth interviews (reported in Part II.B) when the same question was asked it became clear that many small business persons really did not distinguish between economic regulations and paperwork as intended. Therefore, the clearcut greater burden of paperwork reported on in the Provincial survey data is very likely overstated, to an unknown extent.

The Federal government was seen as requiring the paperwork which imposed the greatest burden in all provinces, except Quebec. Smaller companies tended to be impacted more by provincial paperwork than the larger (see Figure 13). The in-depth interview data confirmed the predominance of federal paperwork in Ontario. Much of this paperburden was reported as being created by tax forms that have to be filled out. The major regulations that a smaller small business is forced to comply with are probably associated with taxation, a result also found in the National Survey data. Perhaps the special arrangements between Quebec and the federal government in the area of taxation, explain the greater provincial burden reported by Quebec members.

Most C.F.I.B. members reported that they spent from 1-10 hours per week on paperwork. This result was confirmed by the interview data. The only trend noticeable in the data was that as the number of employees increased in a business, so did the number of hours that company spent on paperwork.

Figure 10

Service

<u>Province</u>	<u>n</u>	Greater Burden		Paperwork/Time Costs Come From			Average Hours Per Week		
		<u>Regu- lation</u>	<u>Paper- work</u>	<u>Munic.</u>	<u>Prov.</u>	<u>Fed.</u>	<u>1-10</u>	<u>11-20</u>	<u>21+</u>
B.C.	907	28.4	71.6	4.5	21.7	73.8	87.3	8.7	4.0
Alberta	934	22.7	77.3	2.5	15.3	82.2	85.7	7.4	6.9
Sask.	406	20.8	79.2	0.4	35.4	64.2	86.5	6.2	7.3
Manitoba	329	21.6	78.4	1.9	25.5	72.6	89.2	6.8	4.0
Ontario	3491	23.4	76.6	2.8	31.7	65.5	88.8	6.8	4.4
Quebec	724	23.8	76.2	-	78.7	21.3	83.9	13.2	2.9
N. B.	167	14.9	85.1	-	20.1	79.9	91.9	6.3	1.8
N. S.	193	20.7	79.3	0.5	16.5	83.0	87.3	8.5	4.2
P. E. I.	34	15.1	84.9	-	15.5	84.5	88.0	12.0	-
Nfld.	82	24.5	75.5	1.8	17.3	81.4	80.9	12.8	6.3

Figure 11

Retail and Wholesale

<u>Province</u>	<u>n</u>	Greater Burden		Paperwork/Time Costs Come From			Average Hours Per Week		
		<u>Regu- lation</u>	<u>Paper- work</u>	<u>Munic.</u>	<u>Prov.</u>	<u>Fed.</u>	<u>1-10</u>	<u>11-20</u>	<u>21+</u>
B. C.	652	20.2	79.8	0.3	25.1	74.6	90.5	6.2	3.3
Alberta	467	17.1	82.9	0.4	17.4	82.2	91.7	6.9	1.4
Sask.	403	20.0	80.0	-	41.7	58.3	87.0	9.3	3.7
Manitoba	288	19.5	80.5	-	24.6	75.4	88.6	7.3	4.1
Ontario	2362	17.7	82.3	0.8	35.6	63.6	88.9	8.3	2.8
Quebec	720	19.0	81.0	0.6	79.2	20.2	88.5	9.6	1.9
N. B.	135	16.3	83.7	-	25.1	74.9	88.6	7.6	3.8
N. S.	196	16.3	83.7	0.5	21.5	78.0	85.3	9.4	5.3
P. E. I.	26	11.5	88.5	-	15.3	84.7	88.1	11.9	-
Nfld.	83	11.3	88.7	1.2	23.1	75.7	89.2	7.2	3.6

Figure 12

Manufacturing and Processing

<u>Province</u>	<u>n</u>	Greater Burden		Paperwork/Time Costs Come From			Average Hours Per Week		
		<u>Regu- lation</u>	<u>Paper- work</u>	<u>Munic.</u>	<u>Prov.</u>	<u>Fed.</u>	<u>1-10</u>	<u>11-20</u>	<u>21+</u>
B. C.	394	22.9	77.1	0.5	16.9	82.6	90.0	7.3	2.7
Alberta	375	17.9	82.1	0.5	9.4	90.1	86.4	6.8	6.8
Sask.	224	15.4	84.6	-	33.2	66.8	88.6	7.8	3.6
Manitoba	148	22.4	77.6	-	15.8	84.2	88.9	6.2	4.9
Ontario	1456	17.9	82.1	0.6	17.9	81.5	87.2	9.2	3.6
Quebec	367	21.6	78.4	-	57.0	43.0	87.4	9.9	2.7
N. B.	48*	4.3	95.7	-	8.3	91.7	83.4	10.4	6.2
N. S.	79*	16.6	83.4	-	6.5	93.5	82.4	12.6	5.0
P. E. I.	11*	-	100.0	-	-	100.0	72.9	18.1	9.0
Nfld.	17*	13.7	86.3	6.4	26.2	67.4	87.8	6.1	6.1

\*N's in these Provinces are too low to be considered significant.

Figure 13

Number of Employees

Prov.	n.	No. of Emp.	Greater Burden		Paperwork/Time			Average Hours Per Week		
			Regu- lation	Paper- Work	Costs Munic.	Come Prov.	From Fed.	1-10	11-20	21+
B.C.	566	1-4	20.1	79.9	3.0	29.8	67.2	93.9	4.4	1.7
	811	5-14	24.5	75.5	2.3	21.3	76.4	91.5	5.7	2.8
	520	15-99	29.8	70.2	1.7	15.6	82.7	81.9	13.4	4.7
	56	100+	23.2	76.8	1.7	9.0	89.3	65.5	12.7	21.8
ALTA.	474	1-4	16.3	83.7	1.2	18.7	80.1	93.0	4.6	2.4
	747	5-14	19.0	81.0	1.9	15.3	82.8	90.6	6.4	3.0
	474	15-99	25.0	75.0	1.4	10.2	88.4	82.8	10.5	7.1
	83	100+	25.6	74.4	-	11.1	88.9	54.2	10.1	35.7
SASK.	357	1-4	16.6	83.4	0.5	43.6	55.9	90.2	6.0	3.8
	428	5-14	20.2	79.8	-	35.9	64.1	87.7	8.0	4.3
	214	15-99	21.9	78.1	-	31.0	69.0	82.1	9.4	8.5
	16	100+	26.5	73.5	-	14.8	85.2	67.0	19.8	13.2
MAN.	230	1-4	15.4	84.6	0.8	33.9	65.3	94.8	3.9	1.3
	311	5-14	21.0	79.0	0.6	21.3	78.1	89.0	6.8	4.2
	205	15-99	26.2	73.8	0.9	16.6	83.4	84.9	9.6	5.5
	19	100+	31.5	68.5	-	15.7	84.3	55.8	16.5	27.7
ONT.	2101	1-4	17.9	82.1	2.6	37.8	59.6	94.5	3.4	2.1
	3000	5-14	18.8	81.2	1.4	30.8	67.8	90.3	7.2	2.5
	1958	15-99	24.2	75.8	1.3	22.7	76.0	83.3	11.1	5.6
	250	100+	31.1	68.9	0.4	19.7	79.9	60.1	24.2	15.7
QUE.	609	1-4	20.1	79.9	0.3	82.2	17.5	93.5	5.7	0.8
	646	5-14	18.0	82.0	0.3	78.2	21.5	87.9	10.9	1.2
	494	15-99	27.4	72.6	0.2	62.7	37.1	80.6	15.2	4.2
	62	100+	23.2	76.8	-	55.8	44.2	50.1	31.6	18.3
N.B.	78	1-4	9.2	90.8	-	22.8	77.2	94.8	5.2	-
	131	5-14	14.2	85.8	-	23.1	76.9	94.4	4.0	1.6
	124	15-99	13.2	86.8	-	16.9	83.1	85.0	10.0	5.0
	17	100+	41.1	58.9	-	11.7	88.3	58.9	23.5	17.6
N.S.	107	1-4	16.5	83.5	0.9	19.8	79.3	90.4	6.7	2.9
	182	5-14	16.1	83.9	0.5	16.4	83.1	88.1	8.6	3.3
	163	15-99	21.3	78.7	-	15.9	84.1	82.0	11.2	6.8
	16	100+	18.7	81.3	-	12.5	87.5	60.3	26.5	13.2
P.E.I.	8	1-4	-	100	-	12.5	87.5	100.0	-	-
	40	5-14	10.0	90.0	-	12.8	87.2	89.6	10.4	-
	23	15-99	18.0	82.0	-	13.5	86.5	74.0	21.7	4.3
	--	100+	-	-	-	-	-	-	-	-
NFLD.	37	1-4	9.4	96.0	2.9	20.9	76.2	94.4	2.8	2.8
	70	5-14	16.6	83.4	1.5	20.6	77.9	86.7	7.4	5.9
	62	15-99	19.6	80.4	-	20.5	79.5	80.5	14.7	4.8
	13	100+	33.0	67.0	7.6	23.0	69.4	75.3	16.5	8.2



#### D. C.F.I.B. NATIONAL SURVEYS

Since 1975 the C.F.I.B. has polled its membership, at membership renewal time, as to what is perceived to be the single most important business problem. The preselected list of candidate problems has always included one on "government regulations and paperwork". The two issues have always been presented together. As evident from Figure 14, the relative importance of the regulatory and paperwork problem has declined in importance since 1976 when it ranked number 1, relative to other business problems. The regulatory and paperwork burden has always ranked among the top 5 concerns, although "inflation" and the "quality of labour", along with "financing" in recent years, have tended to rank higher as the most important business problems.

The importance of regulation and paperwork varies from province to province and from industry to industry as is evident from Figures 15 and 16. C.F.I.B. members in Saskatchewan, Quebec, New Brunswick and Newfoundland perceive regulation and paperwork as more of a problem than the aggregate totals reported in Figure 14, while in Nova Scotia, C.F.I.B. members saw other concerns as much more important. In particular, Quebec members seem to consistently report different perceptions.

When the data is analyzed by industry, regulation and paperwork was ranked most often as the most important problem in the mining industry and least often as such in the manufacturing and processing industry. Although the difference in size of the samples in these two categories could render such a conclusion invalid. Nevertheless, clear industry differences are evident in the data (see Figure 16).

Figure 14

## NATIONAL SURVEY - MOST IMPORTANT PROBLEM TRENDS

"What is the Single Most Important Problem Your Business is Facing Today? (Mark One Only)"

-C.F.I.B. National Survey,  
Selected Years

	Series 3 Dec. 1975 n=2009	Series 3 Sept. 1976 n=8851	Series 4 Sept. 1977 n=26,177	Series 6 Dec. 1978 n=18,034	Series 7 Sept. 1979 n=27,497	Series 8 Sept. 1980 n=18,955	Series 9 Sept. 1980 n=10,846
1a. Quality of Labour	23.9	2					
b. Availability of Competent Help			3	2			
c. Shortage of Skilled Help. Employee Attitude to Work					17.8		
d. Shortage of Qualified Labour						3	2
2a. Government Regulations and Paperwork Burden	2	24.3					
b. Other Government Regulations, Red Tape			4				
c. Government Regulations and Paperwork				3			
d. Government Regulations, Red Tape, Paperwork					4	-	5
3a. Availability of Funds	-	-					
b. Financing, Interest Rates			2				
c. Financing				5	2	25.5	
d. High Interest Rates							21.9
4a. Unfair Competition from Large Business	-	-					
b. Competition from Big Business and/or Government			-				
c. Competition from Big Business				-	x	-	-
5a. Cost of Labour	4	-					
b. Cost of Labour, Minimum Wage Laws			-				
c. Labour Standards (Minimum Wages, Hours of Work, etc.)				-			
c. High Wage Rates					-		-
d. High Wage Rates, Minimum Wage						-	
6a. Inflation	3	3	19.0	25.0	3	2	4
7a. Taxes	-	-					
b. Taxes, Including Tax Returns			5				
c. Total Tax Burden				4		-	-
d. Total Taxation					-		
8a. Slow Sales, Lack of Business	x	x	x	-	-	5	3
b. Business Slower than Normal							
9a. Other	x	x	-	-	5	4	-
10a. Shortage of Management Knowhow (Skills)	x	x	x	x	x	-	x

Figure 15

## MOST IMPORTANT PROBLEM BY PROVINCE

(Rounded Averages)\*

What is the most important problem your business is facing today? (Mark one). The second most? (Mark one). 4th Quarter, 1979 and 1st Quarter 1980, CFIB National Survey, Series 8.		British Columbia n = 1392	Alberta n = 1745	Saskatchewan n = 1189	Manitoba n = 812	Ontario n = 7643	Quebec n = 1913	New Brunswick n = 242	Nova Scotia n = 405	Newfoundland n = 171	Prince Edwards Island n less than 100, not included
1. High wage rates, minimum wages	1st	--	--	--	--	--	--	--	--	--	--
	2nd	--	--	--	--	--	--	--	--	--	--
2. Competition from big business	1st	--	--	--	--	--	4	--	--	--	--
	2nd	--	--	--	--	--	--	--	--	--	--
3. Shortage of Qualified labour	1st	3	(33)	3	3	3	--	--	--	--	--
	2nd	--	4	--	--	--	--	--	4	--	--
4. Business slower than normal	1st	--	--	4	4	--	--	3	--	--	--
	2nd	--	--	--	--	--	--	--	--	--	--
5. Financing	1st	(30)	2	(20)	5	(28)	(23)	(27)	(41)	(31)	--
	2nd	3	3	4	--	3	4	3	3	4	--
6. Inflation	1st	2	3	2	2	2	2	4	2	2	--
	2nd	2	2	(23)	2	(20)	3	2	2	(20)	--
7. Total Tax Burden	1st	--	--	--	--	--	--	--	--	3	--
	2nd	--	6	3	--	--	--	--	--	--	--
8. Shortage of Management Know-how (Skills)	1st	--	--	--	--	--	--	--	--	--	--
	2nd	--	--	--	--	--	--	--	--	--	--
9. Government regulations, red tape, paperwork	1st	--	--	--	--	--	--	2	--	4	--
	2nd	4	4	2	3	4	2	--	--	3	--
10. Other	1st	--	--	--	(25)	--	2	4	3	--	--
	2nd	(23)	(21)	--	(29)	2	(19)	(38)	(26)	2	--

\* Circled figures represent percentage of respondents ranking a category of most important problem as first or second and could read as rank 1 for that category.

Figure 16

## MOST IMPORTANT PROBLEM BY INDUSTRY

(Rounded Averages)\*

What is the most important problem your business is facing today? (Mark one). The second most? (Mark one). 4th Quarter, 1979 and 1st Quarter, 1980, CFIB National Survey, Series 8.		Total n=15513	Agr./Forest/Fish. n=256	Mining n=121	Construction n=1262	Manuf./Processing n=2238	Trans./Pub.Util. n=308	Wholesale n=1148	Retail n=5296	Finance/Ins./Real Est. n=429	Services n=4332	Other n=123
1. High Wage Rates, Minimum Wages	1st	--	--	--	--	--	--	--	--	--	--	--
	2nd	--	--	--	--	--	--	--	--	--	--	--
2. Competition from Big Business	1st	--	--	--	--	--	--	--	3	--	--	--
	2nd	--	--	--	--	--	--	--	--	--	--	--
3. Shortage of Qualified Labour	1st	3	5	(26)	2	(29)	3	3	--	4	2	3
	2nd	--	5	--	5	4	5	--	--	--	--	--
4. Business Slower than Normal	1st	--	--	--	3	--	--	--	--	--	--	--
	2nd	--	--	--	--	--	--	--	--	--	--	--
5. Financing	1st	(26)	2	--	(25)	2	(22)	(29)	(28)	(25)	(22)	2
	2nd	3	4	--	3	3	4	4	3	--	4	--
6. Inflation	1st	2	(21)	4	4	3	2	2	2	2	3	(23)
	2nd	2	(22)	(22)	2	2	(19)	(21)	(22)	2	2	2
7. Total Tax Burden	1st	--	--	--	--	--	--	--	--	--	--	--
	2nd	--	--	4	--	--	--	--	--	4	5	2
8. Shortage of Management Knowhow (skills)	1st	--	--	--	--	--	--	--	--	--	--	--
	2nd	--	--	--	--	--	--	--	--	--	--	--
9. Government Regulations, Red-Tape, Paperwork	1st	--	4	2	6	6	4	4	7	6	4	5
	2nd	4	3	3	4	5	3	3	4	3	3	4
10. Other	1st	4	3	3	--	--	5	4	--	3	5	4
	2nd	(21)	2	2	(19)	(20)	2	2	2	(24)	(22)	(32)

\* Circled figures represent percentage of respondents ranking a category of most important problem as first or second and could read as rank 1 for that category.



Industry differences were also evident when members were asked what federal government paperwork affected them most (see Figure 17). This was particularly evident in the wholesale and financial, real estate sectors. Federal employee deductions were seen as a major burden by all industry sectors. Statistics Canada ranked as the most important burden in 6 of the 11 industry sectors identified.

When analyzed by size of firm the federal government paperburden varied in importance in Figure 18. The smallest firms, with less than 10 employees, in Figure 18 reported Statistics Canada as less of a burden than larger firms, where it ranked as the number one concern. The less than 10 employee firms were more concerned about filling out income tax forms and employee deduction forms. The larger firms saw record of employment and unemployment insurance as a greater burden.

At the provincial and municipal level labour standards and workmen's compensation ranked consistently high as burdens along with retail sales tax when applicable (see Figure 19 ).

At our request the C.F.I.B. included in its 1980 National Survey a specific question on government regulations as shown in Figure 20 . Previously, as already mentioned, paperwork had always been combined with regulation in questions posed. In general, the response to this question was reported by C.F.I.B. salesmen to be low.\* The majority of members saw the specific regulations as "no problem". This response may be a confirmation of our previous conclusion that most small business persons find it difficult to relate meaningfully to questions dealing with "economic regulations" or, alternatively, in general, the actual impact of regulations is relatively low on most small businessmen.

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\* All National Surveys are filled out by C.F.I.B. salesmen.



Figure 17

## FEDERAL GOVERNMENT PAPEROWRK BY INDUSTRY

(Rounded Averages)\*

What Federal Government Paperowrk Affects You Most? (Mark One). The Second Most? (Mark One). 4th Quarter 1979 and 1st Quarter 1980, CFIB National Survey, Series 8

		Total n = 15513	Agr/Forest/Fish. n = 256	Mining n = 121	Construction n = 1262	Mfg/ Processing n = 2238	Transp/Public Util. n = 308	Wholesale n = 1148	Retail n = 5296	Fin/Insur/Real Estate n = 429	Service n = 4332	Other n = 123
1.	Federal Sales, Customs and Excise Taxes	1st 5 2nd --	5 --	3 --	-- --	2 4	-- --	(32) 4	5 --	-- --	-- --	4 --
2.	Manpower Training (Apprenticeship programs, etc.)	1st -- 2nd --	-- --	-- --	-- --	-- --	-- --	-- --	-- --	-- --	-- --	-- --
3.	Federal Income Taxes	1st 4 2nd 5	3 --	2 4	4 --	-- --	4 --	5 --	2 5	(32) 4	3 5	(25) 2
4.	Unemployment Insurance, Record of Employment.	1st 3 2nd 2	4 3	4 4	2 2	4 2	2 3	4 2	3 4	5 (40)	4 2	-- 5
5.	Federal Employee Deductions (Income Tax, UIC, CPP)	1st 2 2nd (35)	2 (35)	5 2	3 (34)	3 (32)	3 (38)	3 (32)	(24) (36)	2 2	(23) (37)	3 (36)
6.	Statistics Canada	1st (23) 2nd 3	(29) 2	(25) (37)	(27) 3	(28) 3	(39) 2	2 3	4 2	3 --	2 3	2 4
7.	Consumer Protection Regulations and Standards	1st -- 2nd --	-- --	-- --	-- --	-- --	-- --	-- --	-- --	-- --	-- --	-- --
8.	Other	1st -- 2nd 4	-- --	-- --	-- --	-- --	-- --	-- --	-- 3	4 3	-- 4	4 3

\*Circled figures represent percentage of respondents ranking a category of Federal government paperwork as affecting them most or second most and could be read as rank 1.

FIGURE 18

## FEDERAL GOVERNMENT PAPERWORK BY COMPANY SIZE

(Rounded Averages)\*

What Federal Government Paperwork Affects You Most? (Mark One). The Second Most ? (Mark One). 4th. Quarter 1979 and 1st Quarter 1980 National Survey, Series 8		Total n = 15,513	1-4 Employees n = 5775	5-9 Employees n = 4230	10-14 Employees n = 1964	15-49 Employees n = 2646	50-99 Employees n = 561	100 plus Employees n = 337
1. Federal Sales, Customs and Excise Taxes	1st	5	4	5	4	4	3	4
	2nd	--	--	--	--	--	--	--
2. Manpower Training (Apprenticeship programs, etc.)	1st	--	--	--	--	--	--	--
	2nd	--	--	--	--	--	--	--
3. Federal Income Taxes	1st	4	(25)	4	5	--	--	--
	2nd	5	4	4	--	--	--	--
4. Unemployment Insurance, Record of Employment	1st	3	5	2	2	3	(2)	(2)
	2nd	2	5	2	2	2	(32)	(37)
5. Federal Employee Deductions (Income Tax, UIC, CPP)	1st	(2)	(2)	(25)	(3)	(2)	4	3
	2nd	(35)	(35)	(38)	(36)	(33)	2	3
6. Statistics Canada	1st	(23)	3	3	(22)	(29)	(37)	(31)
	2nd	3	3	3	3	3	3	2
7. Consumer Protection Regulations and Standards	1st	--	--	--	--	--	--	--
	2nd	--	--	--	--	--	--	--
8. Other	1st	--	6	--	--	--	--	--
	2nd	4	2	--	--	--	--	--

\*Circled figures represent percentage of respondents ranking a category of paperwork as affecting them the most or second most and could be read as rank 1.

Figure 19

PROVINCIAL/MUNICIPAL GOVERNMENT PAPERWORK  
BY INDUSTRY

(Rounded Averages)\*

What Provincial/ Municipal Government Paperwork Affects you Most? (Mark one). The Second Most (Mark one). 4th Quarter, 1979 and 1st Quarter, 1980, CFIB National Survey, Series 8		Total n = 15513	Agr/Forest/Fisher. n = 256	Mining n = 121	Construction n = 1262	Mfg./Processing n = 2238	Transp./Public Util. n = 308	Wholesale n = 1148	Retail n = 5296	Fin/Insur/Real Estate n = 429	Services n = 4332	Other n = 123
1. Licenses and Permits (Provin- cial)	1st	3	4	1	3	4	37	--	--	46	3	4
	2nd	--	4	4	4	--	2	--	--	--	--	--
2. Licenses and Permits (Munici- pal)	1st	--	--	--	4	--	--	--	--	--	--	--
	2nd	--	--	3	2	--	--	--	--	--	--	--
3. Statistical Surveys	1st	--	3	--	--	--	--	--	--	--	--	--
	2nd	--	2	44	--	4	--	--	--	--	--	3
4. Retail Sales Tax and other Provin- cial Taxes	1st	41	2	--	1	1	3	43	55	--	38	2
	2nd	3	--	--	--	3	--	3	3	--	3	--
5. Consumer Protec- tion Agencies	1st	--	--	--	--	--	--	--	--	--	--	--
	2nd	--	--	--	--	--	--	--	--	--	--	--
6. Labour Standards and Workmen's Compensation	1st	2	32	38	37	43	2	2	2	--	2	3
	2nd	46	43	2	45	52	47	49	44	--	46	50
7. Compulsory Medi- cal Insurance	1st	--	--	--	--	--	--	--	--	--	--	--
	2nd	--	--	--	--	--	--	--	--	--	--	--
8. Other	1st	3	4	2	--	3	--	--	--	2	4	36
	2nd	2	3	4	2	2	3	2	2	57	2	2

\*Circled figures represent percentage of respondents ranking a category of municipal/provincial government paperwork first or second and could read as rank 1 for that category.

Figure 20

CANADIAN FEDERATION OF  
INDEPENDENT BUSINESS

## OUR MEMBERS' OPINIONS

## NATIONAL SURVEY

CF - 19  
ISSUE NO 9

Our Members' Opinions is a very powerful communication tool. A computerized summary is presented regularly to the media and to federal and provincial governments. Your opinions remain confidential. We encourage you to discuss these current issues with your business associates. If you wish to comment further, space is provided on the back of this form.

## BUSINESS INFORMATION

1. How many employees do you have (full or part-time including yourself)?  
(1) 1-4 (2) 5-9 (3) 10-14 (4) 15-49 (5) 50-99 (6) 100 and over
2. How long have you been in business?  
(1) less than 2 years (2) 2-4 years (3) 5-10 years (4) over 10 years
3. What is the form of your business organization?  
(1) Proprietorship (2) Partnership (3) Corporation (4) Other
4. Which ONE activity provides the greatest amount of your gross income?  
(1) Agriculture, Forestry, Fishing (2) Mining, oil and natural gas  
(3) Construction (4) Manufacturing & Processing  
(5) Transportation & Public Utilities (6) Wholesale Trade  
(7) Retail Trade (8) Finance, Insurance, Real Estate  
(9) Services (10) Other, not classified in one of above
5. Where is your business located? (Mark one)  
(Z) N.W.T. (Y) Yukon (B) B.C. (A) Alta.  
(S) Sask. (M) Man. (O) Ont. (Q) Que.  
(W) N.B. (V) N.S. (P) P.E.I. (N) Nfld.

(Questions 1 to 5 must be answered to allow computer processing)

INSTRUCTIONS: Please answer each question carefully. Check answer in pencil or ink.

1 ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐2 ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐3 ☐ 1 PROPRIETORSHIP☐ 2 PARTNERSHIP☐ 3 CORPORATION☐ 4 OTHER☐ 1 AGRICULTURE, ETC.☐ 2 MINING, OIL AND GAS☐ 3 CONSTRUCTION☐ 4 MANUFACTURING☐ 5 TRANSPORTATION, ETC.☐ 6 WHOLESALE☐ 7 RETAIL☐ 8 FINANCE ETC.☐ 9 SERVICES☐ 10 NON-CLASSIFIABLE5 ☐ Z N.W.T.☐ Y YUKON☐ B B.C.☐ A ALTA.☐ S SASK.☐ M MAN.☐ O ONT.☐ Q QUE.☐ W N.B.☐ V N.S.☐ P P.E.I.☐ N Nfld.

## MOST IMPORTANT PROBLEM

6. What is the most important problem your business is facing today? (Mark one)
7. The second most important? (Mark one)
  - (1) High wage rates
  - (2) Competition from big business
  - (3) Shortage of qualified labour
  - (4) Business slower than normal
  - (5) High interest rates
  - (6) Availability of financing
  - (7) Inflation
  - (8) Total tax burden
  - (9) Government regulation, red tape, paperwork
  - (10) Other (Please specify)

6. FIRST  
MOST  
IMPORTANT7. SECOND  
MOST  
IMPORTANT☐ 1☐ 1☐ 2☐ 2☐ 3☐ 3☐ 4☐ 4☐ 5☐ 5☐ 6☐ 6☐ 7☐ 7☐ 8☐ 8☐ 9☐ 9☐ 10☐ 10

## GOVERNMENT REGULATIONS \*

How have each of the following types of government regulations affected your business?  
(Mark one)

(1) No problem (2) Minor problem (3) Major problem

8. Labour Standards (min. wages, hours of work, etc.)
9. Employee Health & Safety Regulations
10. Zoning, Planning, Building codes
11. Store Hours
12. Occupational or Business Licencing
13. Packaging & Labelling
14. Sales Practices (misleading advertising, unfair trade practices, etc.)
15. Transportation (truck/railroad)
16. Human Rights (race, sex, age, etc.)

\*N = 10,846.

## INTEREST RATES

17. What effect have high interest rates had on your business? (Mark one)
  - (1) A reduction in normal borrowing
  - (2) Curtailment of expansion plans
  - (3) A reduction in profits
  - (4) No significant effect
  - (5) Do not know or other

NO  
PROBLEMMINOR  
PROBLEMMAJOR  
PROBLEM

8.	<input type="checkbox"/> 1 69.7	<input type="checkbox"/> 2 19.2	<input type="checkbox"/> 3 11.1
9.	<input type="checkbox"/> 1 82.4	<input type="checkbox"/> 2 12.4	<input type="checkbox"/> 3 5.2
10.	<input type="checkbox"/> 1 71.3	<input type="checkbox"/> 2 14.3	<input type="checkbox"/> 3 14.4
11.	<input type="checkbox"/> 1 89.4	<input type="checkbox"/> 2 6.8	<input type="checkbox"/> 3 3.8
12.	<input type="checkbox"/> 1 82.0	<input type="checkbox"/> 2 11.6	<input type="checkbox"/> 3 6.4
13.	<input type="checkbox"/> 1 83.2	<input type="checkbox"/> 2 10.3	<input type="checkbox"/> 3 6.5
14.	<input type="checkbox"/> 1 72.9	<input type="checkbox"/> 2 16.3	<input type="checkbox"/> 3 10.8
15.	<input type="checkbox"/> 1 60.1	<input type="checkbox"/> 2 16.0	<input type="checkbox"/> 3 23.9
16.	<input type="checkbox"/> 1 90.3	<input type="checkbox"/> 2 7.2	<input type="checkbox"/> 3 2.5

17.

☐ 1☐ 2☐ 3☐ 4☐ 5

In Figure 21 we analyzed the regulation question by industry sector. As we found in our other data clear differences were again evident.



FIGURE 21

GOVERNMENT REGULATIONS BY TYPE OF BUSINESS  
(Major Problem)\*

How have each of the following types of government regulations affected your business? (Mark one) (No Problem, Major Problem, Minor problem).	Ag. Fish. For. n = 200	Mining n = 69	Construction n = 840	Mfg. & Proc. n = 1330	Transportation n = 237	Wholesale n = 737	Retail n = 4011	Finance n = 356	Services n = 2971	Other n = 95
Labour Standards (min. wages, hours of work, etc.).	12	13	18	11	15	--	12	--	--	11
Employee Health & Safety Regulations.	--	--	10	10	11	--	--	--	--	--
Zoning, Planning, Building Codes.	20	13	(25)	--	13	11	12	(25)	14	(23)
Store Hours.	--	--	--	--	--	--	--	--	--	--
Occupational or Business Licensing.	--	--	11	--	26	--	--	--	--	12
Packaging & Labelling.	10	--	--	--	--	17	--	--	--	--
Sales Practices (misleading adv., unfair trade pract. etc.).	--	--	11	--	--	--	13	--	10	--
Transportation (truck/railroad).	(35)	(29)	21	(21)	(31)	(30)	(31)	--	(16)	16
Human Rights (race, sex, age, etc.)	--	--	--	--	--	--	--	--	--	--

\*Rounded averages. (10 % and over)

## E. C.F.I.B. MANDATE SURVEYS

### 1. Introductory Comment

More than three quarters of the Mandate questions posed by C.F.I.B. to its membership since early 1972, have dealt with economic regulation, in the stricter sense of the definition used by the E.C.C. Regulation Reference research, "... intended specifically to modify the economic behaviour of individuals ... in the private sector."<sup>\*</sup> Paperburden as a Mandate question, by comparison, has been asked infrequently. Although the paperburden issue seems to have drawn and focussed a lot of the emotional frustration experienced by small business persons caught in the more diverse regulatory debate.

Figure

A Classification of the Ten Most Strongly Expressed Opinions in Each of the Three Types of Economic Issues Detailed in Section E. 2

Type of Issue	Regulations Paperburden Taxes Total			
	Regulations	Paperburden	Taxes	Total
1. Allocation of Resources	6	1	3	10
2. Distribution of Net Income	7	1	2	10
3. Expectations Re Future, Growth	7	0	3	10

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<sup>\*</sup>Sylvia Ostry, Op. Cit., p. 15.

The regulatory issues surrounding U.I.C. have been the most frequent bases for Mandate questions asked by the C.F.I.B. The highest level of agreement on any Mandate question, 96 per cent of those polled, occurred in December, 1978. C.F.I.B. members overwhelmingly agreed that amendments were needed to the Unemployment Insurance Act to "... curb numerous abuses, provide incentives to work, and cut overall costs by more than \$1 billion without unduly penalizing those areas where jobs are scarcest." The fight for bringing about changes in this Act started in March, 1972:

"... The simple fact is that the new unemployment insurance scheme is not based on actuarial principals ... claimants are victims of ridiculous red tape and delays; employers find they must compete with the new benefits by offering inflationary wage increases in order to lure the unemployed back to work ... we will all pay the price ... through increased contributions by employeres and employers, or by substantially higher taxes."\*

The Mandate questions posed to the membership over this period reflected three periods of activity:

1. Early 1972 - Fighting Against Loosening of Eligibility Requirements and Increasing Benefits Regulations.
2. 1972 - 1975 - Influencing Changes in the Unemployment Insurance Act.
3. 1975 - 1980 - Influencing the Tightening of Eligibility, Benefit Regulations.

Three general underlying themes can be identified in Mandate Questions. There are high (unmeasurable) costs, both

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\* John A. Cross, C.A., "Unemployment Fund - The Impossible Dream", Mandate, No. 4, March 1972, P. 3.

direct and indirect, associated with regulations and paperburden. The time spent on doing the Government's will is time taken away from the owner-manager who is single-handedly trying to operate a business.

Secondly, the burden of regulatory costs on small business is inequitable. Economic regulation imposes costs and requirements that larger companies have the resources to meet, but which impose formidable hurdles for smaller firms.

Thirdly, many regulations tend to overlap, be duplicative, and the small business person does not have the time to analyze whether he is subject to any specific regulation or not, or what regulations he is subject to. In particular the taxation system is often singled out for criticism.

## 2. Perceived Rank Order of Economic Regulation Impact

### a. Allocation of Resources Questions

- i. ARE YOU FOR OR AGAINST A MANDATORY SECRET BALLOT BOTH FOR CONTRACT RATIFICATION AND FOR STRIKE VOTES? (Mandate No. 43, Question 3, November, 1976.)

Arguments for making a secret ballot mandatory --  
A secret ballot is an essential element of the democratic process. It would help prevent manipulation and intimidation by militant minorities. The public's interest justifies regulation to ensure the secrecy of the ballot. (94% agreed)

- ii. ARE YOU FOR OR AGAINST AMENDING PROVINCIAL AND FEDERAL LABOUR LAWS SO AS TO MAKE IT ILLEGAL TO REQUIRE UNION MEMBERSHIP AS A CONDITION OF EMPLOYMENT? (Mandate No. 58, Question 1, May, 1978.)

Arguments for making obligatory union membership illegal -- Workers would have the right to work without being obligated to union officials. Confrontations between labour and management would be reduced. Wages would be subject to a greater extent to the forces of supply and demand. It would be easier for Canadian industry to compete with the southern U.S. states where compulsory union membership is illegal. (92% agreed)

Are you for or against amending provincial and federal labour laws so as to make all forms of compulsory union membership illegal? (Mandate No. 18, Question 1, November, 1973.) (87.1% agreed)

Are you for or against Bill C-253 giving the Labour Relations Board discretion to include in bargaining unit employees whose duties include supervision of other employees? (Mandate No. 2, Question 1, January, 1972.) (84% disagreed)



- iii. ARE YOU FOR OR AGAINST BILL C-253 (AMENDMENTS TO CANADA LABOUR CODE- CERTIFICATION) (Mandate No. 3, Question 3, February, 1972.)

Arguments against certification -- The new certification procedures will encourage an increase in the organizing efforts of unions. A militant minority of employees can more easily bring in a union against the wishes of a passive majority. (87% disagreed)

- iv. ARE YOU FOR OR AGAINST THE SECTION OF QUEBEC'S BILL 45 DEALING WITH PICKETING? (Mandate No. 52, Question 4, November, 1977.)

Arguments against this section of Bill 45 -- The Bill denies the employee's fundamental right to work. Businesses with limited supervisory personnel will be hardest hit if they are struck. (87% disagreed)

Are you for or against Bill C-253 (Amendments to Canada Labour Code - Picketing provisions). (Mandate No. 2, Question 2, January, 1972.) (86% agreed)

- v. ARE YOU FOR OR AGAINST A TAX INCENTIVE TO ENCOURAGE EMPLOYEES OF CANADIAN BUSINESSES TO ACQUIRE THE SHARES OF THEIR COMPANY? (Mandate No. 11, Question 4, January, 1973.)

Arguments for a tax incentive -- An incentive would reduce the sale of businesses to foreigners and encourage repatriation of foreign subsidiaries. It would encourage continuity of management and growth of the private sector of the economy. (86% agreed)

- vi. ARE YOU FOR OR AGAINST COMPULSORY RETIREMENT BASED ON AGE? (Mandate No. 60, Question 2, October, 1978.)

Arguments against compulsory retirement based on age -- An individual's capacity to work effectively does not depend on age. The number of young people entering the labour force will decline dramatically in the future. (86% disagreed)

Are you for or against the normal retirement age?  
(Mandate No. 48, Question 1, April 1977.) (77% disagreed)

- vii. ARE YOU FOR OR AGAINST GIVING THE TAXPAYER A CHOICE OF OPTIONS FOR REINVESTING RRSP FUNDS AT AGE 71? (Mandate No. 45, Question 4, January, 1977.)

Arguments for reinvesting RRSP funds at age 71 -- The taxpayer could obtain a higher rate of return by having a choice of investment options. (85% agreed)

- viii. ARE YOU FOR OR AGAINST BILL C-371, AN ACT TO AMEND THE STATISTICS ACT? (Mandate No. 33, Question 4, May, 1975.)

Arguments for Bill C-371 -- Information supplied to government is of limited use to small business. Filling out non-essential forms should be voluntary. (80% agreed)

- ix. ARE YOU FOR OR AGAINST GIVING UNPAID EMPLOYEES PRIORITY OVER SECURED CREDITORS IN BANKRUPTCIES? (Mandate No. 66, Question 2, April, 1979.)

Arguments for giving unpaid employees priority over secured creditors in bankruptcies -- Employees are entitled to their wages. They cannot continue to rely on the "good will" of financial institutions. Liability for directors could stifle new venture formation or close firms prematurely. (79% agreed)

- x. ARE YOU FOR OR AGAINST AN AMENDMENT TO THE INCOME TAX ACT WHICH WOULD PERMIT AN OWNER OF AN UNINCORPORATED BUSINESS ENTERPRISE TO DEDUCT A REASONABLE SALARY FOR A WORKING SPOUSE? (Mandate No. 28, Question No. 1, December, 1974.)

Arguments for allowing deduction of reasonable salary for a working spouse -- For income tax purposes, the salary paid to the spouse, could not be more than the fair market value of the work performed. Present law treats a married woman as a second class citizen. A proprietor could hire a mistress and claim her as a deduction -- but couldn't do the same if he married her. Many small businessmen do not want to incur

the cost and paperwork burden of incorporation. Because of the low average earnings of business proprietorships and farmers, the splitting of income between husband and wife would not result in any significant loss of tax revenue. (76% agreed)

b. Distribution of Net Income Questions

- i. Note: The laws and regulations involving Unemployment Insurance have been the most frequently polled issues in the C.F.I.B. Mandates since their inception. We have grouped the questions voted upon, chronologically, into three periods, during which the substance of the ballots changed in response to changing government initiatives.

Period 1: September 1972 - October 1972 (Fighting Against Loosening Eligibility, Benefit Regulations)

- a) ARE YOU FOR OR AGAINST THE NEW EXPANDED UNEMPLOYMENT INSURANCE BENEFITS? (Mandate No. 8, Question 1, October, 1972.)

Arguments against the new expanded unemployment insurance benefits -- Increased benefits result in increased costs to employers. The new plan with its increased benefits provides a greater opportunity for claimants to misuse the plan. Workers may be tempted to exploit loopholes rather than work. (89% disagreed)

- b) Are you for or against the 1971 amendments to the Unemployment Insurance Act regarding the waiting period for claimants? (Mandate No. 7, Question No. 3, September, 1972.) (74% disagreed)

- c) Are you for or against the 1971 amendments to the Unemployment Insurance Act regarding eligibility for receiving benefits? (Mandate No. 7, Question 2, September, 1972.) (89% disagreed)

Period 2: November 1972 - February 1975 (Influencing U.I.C. Reconsideration)

- d) ARE YOU FOR OR AGAINST BILL C-125, THE BILL TO AMEND THE UNEMPLOYMENT ACT? (Mandate No. 13, Question 1, March, 1973.)

Arguments for amending Bill C-125 -- The bill would prevent a person from taking a job only in order to quit to collect unemployment insurance. It would prevent employees from receiving unemployment insurance benefits after deliberately acting in a manner that would ensure their dismissal. Not only would it save taxpayers money in reducing the amount of benefits paid, but it would tend to increase the number of available workers badly needed by many businesses. (95% agreed)

- e) Are you for or against a policy requiring recipients of unemployment insurance to accept any job offered them or face loss of their benefits? (Mandate No. 9, Question 3, November, 1972.) (87% agreed)
- f) Are you for or against the approach to integrating manpower programs and unemployment insurance programs now in use in Germany? (Mandate No. 30, Question 2, February, 1975.) (87% agreed)

Period 3: December 1978 - January 1980 (Influencing the Tightening of Eligibility, Benefit Regulations)

- g) ARE YOU FOR OR AGAINST THE AMENDMENTS TO THE UNEMPLOYMENT INSURANCE ACT? (Mandate No. 62, Question 1, December, 1978.)

Arguments for amendments to the Unemployment Insurance Act -- The Bill will curb numerous abuses, provide incentives to work, and cut overall costs by more than \$1 billion without unduly penalizing those areas where jobs are scarcest. (96% agreed)

Note: The 96% vote of agreement is the highest ever recorded on a Mandate ballot.



- h) Are you for or against exempting workers who voluntarily quit their jobs or who are fired for misconduct from receiving unemployment insurance (UI) benefits? (Mandate No. 70, Question No. 1, November, 1979.) (78% agreed)
- i) Are you for or against the Unemployment Insurance Commission requiring compulsory reporting by employers on new hirings to catch UIC cheaters? (Mandate No. 71, Question 1, December, 1979.) (77% agreed)
- j) Are you for or against raising the employer and employee contributions to cover a larger portion of the cost of the program? (Mandate No. 72, Question 3, January, 1980.) (72% disagreed)

ii. ARE YOU FOR OR AGAINST THE RIGHT TO STRIKE IN THE PUBLIC SECTOR? (Mandate No. 55, Question 1, February, 1978.)

Arguments against the right to strike in the public sector -- Because government services are often monopolies, the public can suffer irreparable economic damage during a strike. Governments in Canada have yielded to inflationary wage demands that have set a pattern for all workers. (95% disagreed)

Should the right to strike in essential services be replaced by a form of compulsory arbitration? (Mandate No. 4, Question 1, March, 1972.) (92% agreed)

iii. ARE YOU FOR OR AGAINST GOVERNMENTS BEING REQUIRED TO PAY AN INTEREST PENALTY ON LATE PAYMENTS OF THEIR OUTSTANDING ACCOUNTS? (Mandate No. 69, Question 2, October, 1979.)

Arguments for governments being required to pay an interest penalty on late payments of their outstanding accounts -- Governments should be setting an example of good business practice by paying on time. It would provide an incentive to improve the payment pattern of governments. Late payment can create financing problems for business and effect adversely their credit rating. (87% agreed)



- iv. ARE YOU FOR OR AGAINST BELL CANADA CHARGING FOR LOCAL CALLS?  
(Mandate No. 72, Question 1, January, 1980)

Arguments against Bell Canada charging for local calls --  
The cost of the new equipment would be borne by all customers. Some households and businesses would face higher costs for telephone service. It is easier for businesses to plan expenses with a flat rate. Businesses would still pay higher than household rates for telephone service. (85% disagreed)

- v. ARE YOU FOR OR AGAINST SMALL BUSINESSES BEING REQUIRED TO GRANT AN UNPAID PREGNANCY LEAVE OF ABSENCE TO FEMALE EMPLOYEES WHO HAVE WORKED FOR THE FIRM FOR AT LEAST ONE YEAR?  
(Mandate No. 19, Question 4, December, 1973.)

Arguments against the granting of an unpaid pregnancy leave of absence -- It is most difficult to hire an employee when she cannot be guaranteed a permanent position since her job will no longer exist when the pregnant employee returns to work. The 12 or 17 week period is a long gap particularly hard to fill with temporary employees. This can result in added cost and can prove to be difficult in the case of both skilled and unskilled employees. The small businessman is not as likely to have a pool of employees to absorb the duties of the employee on leave. If the employee is a capable person she should always be able to get a job somewhere else. (80% disagreed)

- vi. ARE YOU FOR OR AGAINST A TEMPORARY FREEZE ON GOVERNMENT BUDGETS? (Mandate No. 64, Question 1, February, 1979.)

Arguments for a temporary freeze on government budgets -- Any attempts to finance the public sector through higher taxation would increase the costs of goods and services. But "printing money" or borrowing to cover our deficits can also result in additional inflation. (74% agreed)

Are you for or against the federal government's program of economic restraining? (Mandate No. 36, Question 1, January, 1976.) (76% agreed)

- vii. ARE YOU FOR OR AGAINST TWO LEVELS OF GOVERNMENT COLLECTING CORPORATE INCOME TAXES? (Mandate No. 55, Question 3, February, 1978.)

Arguments against two levels of government collecting corporation taxes -- Business faces additional costs for recordkeeping and professional services. Provincial governments build larger bureaucracies. (76% disagreed)

- viii. ARE YOU FOR OR AGAINST INDEXING AS A WAY OF CUSHIONING THE EFFECTS OF INFLATION? (Mandate No. 56, Question 3, March, 1978.)

Arguments against indexing -- Indexing deals with the effects of inflation, not the causes, and tends to perpetuate inflation. (74% disagreed)

- ix. ARE YOU FOR OR AGAINST BILL C-229, AN ACT TO AMEND THE CANADA LABOUR CODE? (Mandate No. 24, Question 3, May, 1974.)

Arguments against amending Bill C-229 -- Unless all jurisdictions were to adopt such a policy, businesses in the affected areas would be operating at a competitive labour cost disadvantage of 2 per cent. Business already faces heavy demands for labour cost increases from staff concerned with keeping pace with the cost of living. Business must become more productive and not be faced with the costs of longer vacations with pay. (70% disagreed)

- x. ARE YOU FOR OR AGAINST INDEXING THE MINIMUM WAGE? (Mandate No. 48, Question 2, April, 1977.)

Arguments against indexing the minimum wage -- Indexing makes it easy to live with inflation. It adds another burden to management. Canadian minimums are already higher than in the U.S. Governments should be working to reduce inflation. (70% disagreed)

c. Expectations About Future and Growth Questions

- i. ARE YOU FOR OR AGAINST THE IMPOSITION OF A PROVINCIAL GIFT TAX ON THE TRANSFER OF ASSETS BETWEEN SPOUSES? (Mandate No. 6, Question 2, May, 1972.)

Arguments against imposition of a provincial gift tax on the transfer of assets between spouses -- The imposition of this tax is an artificial barrier that can be circumvented by tax preplanning. Wives are an integral part of the family economic unit and are entitled to the fruits of the joint efforts of husband and wife. (93% disagreed)

- ii. ARE YOU FOR OR AGAINST AN AMENDMENT TO THE FEDERAL INCOME TAX ACT THAT WOULD ALLOW A ROLLOVER OF CAPITAL GAINS TAX FROM AN OWNER OF A SMALL BUSINESS TO HIS CHILDREN DURING HIS LIFETIME OR DEATH? (Mandate No. 15, Question 4, May, 1973.)

Arguments for rollover of capital gains tax to children -- A capital gains tax imposed on death when combined with present succession duties imposes a heavy tax burden and often forces the sale of an independent business. Reduced death taxes would encourage the development of family-owned businesses and reduce the sellout of these businesses to large corporations. (89% agreed)

- iii. ARE YOU FOR OR AGAINST CANADA UNILATERALLY EXTENDING ITS FISHERIES CONTROL ZONE TO 200 MILES? (Mandate No. 35, Question 1, October, 1975.)

Arguments for Canada unilaterally extending its fisheries control zone to 200 miles -- Such a move is necessary to stop overfishing by huge foreign fleets. Size of catches have fallen and conservation of fish stocks is required to prevent elimination of some major species. International quotas cannot be adequately supervised and enforced. Jobs for Canadians would be preserved. (80% agreed)

- iv. ARE YOU FOR OR AGAINST BILL C-253 - (AMENDMENTS TO THE CANADA LABOUR CODE - TECHNOLOGICAL CHANGE PROVISIONS)? (Mandate No. 1, Question 3, December, 1971 (?).)

Arguments against Bill C-253 -- Provision will retard technological change, and make the economy uncompetitive, increase conflict and make management subject to potential blackmail. Provisions unnecessary as there is no bar to the negotiations of provisions providing for severance pay, inter-plant transfer, retraining programs and other benefits designed to lessen impact of technological change. (79% disagreed)

- v. ARE YOU FOR OR AGAINST MAKING THE POST OFFICE A CROWN CORPORATION? (Mandate No. 50, Question 1, September, 1977.)

Arguments for making the post office a crown corporation -- Management would have more freedom and flexibility to hire and lay off staff, negotiate labour contracts, design postal facilities, choose the method of transporting mail, and compete with private courier services.\* (79% agreed)

- vi. ARE YOU FOR OR AGAINST GOVERNMENT USING A TAX ON ADVERTISING AS A SOURCE OF REVENUE? (Mandate No. 69, Question 4, October, 1979.)

Arguments against governments using a tax on advertising as a source of revenue -- The new cost of media taxation will be passed on to consumers in the long run. Smaller newspapers and radio stations will suffer through decreased advertising revenue and additional paperwork. (73% disagreed)

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\*Small business is relatively more dependent than large business on mail services for dealing with its customers and suppliers. The alternative of using courier services adds a significant cost to their operations. Unexpected interruptions in mail services have the potential of bankrupting a small firm.



- vii. ARE YOU FOR OR AGAINST METRIC CONVERSION IN CANADA? (Mandate No. 25, Question 4, September, 1974.)

Arguments for metric conversion in Canada -- World trade would be simplified if all partners were to use the metric system. The metric system is easy to learn. The Canadian monetary system is metric, as are scientific measures. Large corporations regard metric conversion as inevitable and are in a position to impose the changeover on smaller suppliers. (72% agreed)

- viii. ARE YOU FOR OR AGAINST LEGISLATION WHICH REQUIRES BILINGUAL LABELLING ON PREPACKAGED PRODUCTS? (Mandate No. 30, Question 3, February, 1975.)

Arguments against legislation which requires bilingual labelling on prepackaged products - Foreign manufacturers may not wish to relabel products in a bilingual manner and the costs would have to be borne by the Canadian importer. Many firms depend on imported products in order to compete with large domestic producers and may lose valuable sources of supply or find their increased costs place them at a competitive disadvantage. It would be difficult to avoid cluttering packages. Also, some manufacturers in the areas where one language is predominant do not see the need for dual labelling and are willing to risk loss of sales which might result from single labelling. (69% disagreed)

- ix. ARE YOU FOR OR AGAINST GIVING DISCOUNTS TO CUSTOMERS WHO PAY CASH RATHER THAN USE CREDIT CARDS? (Mandate No. 29, Question 1, January, 1975.)

Arguments for giving discounts to customers who pay cash rather than use credit cards -- It is unfair to prevent a retailer by contract from granting cash discounts or to make him charge the same price to cash customers as is charged to credit customers, since cash customers indirectly subsidize credit card purchasers. Those who want the privilege of using credit cards should pay for the service since it costs the retailer an identifiable amount. More credit buying helps fuel inflation by encouraging unnecessary or unaffordable spending. Contracts which prevent retailers from granting discounts for cash payments constitute interference by the credit card company with the fundamental freedom of contract between the retailer and the customer. (68% agreed)



- x. ARE YOU FOR OR AGAINST LEGISLATION WHICH WOULD ALLOW AN ADVERTISER TO SHOW ANOTHER COMPANY'S TRADEMARK IN AN ADVERTISEMENT FOR PRODUCT COMPARISON PURPOSES? (Mandate No. 23, Question 2, April, 1974.)

Arguments against legislation which would allow an advertiser to show another company's trademark in an advertisement for product comparison purposes -- Trademarks take time and money to develop. This use of trademarks allows competitors to take advantage of the reputation, advertising and values associated with the famous trademark. This indiscriminate use of a trademark will promote the idea that items have no real distinctiveness so that the value of the trademark is greatly reduced. By leaving out vital information while not using false or misleading statements, it is easy to make a product appear inferior, so that the owner of the trademark, whose mark is being used for comparison purposes, will, in fact, be treated unfairly. (68% against)

APPENDIX A

Figure 22

## THE IMPACT OF REGULATIONS ON SMALL BUSINESS

Sample of questionnaire used during training  
sessions with interviewers

## GENERAL PURPOSE

The Economic Council of Canada in conjunction with the Canadian Federation of Independent Business have commissioned a study to explore the impact that economic regulations have on small business. The results of this study will be made available to policy makers all over the country so that regulations may be better administered and developed. Your co-operation is much appreciated, and your confidentiality is guaranteed by the fact that the writeup will not mention your company's name or address, nor the person interviewed.

By impact of economic regulation, we are interested in finding out:

- (1) How regulations affect the allocation of your time, the time of your employees, and the investment of your moneys.
- (2) The effect that regulations have on your net income.
- (3) The effect that regulations have on your expectations about the future growth of your business.

By way of example, please note the differences between regulations and paperwork. (This differentiation might be presented to the interviewee on a separate card or sheet of paper.)

## REGULATION

(e.g. laws/rules concerning health and safety; consumer protection; transportation; zoning/building codes; pollution protection; store hours; labour standards; etc.)

## PAPERWORK

(e.g. filling out tax, statistical and other forms; questionnaires or surveys required by all three levels of government such as: UIC; CPP; Statistics Canada; Worker's Compensation; etc.)

## STATISTICAL DATA FOR SURVEY

- (1) How many employees do you have (full or part-time including yourself?)
- (a) 1-4 (b) 5-9 (c) 10-14 (d) 15-49 (e) 50-99 (f) 100 and over
- (2) How long have you been in business?
- (a) less than 2 years (b) 2-4 years (c) 5-10 years (e) over 10 years
- (3) What is the form of your business organization?
- (a) Proprietorship (b) Partnership (c) Corporation (d) Other
- (4) Which ONE activity provides the greatest amount of your gross income?
- |   |   |
|---|---|
| (a) Agriculture, Forestry, Fishing      | (b) Mining, Oil and Natural Gas               |
| (c) Construction                        | (d) Manufacturing and Processing              |
| (e) Transportation and Public Utilities | (f) Wholesale Trade                           |
| (g) Retail Trade                        | (h) Finance, Insurance, Real Estate           |
| (i) Service                             | (j) Other, not classified in one of the above |
- (5) Are the employees in your company
- (a) unionized (b) non-unionized?

## GENERAL QUESTIONS ASKED DIRECTLY BY INTERVIEWER

- (1) From your point of view, which economic regulations impact your business the most, which economic regulations impact you the second most .... etc.

(Please have interviewee rank order all the regulations in descending order of importance.)

(Regulations should be described in the words used by the interviewee.)

- (2) At which level of government does each regulation come from -- Municipal, Provincial, Federal?

- (3) Do you have a copy of the regulations on the premises?

(Ask the interviewee to show regulations to you. Note that most interviewees will have difficulty in rank ordering regulations that impact their business. Some patience and probing will be required. After their first several regulations the interviewee will probably not be able to perceive any great differences in rank order. This rank order of regulations will serve as the format for subsequent questioning during the interview. The interviewer may have to return subsequently to the rank order to make corrections as the interviewee becomes more involved with the questions posed.)

(The interviewer should record all "regulations" ranked by the interviewee even if they do not comply with our exact definition of economic regulation. For example; "regulations" imposed by suppliers, mall owners, associations, professions -- should be recorded. Subsequently, in the section of the questionnaire which solicits examples, the interviewer should attempt to focus primarily on economic regulations as defined and on the more important "other" regulations perceived by the interviewee. An attempt to correct the interviewee's understanding of what constitutes economic regulations at the ranking stage tends to impede communication.)

- (4) Can you give me some examples of how these regulations affect your day-to-day operations?

(Examples should be elicited starting with the economic regulation ranked No. 1 above -- three kinds of affects should be looked and probed for:)



- (a) ALLOCATION EFFECTS: In which ways has the regulation affected the way you have invested your money, your time and the time of your employees in your business?
- (b) DISTRIBUTION EFFECTS: How has the regulation affected your customers' and your suppliers' net incomes?
- (c) GROWTH EFFECTS: How has the regulation affected your expectations about your company's future in your industry? That of your competitors? That of your suppliers?

(In addition, an attempt should be made to elicit responses in the following four categories when examples are given. "Impacts on your business should be identified": (a) relative to alternative ways of accomplishing similar goals; (b) relative to other individuals; (c) relative to the impact of the Canadian social/economic system as a whole, i.e. who benefits and who pays.)

- ( i) First priority is to be given to attempting to MEASURE COSTS in dollars and cents, or alternatively, in terms of percent increase/decrease, or in terms of positive/negative impact.
- ( ii) The interviewer should ask the interviewee to suggest ALTERNATIVE METHODS that could be adopted to achieve the regulatory objectives being examined.
- (iii) Alternatively, the interviewee should be asked to DEBUNK MISCONCEPTIONS that he believes to be widespread about how a particular regulation impacts him and his industry.
- ( iv) Finally, the interviewee should be asked whether for the particular example of regulatory impact being discussed, the interviewee can identify SMALL-LARGE FIRM DIFFERENCES.

(ONCE EXAMPLES OF EACH REGULATION HAVE BEEN GIVEN, THEN GO BACK AND ASK [for each major impacting regulation]:)

- (1) Is the policy intent of this particular regulation clear to you?

(How did you become aware or inform yourself about the intent of the regulation? What tax/subsidy or capital/levy system would give approximately the same result?)

- (2) Is the impact caused by the intent of the regulation or how it is managed by officials who enforce the regulation?

(What are the implicit mechanisms -- explain in crude terms -- in the political/economic decision making system that explain this result?)

- (3) Can you suggest alternatives, less costly ways both to the public purse and yourself in which the intent of this regulation could be achieved?

(It is important to have as clear an understanding as possible regarding the whole set of costs generated by an economic regulation -- these include: (a) costs incurred by the regulatory agency [public costs]; (b) costs incurred by the small businessman [private costs] including opportunity costs such as time of the owner/manager and the cost of paperwork generated by regulations that may be passed on to consultants or accountants, etc.)

IN OTHER WORDS, WHO PAYS FOR WHAT?

- (4) How do you know that you are complying with all the regulations that affect your business. Are there any regulations that you have decided not to comply with? If yes, how did you arrive at this decision?

(With this question, we are trying to establish the cost of non-compliance to the regulation as perceived by the small business person. This is a question he may not wish to discuss with you in explicit, direct terms. It will require diplomacy, perseverance and understanding of the regulations that impact him to get some understanding of the costs of non-compliance.)

IF THE FOLLOWING SPECIFIC POINTS HAVE NOT COME UP IN THE EXAMPLES GIVEN, THEN THE INTERVIEWER SHOULD ASK THE FOLLOWING QUESTIONS FOR EACH REGULATION:

- (1) If this regulation didn't exist, think about how you would do things differently, and what the extra cost is that is being imposed on you.
- (2) How do you know that the impact of this particular regulation costs you \$xxxxx? Could these costs be traced through your accounting system? If not, how did you arrive at these costs?

WHEN THE IMPACT OF REGULATION QUESTIONS HAVE BEEN ANSWERED, THEN GO ON TO ASK THE FOLLOWING QUESTIONS THAT WERE ON THE C.F.I.B. PROVINCIAL AND NATIONAL SURVEYS:

PROVINCIAL SURVEY:

Question 11 -- Which of the following creates the greater time and/or cost burden for your business? (mark one)

(1) Regulation

(e.g. laws/rules concerning health and safety; consumer protection; transportation; zoning/building codes; pollution protection; store hours; labour standards; etc.)

(2) Paperwork

(e.g. filling out tax, statistical and other forms; questionnaires or surveys required by all three levels of government such as: UIC; CPP; Statistics Canada; Worker's Compensation; etc.)

Question 12 -- The paperwork (filling out forms, questionnaires, surveys) required by which level of government impose the greatest burden to your business in terms of time or money (mark one)

(1) Municipal

(2) Provincial

(3) Federal

(This question elicits a weak response from the interviewee. When this happens, an attempt might be made (where appropriate) to find out whether the municipal regulations affecting the small businessman are perceived to be beneficial because there is a closer proximity between benefactor and enforcer.)

Question 13 -- Throughout the year, on the average, how many man hours (including professional and clerical time) does your business spend per week on government paperwork (i.e. filling out forms, questionnaires, surveys)? (mark one)

(1) 1-10 hrs/wk    (2) 11-20 hrs/wk    (3) 21-40 hrs/wk    (4) More than 40 hrs/wk

(This should include work that can be farmed out by the interviewee.)

(General Probe: For all three questions on the provincial survey --

- (a) Are you a member of the C.F.I.B.?
- (b) Did you receive this questionnaire from the C.F.I.B.?
- (c) Why did you make the choice you did?
- (d) How did you answer the questionnaire?
- (e) Have your opinions changed since you answered the questionnaire?

## NATIONAL SURVEY:

This question was asked by the C.F.I.B. on their latest National Survey regarding GOVERNMENT REGULATIONS:

How have each of the following types of government regulations affected your business? (mark one)

(1) No problem      (2) Minor problem      (3) Major problem

	NO PROBLEM	MINOR PROBLEM	MAJOR PROBLEM
8. Labour Standards (min. wages, hours of work, etc.)	1	2	3
9. Employee Health & Safety Regulations	1	2	3
10. Zoning, Planning, Building codes	1	2	3
11. Store Hours	1	2	3
12. Occupational or Business Licencing	1	2	3
13. Packaging & Labelling	1	2	3
14. Sales Practices (misleading advertising, unfair trade practices, etc.)	1	2	3
15. Transportation (truck/railroad)	1	2	3
16. Human Rights (race, sex, age, etc.)	1	2	3

(This is a question which was not asked in Phase I of the study, and an attempt is being made to gather any information that would be useful to help interpret the statistical results of the large survey. For example, if the interviewee is a member of C.F.I.B. and answered the question, you might find that he is ignorant of which regulations affect his business the most and so he just guessed -- this is an important finding.)

COMMENTS:

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Peterson, Marie A

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