

Compliance Customs
Pension Time Consuming

Red Tape

Payroll Compliance

Regulatory Costs in Canada and the United States

A Small Business Perspective

Stress
Customs

Customer Service

Paper Burden

Regulatory Costs in Canada and the United States: A Small Business Perspective

Marvin Cruz, Laura Jones, Taylor Matchett and Laure-Anna Bomal

CFIB would like to thank Intuit Canada for sponsoring this year's report and the Small Business Roundtable for partnering with us on the U.S. survey and report. This edition compares regulatory costs in the United States with those in Canada, as were last determined in Canada's Red Tape Report for 2021.

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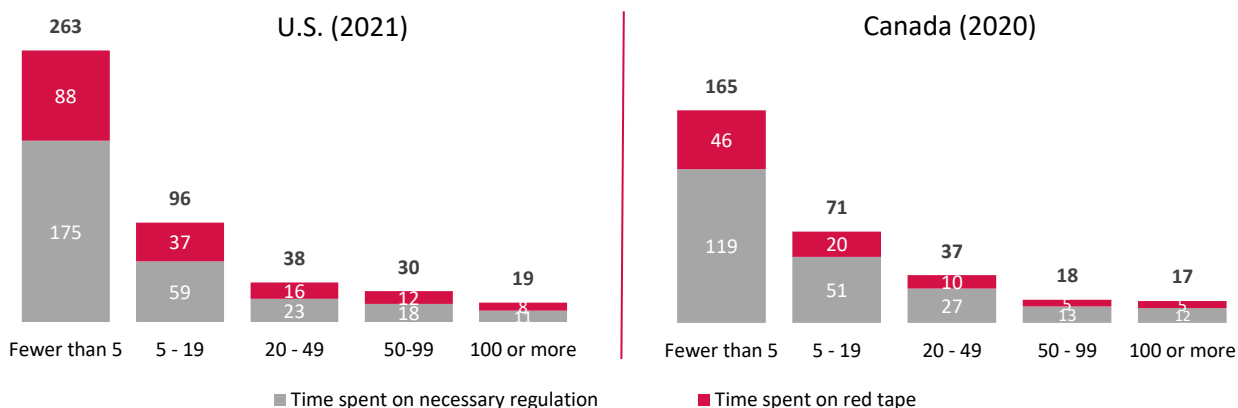
Executive summary

In this report, the Canadian Federation of Independent Business (CFIB), with sponsorship from Intuit Canada, partnered with the Small Business Roundtable to survey businesses in the United States (U.S.) to consider the impact of regulation on businesses in both Canada and the U.S. This is the second time that CFIB has conducted a comparison between the cost of red tape in Canada and the U.S. Though the first analysis of this kind was done in 2013,¹ our report remains one of the only studies² that compares both the cost of necessary regulation and excessive regulation (red tape) between the two countries.

While regulation is a key component of a well-functioning market economy, unnecessary regulation undermines productivity, lowers wages, and attacks the entrepreneurial spirit for no discernable benefit. In a reversal of previous results, current data shows that U.S. businesses dedicate more time spent to regulatory compliance than Canadian businesses. As can be seen in Figure 1, the smallest U.S. businesses spent an average of 263 hours per employee, including 88 hours on rules deemed unnecessary, complying with government regulation, while those with 100 or more employees spent only 19 hours. Canadian businesses fared better in comparison, though there is still significant room to reduce red tape. The time required for compliance, including on red tape, in both countries is still higher for businesses with fewer than five employees than any other business size.

Figure 1

Average annual time spent on regulation per employee, by size of business – hours



Sources: 1) Calculations based on CFIB’s Survey with the Small Business Roundtable on Regulation and Paperburden (conducted in 2021 in the United States, n = 1,765) and data from the United States Bureau of Labor Statistics.

2) Calculations based on CFIB’s Survey on Regulation and Paperburden (conducted in 2020 in Canada, n = 4,603) and data from Statistics Canada.

Notes: 1) The number of employees includes the business owner.

2) The cost of red tape for each U.S. business size is determined according to the average per cent that businesses indicated the regulatory burden could be reduced by without sacrificing the public interest. The average percentage for each business size is as follows:

fewer than 5 employees = 33%; 5-19 employees = 39%; 20-49 employees = 41%; 50-99 employees = 41%, and; 100 or more employees = 42%.

3) The cost of red tape for each Canadian business size is determined according to the average per cent that businesses indicated the regulatory burden could be reduced by without sacrificing the public interest. The average percentage for each business size is as follows:

fewer than 5 employees = 28%; 5-19 employees = 28%; 20-49 employees = 28%; 50-99 employees = 29%, and; 100 or more employees = 32%.

¹ Jones et.al, *Canada’s Red Tape Report with U.S. Comparisons*. CFIB, 2013.

² Mercatus Center at George Mason University produces datasets for the U.S. and Canada that analyze the of volume of regulatory restrictions.

Looking back to our 2013 analysis, the average time spent on regulation per employee in Canada has stayed relatively stable. For example, in 2013 the smallest Canadian businesses reported spending a total of 171 hours each year on regulatory compliance (see Table 1), whereas they report spending 165 hours as of 2020. Conversely, the time spent by the smallest U.S. businesses on compliance has grown significantly over the same period, from 130 to 263 hours.

Table 1

Average annual time spent on regulation per employee, by size of business – hours

Type of regulation	Country	Fewer than 5 employees		5 to 19 employees		20 to 49 employees		50 to 99 employees		100 or more employees	
		2012	2020/21	2012	2020/21	2012	2020/21	2012	2020/21	2012	2020/21
Necessary regulation	Canada	122	119	53	51	30	27	18	13	9	12
	U.S.	87	175	48	59	23	23	12	18	8	11
Red tape	Canada	49	46	21	20	13	10	7	5	4	5
	U.S.	43	88	23	37	10	16	6	12	4	8
Total regulatory burden	Canada	171	165	74	71	43	37	25	18	13	17
	U.S.	130	263	71	96	33	38	18	30	12	19

Sources: 1) Calculations based on CFIB’s Survey on Regulation and Paper Burden in the United States (conducted by Ipsos Reid in 2012, n = 1,535); and CFIB’s Survey with the Small Business Roundtable on Regulation and Paperburden (conducted in 2021 in the United States, n = 1,765) and data from the United States Bureau of Labor Statistics.

2) Calculations based on CFIB’s Survey on Regulation and Paper Burden (conducted in Canada in 2012, n = 8,562 and 2020, n = 4,603) and data from Statistics Canada.

Note: Canada 2020, U.S. 2021.

U.S. businesses attribute a higher share of their regulatory burden to being red tape (36%) in comparison with Canadian businesses (28%).³ The share attributed to red tape has remained relatively stable in Canada (29% in 2013), while there has been a notable uptick in the U.S. since 2013 when it stood at 32 per cent.

As of 2021, the total cost of regulation to U.S. businesses is estimated to be \$364.3 billion USD, and \$31.9 billion USD for Canadian businesses. This is largely explained due to major differences in the size of the two economies. It is more telling to examine the per-employee costs of regulation. As with hours spent on regulation, the smallest businesses pay significantly more per-employee. In Canada, the smallest businesses spend more than nine times as much per employee on regulatory compliance compared to the biggest firms, while the gap in the U.S. is even larger, with small firms paying nearly fourteen times as much. Although these numbers exclude the costs of complying with COVID-19 related regulations, it should be noted that such costs are not trivial for businesses in either country.

With these results in mind, it is unsurprising that over 80 per cent of businesses in both countries say it is important that their local/municipal, state/provincial, and federal governments be committed to reducing red tape. When asked if those same governments were committed to doing this, however, a strong majority of businesses expressed a lack of confidence in their respective governments. This signals that red tape reduction and regulatory

³ Red tape includes excessive government regulation (i.e., unfair, overly costly, poorly designed, or contradictory rules and regulations), unnecessary delays and poor government customer service. Excessively long government forms, unnecessary permits, or long wait times to speak to a government representative are all considered red tape.

modernization should continue to be a key area of focus for governments in both countries when it comes to addressing the priorities of their small business communities.

Introduction

Since 2005, the Canadian Federation of Independent Business (CFIB) has estimated the cost of regulation, including red tape, from government (federal, provincial, municipal) to Canadian businesses of all sizes. CFIB first produced a comparison between Canada and the U.S. in 2013,⁴ and our analysis remains one of the only studies⁵ that examines this comparison. This report updates the 2013 report.

CFIB's approach to measuring the cost of regulation in Canada and the U.S. is determined by asking small- and mid-sized businesses in both countries a series of identical questions relating to the time and money spent on compliance with regulation from all levels of government. The total cost of regulation for a typical business is comprised of the four following components: cost in wages; professional fees; required spending on special equipment; and losses due to regulatory delays (for full methodology refer to Appendix B).

Business owners deal with regulations daily and have an understanding for rules that are needed and administered fairly. To be sure, regulation is a key component of a well-functioning market economy. However, excessive, and unnecessary rules undermine productivity, lower wages, and attack the entrepreneurial spirit for no discernable benefit.⁶

In both Canada and the U.S., businesses of all sizes identify a significant portion of regulation as red tape (see Figure 2). Across all sizes, businesses in Canada attribute an average of 28 per cent of regulatory compliance to being red tape, while U.S. businesses view 36 per cent of regulation as falling into that category. Compared to 2013, the amount of regulation identified as being red tape in Canada has remained stable, whereas the identified share of excessive regulation in the U.S. has increased by four percentage points in the same period. As of 2021, U.S. businesses across four out of five business sizes attributed a greater share of regulation to being red tape than they did in 2013 (see Table 2). It is worth noting Americans tend to be more averse to regulation than other countries.

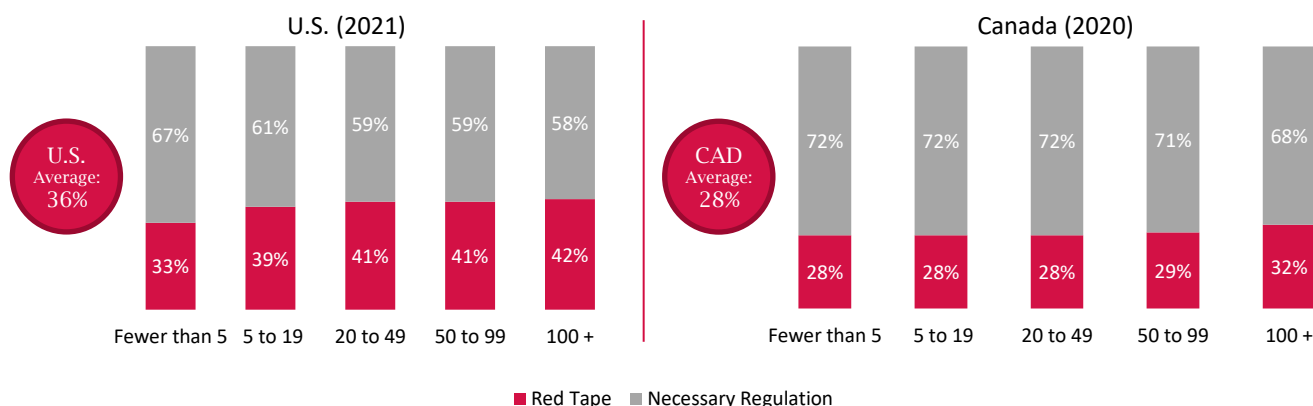
⁴ Jones, et.al. *Canada's Red Tape Report with U.S. Comparisons*. CFIB, 2013.

⁵ Mercatus Center at George Mason University produces datasets for the U.S. and Canada that analyze the of volume of regulatory restrictions.

⁶ Red tape includes excessive government regulation (i.e., unfair, overly costly, poorly designed, or contradictory rules and regulations), unnecessary delays and poor government customer service. Excessively long government forms, unnecessary permits, or long wait times to speak to a government representative are all considered red tape.

Figure 2

Share of regulation attributed to red tape, by size of business



Sources: 1) CFIB with the Small Business Roundtable, survey on Regulation and Paperburden 2021 in the United States, n = 1,765.
 2) CFIB, Regulation and Paperburden 2020 Survey – Canada data, n = 4,603.

Notes: 1) The number of employees includes the business owner.
 2) The cost of red tape for each business size is determined according to the average per cent that businesses indicated the regulatory burden could be reduced by without sacrificing the public interest.

Table 2

Share of regulation attributed to red tape, by size of business

Type of regulation	Country	Fewer than 5 employees		5 to 19 employees		20 to 49 employees		50 to 99 employees		100 or more employees	
		2012	2020/21	2012	2020/21	2012	2020/21	2012	2020/21	2012	2020/21
Necessary regulation	Canada	71%	72%	72%	72%	71%	72%	72%	71%	67%	68%
	U.S.	67%	67%	67%	61%	70%	59%	65%	59%	68%	58%
Red tape	Canada	29%	28%	28%	28%	29%	28%	28%	29%	33%	32%
	U.S.	33%	33%	33%	39%	30%	41%	35%	41%	32%	42%

Sources: 1) Calculations based on CFIB’s Survey on Regulation and Paper Burden in the United States (conducted by Ipsos Reid in 2012, n = 1,535); and CFIB’s Survey with the Small Business Roundtable on Regulation and Paperburden (conducted in 2021 in the United States, n = 1,765).
 2) Calculations based on CFIB’s Survey on Regulation and Paper Burden (conducted in Canada in 2012, n = 8,562 and 2020, n = 4,603).

Notes: 1) In 2012, the average share of regulation attributed to red tape in Canada was 29% while it was 32% in the U.S.; in 2020/21 the average share of regulation attributed to red tape in Canada is 28% while it is 36% in the U.S. respectively.
 2) Canada 2020, U.S. 2021.

This research report presents data on the impact of regulation and red tape on businesses in both countries from surveys conducted in 2020 in Canada and 2021 in the U.S. These surveys were administered to gain a better understanding of the differences and make useful comparisons between the two countries. Further comparisons are also made in reference to the previous study of its kind that was conducted in 2013.

Since 2013 the cost of regulation to Canadian businesses has remained stable while it has grown significantly for U.S. businesses. Both countries have a huge opportunity to harness regulatory modernization going forward.

Time Spent on Regulation

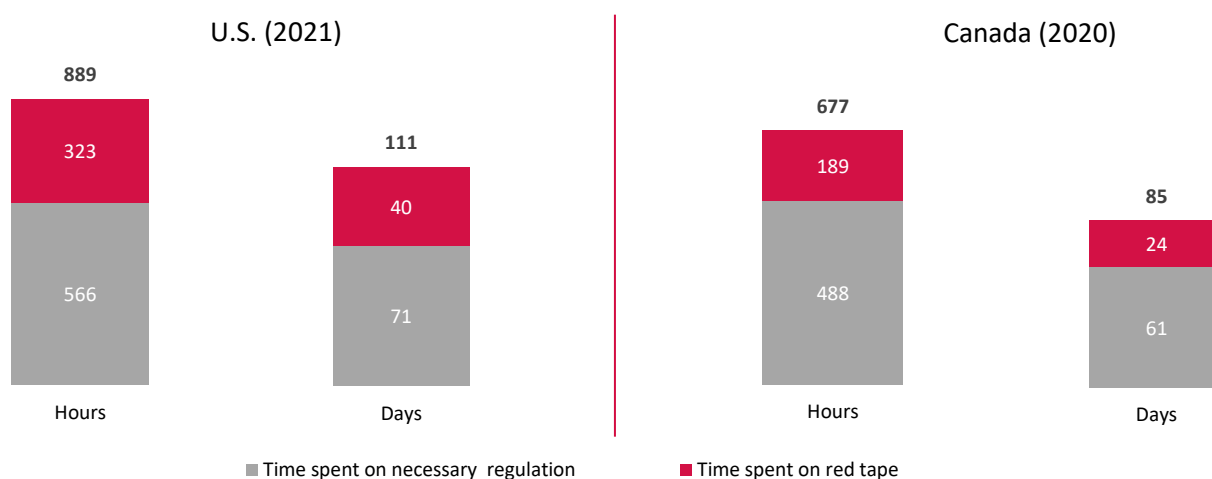
Businesses spend a lot of time complying with government regulations. In 2020, businesses of all sizes in Canada spent 731 million hours⁷ on regulatory compliance. U.S. businesses spent roughly 7.1 billion hours on regulatory compliance in 2021.

In Canada the average business can expect to spend 677 hours, or 85 days, each year complying with government regulation (see Figure 3). The average U.S. business requires a total of 889 hours each year for regulatory compliance (see Figure 3). This is the equivalent of 111 days of work.⁸

In terms of time spent dealing with unnecessary and excessive regulation, Canadian businesses tend to fare better than their U.S. counterparts. The average Canadian business reports spending 189 hours complying with excessive regulation, while a typical U.S. business will spend 323 hours complying with excessive regulations.

Figure 3

Annual time spent on regulation per average business, hours and business days



Sources: 1) Calculations based on CFIB's Survey with the Small Business Roundtable on Regulation and Paperburden (conducted in 2021 in the United States, n = 1,765) and data from the United States Bureau of Labor Statistics.

2) Calculations based on CFIB's Survey on Regulation and Paperburden (conducted in 2020, n = 4,603) and data from Statistics Canada.

Note: On average, U.S. business owners said the regulatory burden could be reduced by about 36 per cent without sacrificing the public interest; Canadian business owners said it could be reduced by 28 per cent.

⁷ Calculated as: 52 x (Average weekly per-employee hours spent on regulatory compliance by size of business x corresponding level of employment).

⁸ Assuming eight hours in a business day.

The Smaller the Business, the More Time is Spent on Regulatory Compliance

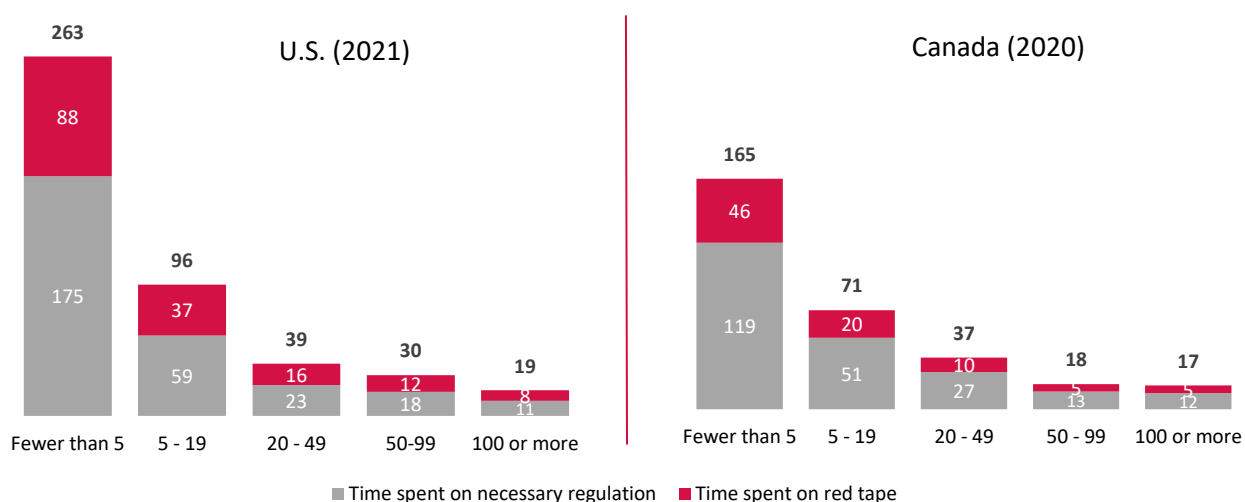
On a per employee basis, the smallest businesses tend to spend more time complying with government regulations than their larger counterparts—a finding that is consistent in both Canada and the U.S. This correlation is partly the result of smaller businesses having fewer workers available to share the regulatory burden.

In Canada, businesses with fewer than five employees on average spent 165 hours per employee complying with government regulation each year, while those with 100 or more employees spent 17 hours per employee (see Figure 4). In the U.S., businesses with fewer than five employees on average spent 263 hours per employee complying with government regulation each year. Those with 100 or more employees spent only 19 hours per employee. In terms of red tape, on average employees of the smallest businesses spent 9 times and 11 times as many hours as their larger counterparts complying with excessive regulation, in Canada and the U.S. respectively.

Based on per employee hours, we can estimate that for an average small business with four employees in Canada, around 660 hours are dedicated to regulatory compliance per year. For a similar sized U.S. business, 1,050 hours would have been spent on regulatory compliance.

Figure 4

Average annual time spent on regulation per employee, by size of business – hours



Sources: 1) Calculations based on CFIB’s Survey with the Small Business Roundtable on Regulation and Paperburden (conducted in 2021 in the United States, n = 1,765) and data from the United States Bureau of Labor Statistics.

2) Calculations based on CFIB’s Survey on Regulation and Paperburden (conducted in 2020, n=4,603) and data from Statistics Canada.

Notes: 1) The number of employees includes the business owner.
 2) The cost of red tape for each U.S. business size is determined according to the average per cent that businesses indicated the regulatory burden could be reduced by without sacrificing the public interest. The average percentage for each business size is as follows: fewer than 5 employees = 33%; 5-19 employees = 39%; 20-49 employees = 41%; 50-99 employees = 41%, and; 100 or more employees = 42%.
 3) The cost of red tape for each Canadian business size is determined according to the average per cent that businesses indicated the regulatory burden could be reduced by without sacrificing the public interest. The average percentage for each business size is as follows: fewer than 5 employees = 28%; 5-19 employees = 28%; 20-49 employees = 28%; 50-99 employees = 29%, and; 100 or more employees = 32%.

In comparison with the average time spent on compliance in 2013, Canadian businesses previously reported more time spent on compliance than U.S. businesses across all business sizes—the opposite now holds true. The time spent by the smallest U.S. businesses on compliance has grown significantly since 2013, and businesses across all size categories have reported increases in this area (see Table 3).

Table 3

Average annual time spent on regulation per employee, by size of business – hours

Type of regulation	Country	Fewer than 5 employees		5 to 19 employees		20 to 49 employees		50 to 99 employees		100 or more employees	
		2012	2020/21	2012	2020/21	2012	2020/21	2012	2020/21	2012	2020/21
Necessary regulation	Canada	122	119	53	51	30	27	18	13	9	12
	U.S.	87	175	48	59	23	23	12	18	8	11
Red tape	Canada	49	46	21	20	13	10	7	5	4	5
	U.S.	43	88	23	37	10	16	6	12	4	8
Total regulatory burden	Canada	171	165	74	71	43	37	25	18	13	17
	U.S.	130	263	71	96	33	39	18	30	12	19

Sources: 1) Calculations based on CFIB’s Survey on Regulation and Paper Burden in the United States (conducted by Ipsos Reid in 2012, n = 1,535); and CFIB’s Survey with the Small Business Roundtable on Regulation and Paperburden (conducted in 2021 in the United States, n = 1,765) and data from the United States Bureau of Labor Statistics.

2) Calculations based on CFIB’s Survey on Regulation and Paper Burden (conducted in Canada in 2012, n = 8,562 and 2020, n = 4,603) and data from Statistics Canada.

Note: Canada 2020, U.S. 2021

The Cost of Regulation

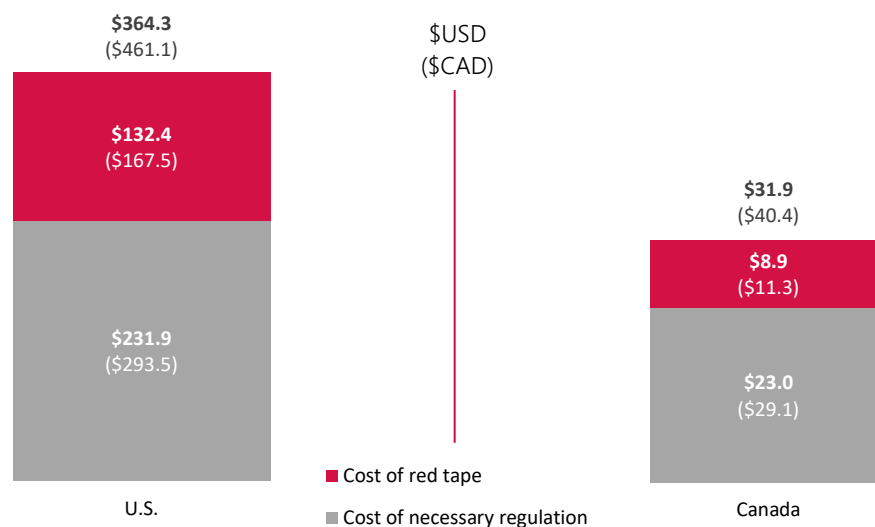
In addition to the amount of time that businesses and their employees spend ensuring that they are complying with government regulation (which can be translated to wage costs), the total cost of regulation also includes professional fees (such as for accountants and lawyers), required spending on special equipment and renovations, and losses that may be incurred due to regulatory delays.

The cost of regulation in Canada and the U.S.

As of 2021, the overall financial government regulatory burden on Canadian businesses is estimated at \$31.9 billion USD,⁹ while for U.S. businesses it was \$364.3 billion USD (see Figure 5). This cost difference is largely explained by major differences in the size of the two economies. Red tape accounts for \$8.9 billion USD for Canadian businesses and \$132.4 billion USD for U.S. businesses.¹⁰

Figure 5

Total cost of regulation and red tape to Canadian and U.S. businesses (in billions, in 2021 dollars)



Sources: 1) Calculations based on CFIB's Survey with the Small Business Roundtable on Regulation and Paperburden (conducted in 2021 in the United States, n = 1,765) and data from the United States Bureau of Labor Statistics.

2) Calculations based on CFIB's Survey on Regulation and Paperburden (conducted in 2020, n = 4,603) and data from Statistics Canada.

Notes: 1) The estimated cost for Canada is based on survey results from 2020 and has been adjusted for inflation.

2) The CAD to USD exchange rate at the time of conversion was 1.26.

⁹ The estimated cost for Canada is based on survey results from 2020 and has been adjusted to reflect inflation. The CAD to USD exchange rate at the time of conversion was 1.26.

¹⁰ To determine what portion of the total cost of regulation could be considered red tape, respondents from both countries were asked how much the regulatory burden could be reduced without sacrificing the public interest.

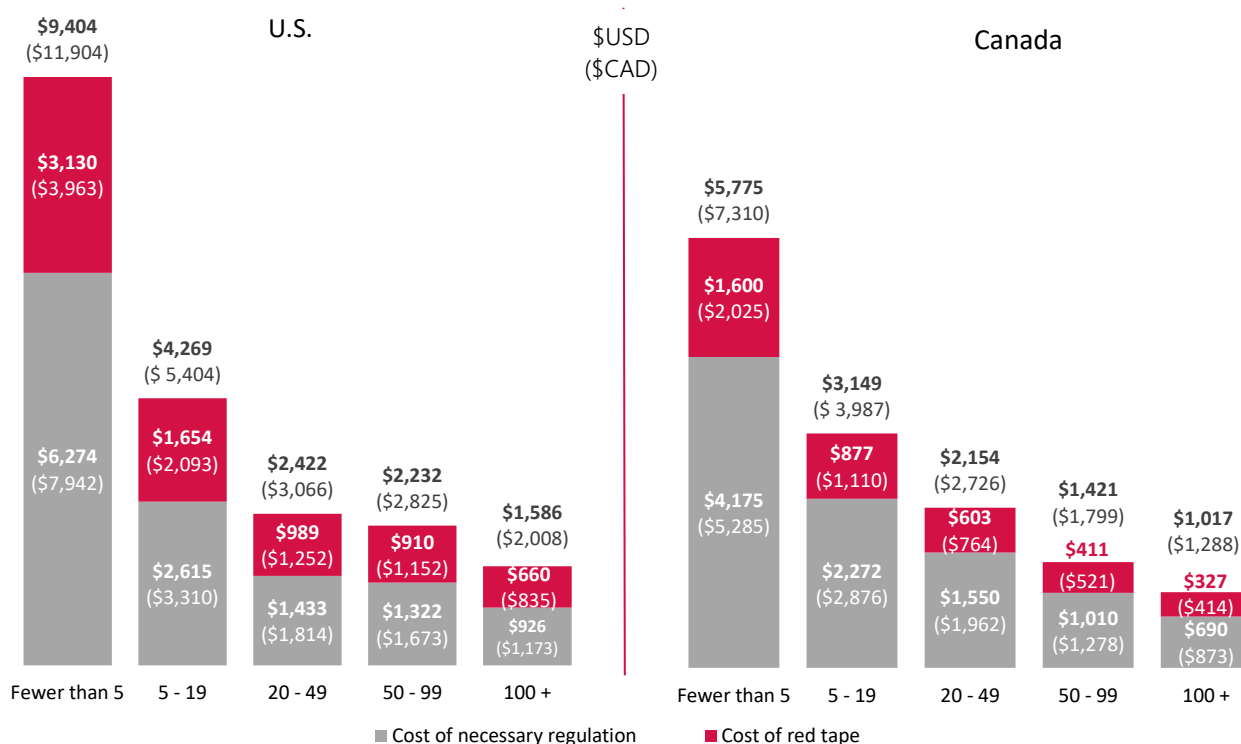
The Smaller the Business, the Higher the Cost of Regulatory Compliance

Regulations cost Canadian businesses with fewer than five employees \$5,775 USD per employee per year. This is nearly six times as much as the regulation cost of \$1,017 USD per employee per year in businesses with at least 100 employees (see Figure 6). In comparison with 2013 and after adjusting for inflation, the annual regulation cost per employee in Canada has been generally stable across all business sizes (see Table 4).

In the U.S., the smallest businesses also pay about six times as much in per employee regulation costs as their larger counterparts. Looking back to 2013, however, per employee regulation costs have become more expensive for four out of five business sizes. The most notable increases have been felt by the smallest businesses who reported paying \$4,883 in total regulation costs in 2013 versus \$9,404 in 2021.

Figure 6

Annual regulation cost per employee, by size of business (in 2021 dollars)



Sources: 1) Calculations based on CFIB’s Survey with the Small Business Roundtable on Regulation and Paperburden (conducted in 2021 in the United States, n = 1,765) and data from the United States Bureau of Labor Statistics.

2) Calculations based on CFIB’s Survey on Regulation and Paperburden (conducted in 2020, n = 4,603) and data from Statistics Canada.

Notes: 1) The number of employees includes the business owner.

2) The cost of red tape for each business size is determined according to the average per cent that businesses indicated the regulatory burden could be reduced by without sacrificing the public interest. The average percentage for each business size is as follows: fewer than 5 employees = 33%; 5-19 employees = 39%; 20-49 employees = 41%; 50-99 employees = 41%, and; 100 or more employees = 42%.

Table 4

Annual regulation cost per employee, by size of business (USD 2021 dollars)

Type of regulation	Country	Fewer than 5 employees		5 to 19 employees		20 to 49 employees		50 to 99 employees		100 or more employees	
		2012	2020/21	2012	2020/21	2012	2020/21	2012	2020/21	2012	2020/21
Necessary regulation	Canada	\$3,888	\$4,175	\$2,063	\$2,272	\$1,503	\$1,550	\$1,131	\$1,010	\$710	\$690
	U.S.	\$3,283	\$6,274	\$2,114	\$2,615	\$1,549	\$1,433	\$1,130	\$1,322	\$1,043	\$926
Red tape	Canada	\$1,578	\$1,600	\$819	\$877	\$627	\$603	\$445	\$411	\$344	\$327
	U.S.	\$1,600	\$3,130	\$1,019	\$1,654	\$652	\$989	\$611	\$910	\$485	\$660
Total regulatory burden	Canada	\$5,466	\$5,775	\$2,882	\$3,149	\$2,130	\$2,154	\$1,576	\$1,421	\$1,054	\$1,017
	U.S.	\$4,883	\$9,404	\$3,133	\$4,269	\$2,201	\$2,422	\$1,741	\$2,232	\$1,528	\$1,586

Sources: 1) Calculations based on CFIB's Survey on Regulation and Paper Burden in the United States (conducted by Ipsos Reid in 2012, n = 1,535); and CFIB's Survey with the Small Business Roundtable on Regulation and Paperburden (conducted in 2021 in the United States, n = 1,765) and data from the United States Bureau of Labor Statistics.

2) Calculations based on CFIB's Survey on Regulation and Paper Burden (conducted in Canada in 2012, n = 8,562 and 2020, n = 4,603) and data from Statistics Canada.

Note: Canada 2020, U.S. 2021

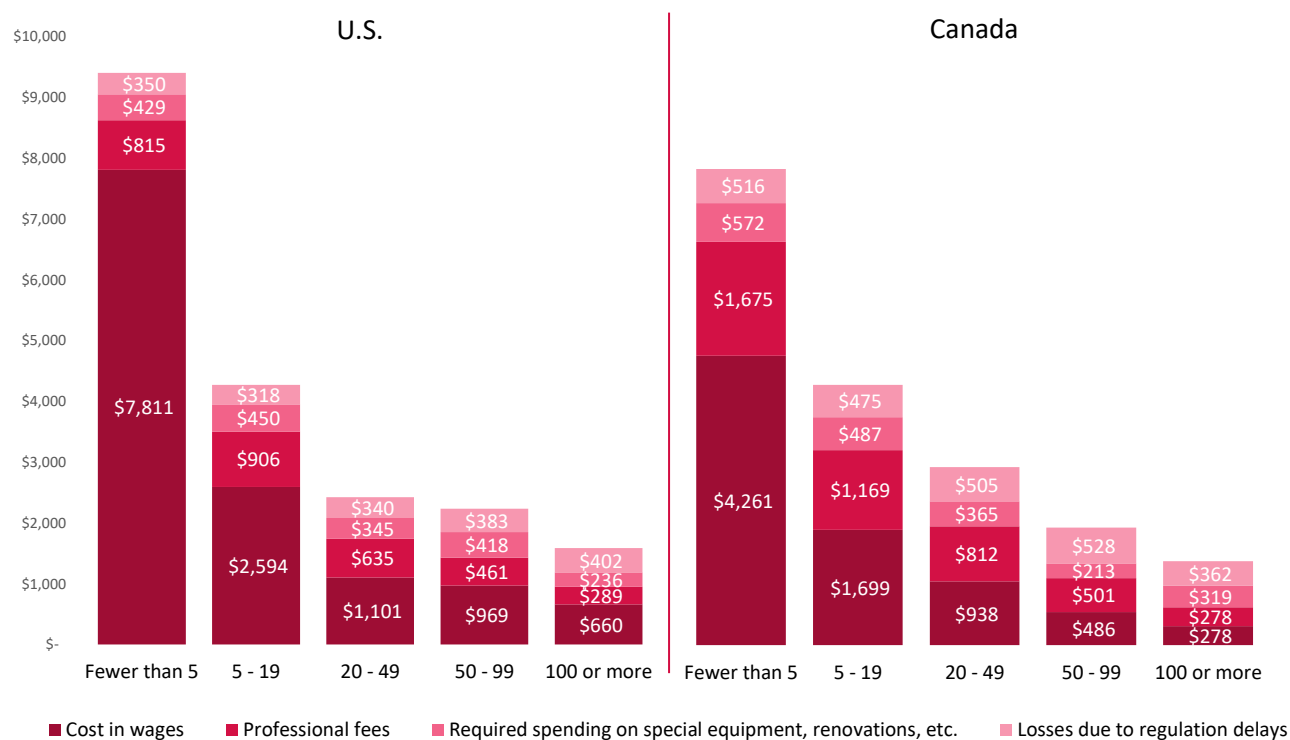
Breakdown of regulation costs per employee

As can be seen from Figure 7, on a per employee basis wage costs represent the largest component of government regulation costs for both countries—wage costs include the time that business owners and their employees take to comply with government regulations (for example, filling out forms). The wage costs for Canadian businesses with fewer than five employees make up 61 per cent (\$4,261) of total regulatory costs per employee. For businesses with 100 or more employees, however, the share of the total cost taken up by wages is less than 25 per cent (\$278). A similar disparity is true of businesses in U.S. as the total cost of regulation per employee for a business with four employees is \$9,404, with wages accounting for 83 per cent (\$7,811) of the total cost, while for a business with 100 or more employees wage costs account for 42 per cent (\$660).

The second largest component of regulatory costs for both Canada and the U.S. is attributed to professional fees, such as accountants. Once again, in both countries, the amount that businesses tend to spend on professional fees per employee decreases as the business gets larger, pointing to the greater ability of those businesses to distribute the regulatory burden across more resources. Other components of regulatory costs, mainly the amount required to deal with losses due to regulatory delays (such as the late issuing of a permit) and the required spending on equipment to be compliant with government regulations were both relatively stable across business sizes in both countries, though the largest businesses still saw lower per employee costs in both categories.

Figure 7

Breakdown of regulation cost per employee, by size of business (USD 2021 dollars)



Sources: 1) Calculations based on CFIB’s Survey with the Small Business Roundtable on Regulation and Paperburden (conducted in 2021 in the United States, n = 1,765) and data from the United States Bureau of Labor Statistics.
 2) Calculations based on CFIB’s Survey on Regulation and Paperburden (conducted in 2020, n = 4,603) and data from Statistics Canada.

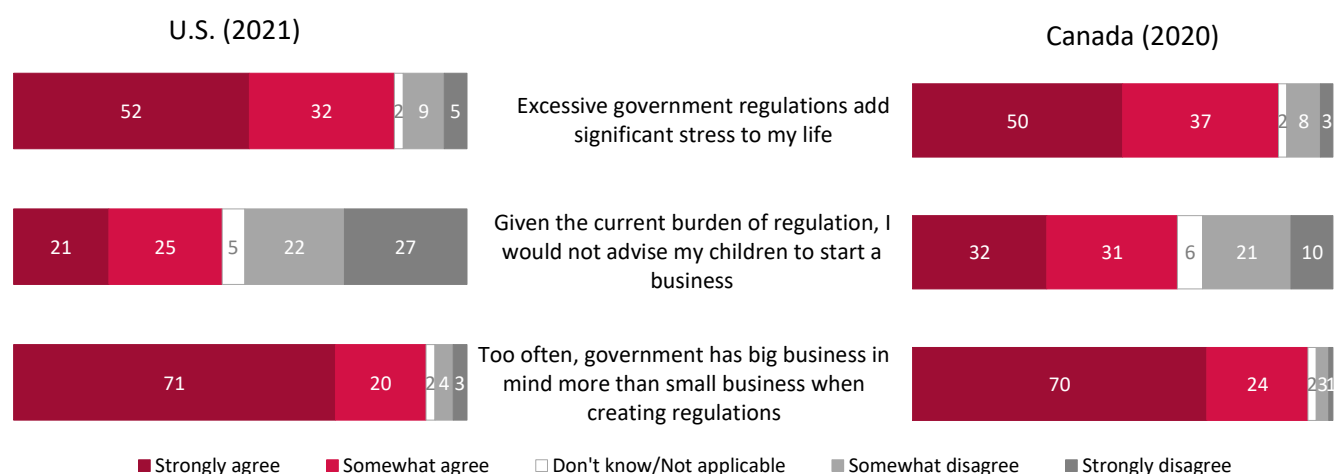
Note: The number of employees includes the business owner.

Social Cost of Regulation

Beyond the burden of time and money, excessive regulation creates significant stress and frustration for many small business owners. While it is impossible to put an exact price tag on the cost of stress, it adds to the overall red tape burden small business owners feel. In both Canada and the U.S., over four in five small business owners indicate that excessive regulations add significant stress to their lives (see Figure 8). Additionally, many entrepreneurs also dedicate extra time outside of normal working hours to ensure they are compliant with government regulations. This not only makes for long days but also may have other impacts, including reducing business owners' ability to spend time with family and friends.

Figure 8

Social cost of regulation (% response, Canada and the U.S.)



Sources: 1) CFIB with the Small Business Roundtable, survey on Regulation and Paperburden 2021 in the United States, n = 2,577.

2) CFIB, Regulation and Paperburden 2020 Survey – Canada data, n = 5,292.

Many business owners would think twice before advising the younger generation to follow the same path. In Canada, a great majority (63%) of businesses report that, due to the current burden of regulation, they would not advise their children to start a business. Looking to the U.S., close to half (46%) of businesses also agree with this statement. With significant agreement across both countries, excessive regulation may stand to reduce the willingness of the younger generation to try to start up their own businesses.

Keeping small- and medium-sized businesses top of mind when creating regulations would help governments mitigate concerns around starting a business. A staggering number of business owners in both countries (94% in Canada and 91% in the U.S.) indicate that governments too often have big businesses in mind when creating regulations while disregarding SMEs' ability to handle additional regulatory burden.

Impact of COVID-19 on the Cost of Regulation

The costs of COVID-19 related regulations are not included in the time and cost estimates in this report. This decision was made to ensure the measure of the cost of regulation is comparable to previous years, as well as in years going forward. Public health regulations associated with COVID-19 have been highly present in business owners’ lives over the last two years, but the costs related to complying with those regulations are likely not permanent.

While the costs incurred to comply with COVID-19 related regulations are not part of our analysis, it is evident that these costs have had an impact. At least three quarters of businesses in both countries report that COVID-19 has increased their business’s compliance costs, in terms of time and money (see Figure 9).

Figure 9

“COVID-19 has substantially increased my business’s compliance costs, in terms of time and money” (% response, Canada and the U.S.)



Sources: 1) CFIB with the Small Business Roundtable, survey on Regulation and Paperburden 2021 in the United States, n = 2,577.
2) CFIB, Regulation and Paperburden 2020 Survey – Canada data, n = 5,292.

Strong agreement with this sentiment was consistent across more targeted breakdowns of the data, including by business size. It is also noteworthy that businesses in Canada were more likely to indicate that COVID-19 had increased their compliance costs (81% net agree) than U.S. businesses (74% net agree). One explanation for this may be the timing during which each survey was conducted. While Canadian businesses responded to the survey over the fall of 2020 when COVID-19 regulations were strict and ever-changing, U.S. businesses responded to the survey during the summer of 2021 when some COVID-19 related restrictions had been relaxed.

Red Tape Hurts Small Business Growth and Productivity

In previous sections, we quantified the time and money spent by small business owners on regulatory compliance. Unnecessary and excessive regulation represents a sizable amount of this cost. As previously shown, the cost of red tape represents 36 per cent and 28 per cent of total regulatory costs in the U.S. and Canada, respectively. Excessive regulations reduce productivity and the ability for businesses to grow in both Canada and the U.S. (see Figure 10). Reducing the regulatory burden on businesses would significantly increase productivity by freeing up time and money that business owners could use more efficiently.

Figure 10

“Excessive government regulations significantly reduce my business’s productivity and ability to grow” (% response, Canada and the U.S.)

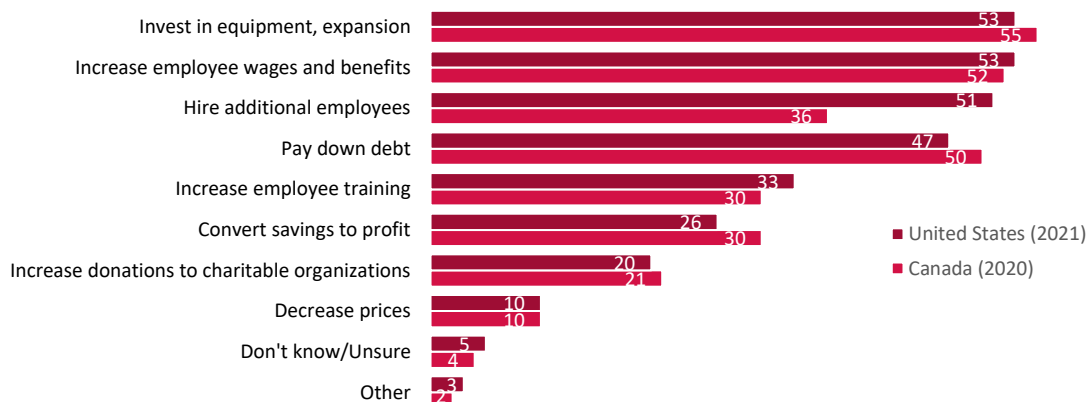


Sources: 1) CFIB with the Small Business Roundtable, survey on Regulation and Paperburden 2021 in the United States, n = 2,577.
2) CFIB, Regulation and Paperburden 2020 Survey – Canada data, n = 5,292.

When asked what they would do if the cost of red tape was reduced, businesses had many ideas for how they would redistribute their efforts and resources. The top two answers for Canadian and U.S. businesses were similar—increase employee wages and benefits and invest in equipment and expansion (see Figure 11). Business owners also indicated they would pay down debt, which would free up more capital to invest in their business, hire additional employees and increase employee training. Some key differences in actions were also clear across the two countries. In the U.S. fewer businesses indicated they would convert savings into profit than businesses in Canada. On the other hand, there were also significantly more U.S. businesses that said they would use savings to hire additional employees than in Canada.

Figure 11

How businesses would use savings if regulation was reduced (% response, Canada and the U.S.)



Sources: 1) CFIB with the Small Business Roundtable, survey on Regulation and Paperburden 2021 in the United States, n = 2,577.
2) CFIB, Regulation and Paperburden 2020 Survey – Canada data, n = 5,292.

Regulatory Irritants for SMEs

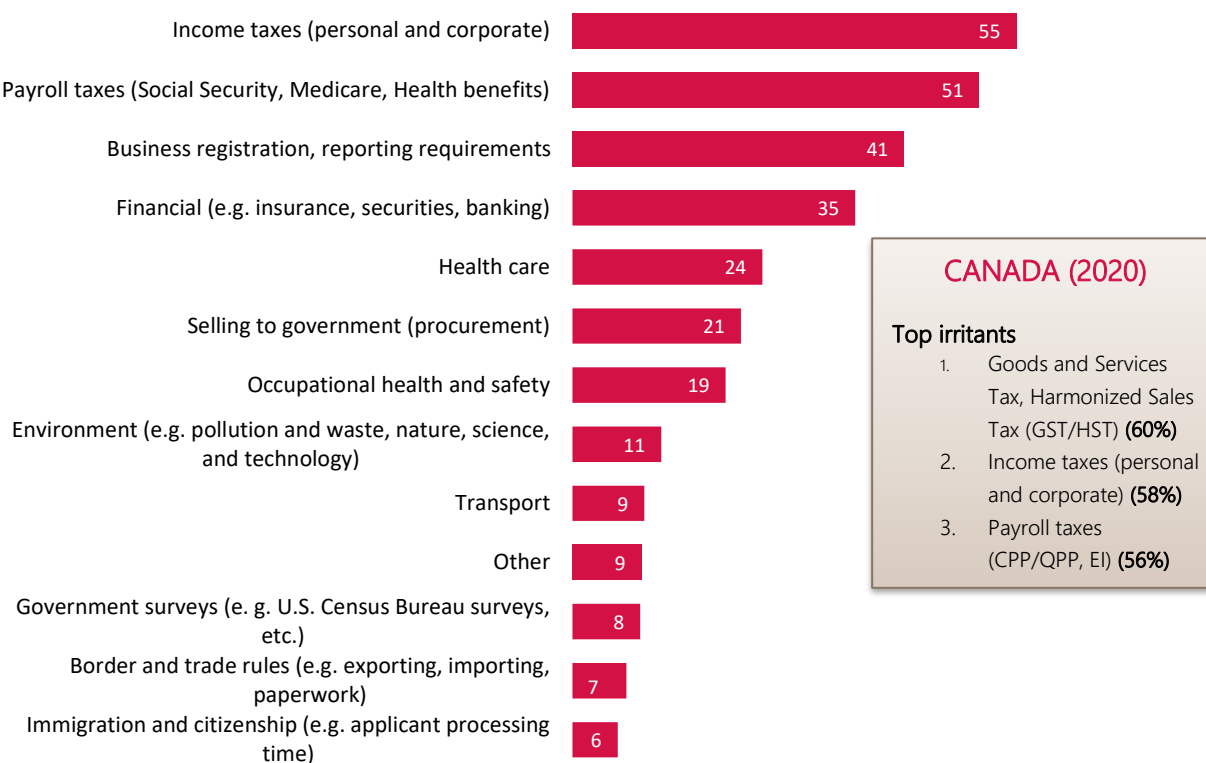
While regulations across different levels of government are not directly comparable between Canada and the U.S., there are still many similarities between the two countries, including which regulations business owners find most burdensome. These insights could serve as a starting point for policymakers when looking to modernize regulations and reduce red tape.

Federal government

At the federal level, businesses in the U.S. indicate that income taxes (55%), payroll taxes (51%) and business registration and reporting requirements (41%) are their top regulatory burdens (see Figure 12). Additional challenges include regulations around financial requirements, such as insurance, securities, and banking (35%) and health care (24%). Of these irritants, Canadian businesses also selected income taxes and payroll taxes as being in their top three most burdensome federal regulations.

Figure 12

Most burdensome federal regulations, (U.S. overall, Canada top irritants, % response)



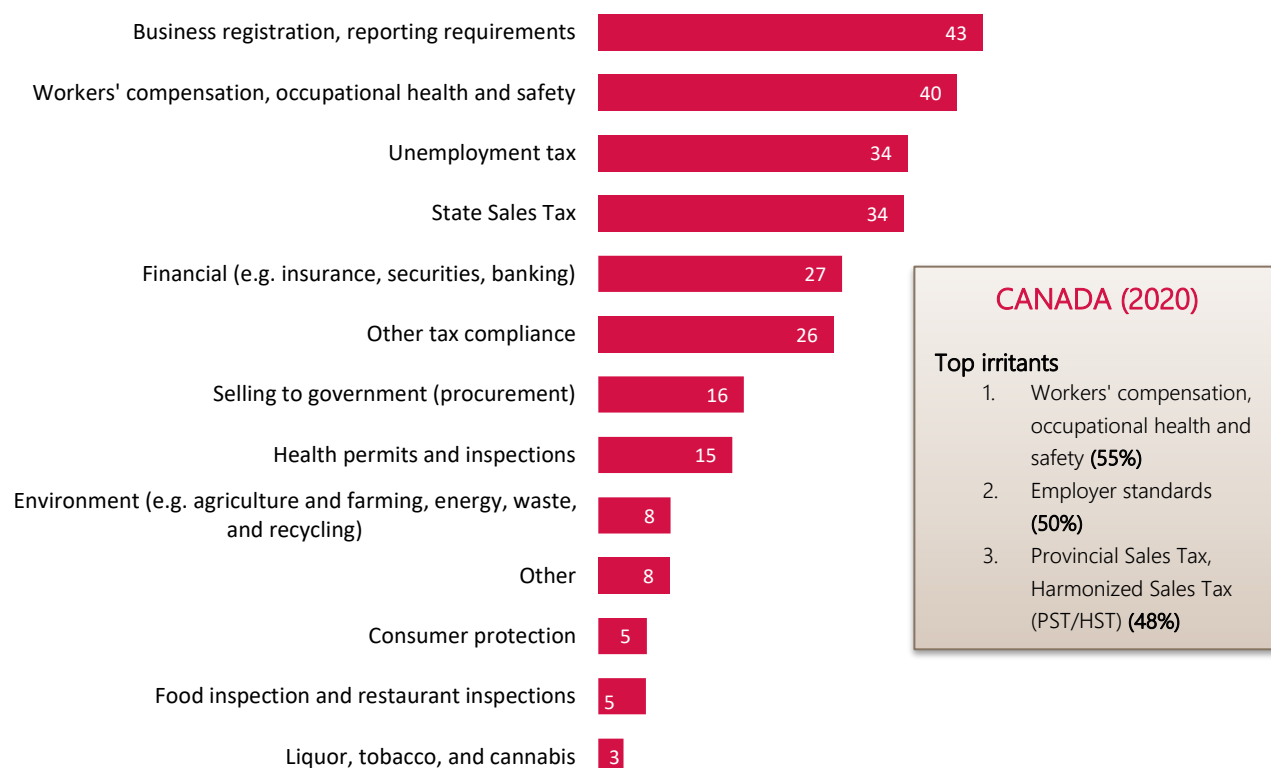
Sources: 1) CFIB with the Small Business Roundtable, survey on Regulation and Paperburden 2021 in the United States, n = 2,577.
2) CFIB, Regulation and Paperburden 2020 Survey – Canada data, n = 5,292.

Provincial/State government

The most cited state-level regulatory challenges for U.S. businesses were business registration and reporting requirements (43%), workers' compensation (40%), unemployment tax (34%) and state sales tax (34%) (see Figure 13). Notably, most of these challenges are comparable to the top irritants Canadian businesses experience at the provincial level. One main difference between the two countries is that, on average, the share of U.S. businesses that report being burdened by a given regulation is smaller than for Canadian businesses.

Figure 13

Most burdensome state regulations, (U.S. overall, Canada top irritants, % response)



Sources: 1) CFIB with the Small Business Roundtable, survey on Regulation and Paperburden 2021 in the United States, n = 2,577.

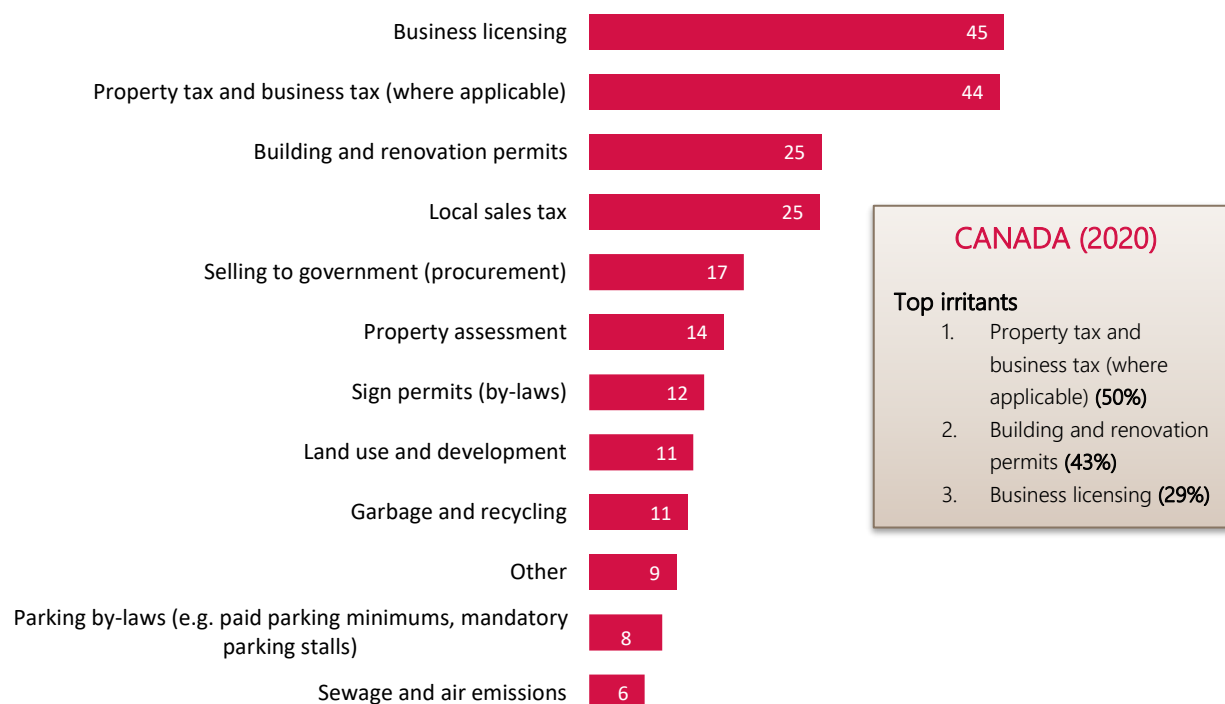
2) CFIB, Regulation and Paperburden 2020 Survey – Canada data, n = 5,292.

Local government

At the local level, U.S. businesses indicated that business licensing (45%), property tax and business tax (44%), building and renovation permits (25%) and local sales tax (25%) are their biggest regulatory challenges (see Figure 14). Once again, these irritants were comparable to those Canadian businesses felt at the municipal level, particularly with respect to property tax and business tax (where applicable).

Figure 14

Most burdensome local regulations, (U.S. overall, Canada top irritants, % response)



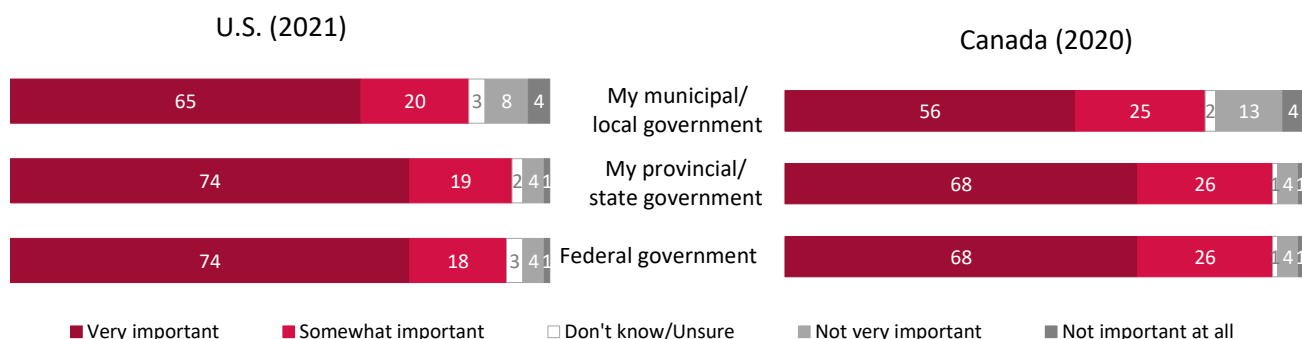
Sources: 1) CFIB with the Small Business Roundtable, survey on Regulation and Paperburden 2021 in the United States, n = 2,577.
2) CFIB, Regulation and Paperburden 2020 Survey – Canada data, n = 5,292.

How Committed are Governments to Reducing Red Tape?

An overwhelming share of business owners in both countries indicate it is important that governments at all levels commit to reducing red tape (see Figure 15). Results between the two countries are highly comparable, with both placing a higher degree of importance on federal and provincial/state regulatory reduction. At least 80 per cent of businesses in both countries also indicated that it was important for their municipal/local governments to be committed to reducing red tape.

Figure 15

How important is it to you that the following levels of government are committed to reducing red tape, including unnecessary rules and regulations on your business? (% response, Canada and the U.S.)

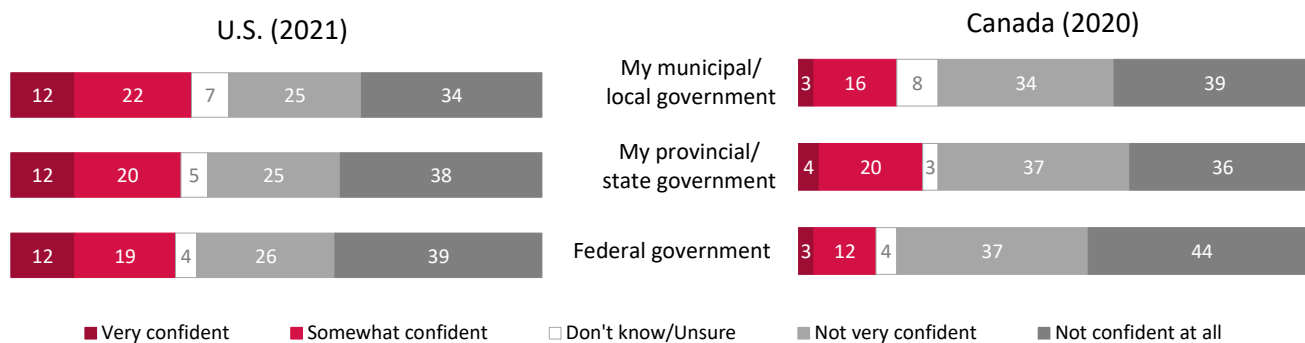


Sources: 1) CFIB with the Small Business Roundtable, survey on Regulation and Paperburden 2021 in the United States, n = 2,577.
 2) CFIB, Regulation and Paperburden 2020 Survey – Canada data, n = 5,292.

Despite the importance business owners place on regulatory reform efforts, confidence in governments’ commitment to reducing red tape is generally low in both countries. Between the U.S. and Canada across all levels of government, U.S. businesses held the greatest confidence in their local governments, though the share businesses that are confident represents just over a third (34%) (see Figure 16). We should also note that a higher share of U.S. businesses express confidence than those in Canada. It is not clear why this is the case. Particularly at the provincial level, many Canadian provinces have taken action to set regulatory budgets to manage the regulatory burden.

Figure 16

How confident are you that the following levels of government are committed to reducing red tape, including unnecessary rules and regulations on your business? (% response, Canada and the U.S.)



Sources: 1) CFIB with the Small Business Roundtable, survey on Regulation and Paperburden 2021 in the United States, n = 2,577.
 2) CFIB, Regulation and Paperburden 2020 Survey – Canada data, n = 5,292.

Towards a More Modern Regulatory System

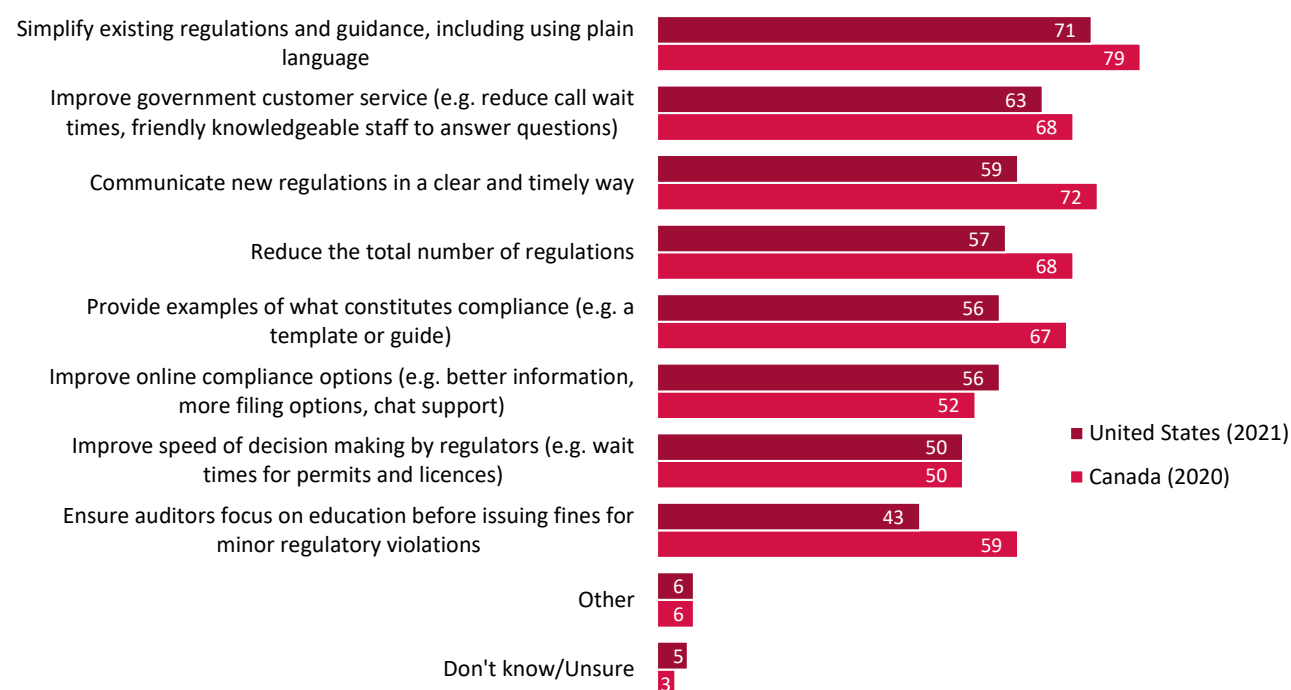
Reducing red tape and modernizing regulation is an opportunity in both countries. Improved transparency and accountability as well as political leadership to make it a priority are essential. CFIB's Red Tape Report Card includes a score card governments can use to work towards regulatory accountability.¹¹

Specific Initiatives to Reduce Red Tape and Improve Regulatory Compliance

When asked how governments can aid businesses to better comply with regulations, Canadian businesses identified simplifying existing regulations, including the use of plain language (79%); communicating new regulations in a clear and timely way (72%); improving government customer service (68%); and reducing the total number of regulations (68%) as being the best ways to help (see Figure 17). U.S. businesses indicated these same actions would help them better comply.

Figure 17

What would help your business better comply with regulations? (% response, Canada and the U.S.)



Sources: 1) CFIB with the Small Business Roundtable, survey on Regulation and Paperburden 2021 in the United States, n = 2,577.
2) CFIB, Regulation and Paperburden 2020 Survey – Canada data, n = 5,476.

¹¹ Laura, Jones, Canadian Federation of Independent Business (2021). 2021 Provincial Red Tape Report Card, <https://content.cfib-fcei.ca/sites/default/files/2021-01/Red-Tape-Report-Card-2021.pdf>.

Going Digital

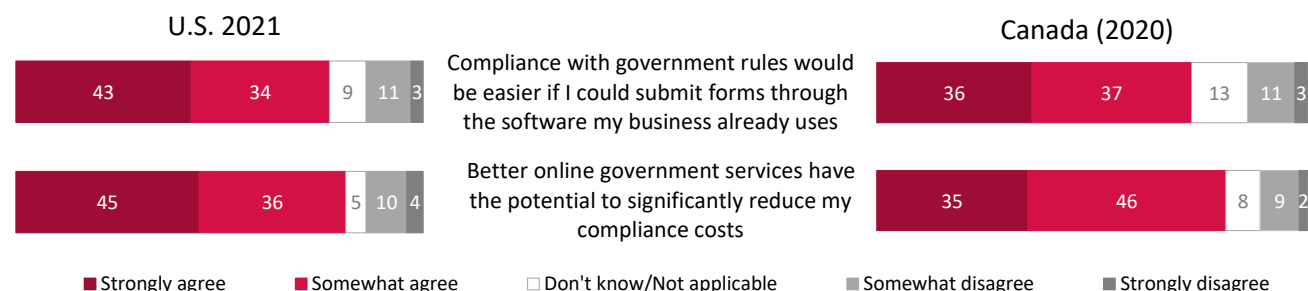
In both Canada and the U.S., more than half of businesses said that improving online compliance options, such as providing more relevant information on websites or providing chat support or online filing options, would help their business. Further, close to three quarters of businesses in both countries indicate that complying with government rules would be easier if they could submit forms through the software they are already using (see Figure 18). Most businesses (81%) in both countries also indicated that if governments provided better online services, it would have the potential to significantly reduce their compliance costs.

Businesses are aware that possibilities for streamlining their compliance efforts are available, and governments could make a significant reduction in the regulatory burden by making those aspects of compliance easier for businesses. For example, 92 per cent of Canadian businesses, and 81 per cent of U.S. businesses report using accounting software. If governments were to improve the compatibility of their services with existing accounting software it would significantly streamline and improve filing processes. These types of solutions are straightforward and would have a positive impact on small business communities.

Given the importance that business owners place on the availability of digital options and quality online services, governments must also ensure that they invest in the modernization of their digital systems. Doing so would ensure these systems are reliable and truly helpful to businesses. In April 2020, for example, it was determined that 28 per cent of U.S. small businesses were unsuccessful in their attempt to submit a funding application through the Small Business Administration’s loan processing system due to the platform crashing repeatedly.¹² This would have been extremely frustrating for those businesses and may even have resulted in significant delays in receiving much needed funding.

Figure 18

Improving digital compliance (% response, Canada and the U.S.)



Sources: 1) CFIB with the Small Business Roundtable, survey on Regulation and Paperburden 2021 in the United States, n = 2,577.
 2) CFIB, Regulation and Paperburden 2020 Survey – Canada data, n = 5,292.

¹² Alec Stapp, Michael Mandel, Elliott Long (2020), What it takes: modernizing government it to meet 21st century challenges, <https://www.progressivepolicy.org/publication/what-it-takes-modernizing-government-it-to-meet-21st-century-challenges/>.

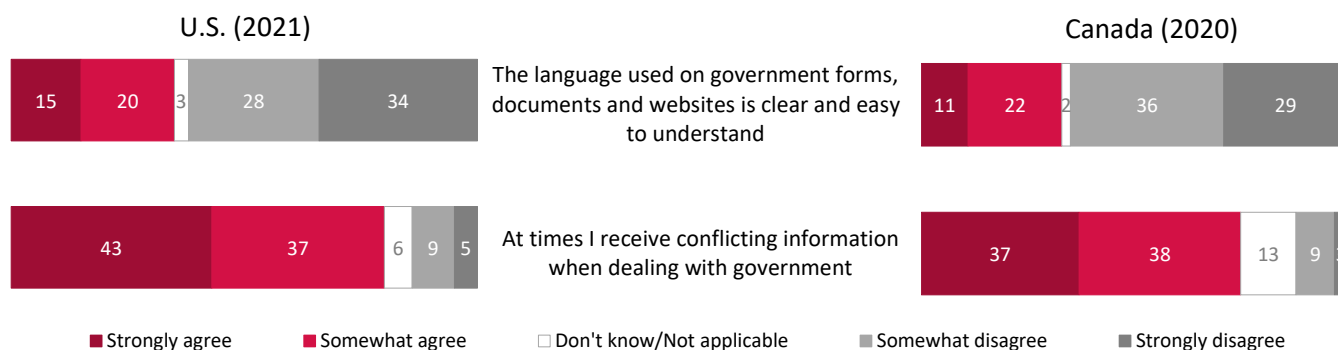
Customer Services Make a Difference

In addition to improving options for digital compliance, governments should also go back to basics and consider how they can improve customer service. Small businesses in both countries cite improving government customer service as one of the top things that would help their business with compliance (see Figure 17).

Businesses also have specific ideas for where governments can focus their efforts. Only a third of businesses in both Canada and the U.S. report that the language used on government forms, documents and websites is clear and easy to understand—leaving a great deal of room for improvement in this area (see Figure 19). Another issue businesses raised was receiving conflicting information when dealing with government¹³—this is true for 75 per cent of Canadian businesses and 80 per cent of U.S. businesses (see Figure 19). Such errors can be business-threatening, particularly in relation to tax and labour issues. If a business takes the time and care to seek out government information and speak with government representatives, they should not leave those interactions with questions or concerns about the validity of the information. Further, if a business is subject to financial repercussions or fines due to following incorrect information that they were given, government should be financially responsible.

Figure 19

Government customer service needs improvement (% response, Canada and the U.S.)



Sources: 1) CFIB with the Small Business Roundtable, survey on Regulation and Paperburden 2021 in the United States, n = 2,577.
2) CFIB, Regulation and Paperburden 2020 Survey – Canada data, n = 5,292.

Many business owners took the time to comment on their specific experiences with regulation or regulators. The comments in Table 5 summarize some of the sentiments expressed by U.S. businesses. A selection of comments from Canadian businesses about their customer service-related experiences was included in the 2021 version of *Canada’s Red Tape Report: The Cost of Regulation to Small Business*. The comments from Canadian businesses that were featured can be found in Appendix C.

¹³ For example, CFIB members from Ontario reported being told that they were either essential or non-essential during the first wave of the pandemic when the opposite was true. Many reported receiving conflicting information over multiple calls on the same day.

Some U.S. business owners highlight headache-inducing experiences, such as significant differences in standards across different states, receiving conflicting information from different representatives, and wasted time. For this study, the number of negative comments far outweighed the positive. As such, it is no surprise that when businesses do receive great service from governments that they are extremely appreciative. In the positive experiences described in Table 5, businesses highlight receiving information in a timely manner, as well as getting clear explanations on issues that impact their business. Such positive experiences, however, should be the norm for government customer service, not standout cases.

Table 5

U.S. business owners' comments on government customer service - sector and business size

Positive Customer Service Experience	Negative Customer Service Experience
<p>The Federal Government did a phenomenal job in responding to our company [...] both in terms of getting questions answered and the timely manner that they distributed funds.</p> <p style="text-align: right;"><i>-Manufacturing, 5-19 employees</i></p>	<p>Wish each state had the same standards. We do business in several states, each having a different way of doing business. The time we spend as a small business is similar to a larger business. If applications were standard/similar for all states & the federal government and easier online, this would reduce the time we spend.</p> <p style="text-align: right;"><i>-Construction, 5-19 employees</i></p>
<p>So far, my contacts with the Florida Department of Revenue and the Polk County Property Tax have been very helpful to me. They took the time to explain things in a way that I could understand. They always are helpful with answering any questions I have. I cannot tell you how much of a relief it is to have an individual that you can count on giving you timely and knowledgeable information and assistance, especially when you have never owned a business before.</p> <p style="text-align: right;"><i>-Hospitality, 0-4 employees</i></p>	<p>The sheer amount of time wasted in trying to contact multiple individuals (just to find uniformity in their suggestions) is counter-productive, especially when the provided information is contradictory. One rarely is able to proceed with confidence and follow the correct course of action, or to properly resolve an issue successfully when the help is unreliable. Things need to be simpler and more centralized.</p> <p style="text-align: right;"><i>-Professional Services, 0-4 employees</i></p>
<p>The experiences I have had with government officials have NEVER been bad. Either I have been very fortunate or because I try very hard to maintain good records we do not have problems. I also try to make their job easier by providing what is asked for in an orderly fashion so it is easy to follow.</p> <p style="text-align: right;"><i>-Finance, Insurance, Real Estate & Leasing, 0-4 employees</i></p>	<p>I have waited months for my city government of Alexandria to approve building permits. Rules are murky. City government workers do not take or return phone calls. The city's building inspectors have missed vital safety concerns. The Alcoholic Beverage Control of Virginia sends notices that my designated ABC agent doesn't know about. Keeping track of VA state Use Tax and remitting it monthly is a large commitment of my time.</p> <p style="text-align: right;"><i>-Retail, 0-4 employees</i></p>
<p>Government paperwork and support people are often horribly unhelpful. Having a written (or spoken) reference regarding regulation XYZ.1.14 does nothing to help a small business. The average business person doesn't know what that regulation says, and if I track it down and read it, it will reference regulation ABC.2. There are a few super stars on the help desk though. I have had government employees who went above and beyond to help solve a problem. Those people are rare but treasured!</p> <p style="text-align: right;"><i>-Manufacturing, 5-19 employees</i></p>	<p>Improve customer service. The time to reach a person is incredibly long, if you can reach someone at all. And when you talk to a person, most of the time they are incompetent and can't answer the simplest of questions.</p> <p style="text-align: right;"><i>-Manufacturing, 5-19 employees</i></p>

Source: CFIB with the Small Business Roundtable, survey on Regulation and Paperburden 2021 in the United States.

Conclusion

Survey results from Canada and the U.S. demonstrate that the costs of red tape represent a significant amount of the total cost of regulatory compliance. While on one hand this highlights the presence of an expensive problem, it also presents a significant opportunity for regulatory modernization in both countries. With Canadian and U.S. businesses identifying 28 per cent and 36 per cent of regulation as being excessive, respectively, there is a significant amount of red tape reduction that can be acted on without affecting the legitimate objectives of regulation.

A commitment from all levels of government to reducing red tape, including unnecessary rules and regulations, is very important to businesses. In both Canada and the U.S., over 80 per cent say it is important that their municipal/local governments be committed to reducing red tape, while over 90 per cent say it is important for their provincial/state level and federal governments to be committed. That governments take on this responsibility is particularly crucial considering that the COVID-19 pandemic has been difficult for businesses and citizens alike.

To help governments move forward in this direction to create a more transparent, modern, and accountable regulatory system CFIB provides a *Ten Point Plan for Regulatory Reform* (See Appendix D). To this effect, the findings in this report point to the important role that regulatory modernization and reducing the amount of red tape play in ensuring businesses and citizens are in a better position to succeed.

Appendix A: Regulation and Paperburden Survey U.S. Version

Regulation and Paperburden 2021

Survey intro: The cost of regulation includes time and money spent complying with government rules (e.g. figuring out what rules apply to your business, filling out forms, paying accountants and other outside consultants, and dealing with audits and inspections). Red tape includes excessive government regulation (i.e. unfair, overly costly, poorly designed, or contradictory rules and regulations) and poor government customer service. To continue to show governments that reducing red tape is important, we need your point of view!

Your answers will remain strictly confidential and will only be published in an aggregate form.

Intro: We have partnered with the Canadian Federation of Independent Business (CFIB) on this survey.

Question 1 intro: The following questions will focus on the burden of federal, state, and local regulations on your business. These questions **EXCLUDE COVID-19 related regulations** as we are trying to capture the typical regulatory burden your business faces. COVID-19 will be addressed later in the survey.

1. Which FEDERAL government regulations are most burdensome to your business in terms of time and money spent on compliance? (Select as many as apply)

- Payroll taxes (Social Security, Medicare, Health benefits)
- Income taxes (personal and corporate)
- Occupational health and safety
- Health care
- Border and trade rules (e.g. exporting, importing, paperwork)
- Financial (e.g. insurance, securities, banking)
- Immigration and citizenship (e.g. applicant processing time)
- Environment (e.g. pollution and waste, nature, science, and technology)
- Transport
- Business registration, reporting requirements
- Government surveys (e. g. U.S. Census Bureau surveys, etc.)
- Selling to government (procurement)
- Other (Please specify)

2. Which STATE government regulations are most burdensome to your business in terms of time and money spent on compliance?

(Select as many as apply)

- Unemployment tax
- Workers' compensation, occupational health and safety
- Business registration, reporting requirements
- State Sales Tax
- Other tax compliance
- Consumer protection
- Health permits and inspections
- Environment (e.g. agriculture and farming, energy, waste, and recycling)
- Financial (e.g. insurance, securities, banking)
- Liquor, tobacco, and cannabis
- Food inspection and restaurant inspections
- Selling to government (procurement)
- Other (Please specify)

3. Which LOCAL government regulations are most burdensome to your business in terms of time and money spent on compliance? (Select as many as apply)

- Business licensing
- Building and renovation permits
- Parking by-laws (e.g. paid parking minimums, mandatory parking stalls)
- Garbage and recycling
- Sewage and air emissions
- Property assessment
- Land use and development
- Sign permits (by-laws)
- Property tax and business tax (where applicable)
- Local sales tax
- Selling to government (procurement)
- Other (Please specify)

Regulatory Costs in Canada and the United States: A Small Business Perspective

4. How **important** is it to you that the following levels of government are committed to reducing **red tape**, including unnecessary rules and regulations on your business?

(Select one for each line)

	Very important	Somewhat important	Not very important	Not important at all	Don't know/Unsure
Federal government	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
My state government	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
My local government	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5. How **confident** are you that the following levels of government are committed to reducing **red tape**, including unnecessary rules and regulations on your business?

(Select one for each line)

	Very confident	Somewhat confident	Not very confident	Not confident at all	Don't know/Unsure
Federal government	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
My state government	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
My local government	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6. **Not including COVID-19 regulations, considering all other regulations pertaining to your business (e.g. labour standards, tax, health and safety, sector rules, etc.) typically how many hours per week do you and your staff spend:** (Enter approximate hours per week)

	Approximate hours/week
a. Filling out forms and doing government-related paperwork?	<input type="text"/> <input type="text"/> <input type="text"/>
b. Ensuring that your business complies with all existing regulations: reading, training, verification, administration, time spent with accountants and lawyers?	<input type="text"/> <input type="text"/> <input type="text"/>

7. **Not including COVID-19 regulations, how much does your business typically spend annually on accounting software and professional fees (e.g. accountants, lawyers, consultants) to ensure regulatory compliance?**

(Enter approximate \$ amount per year)

\$, , . 00

8. **Not including COVID-19 regulations, during the past three years, how much money did your business spend on special equipment, renovations, etc. solely to comply with regulations?**

(Enter approximate \$ amount spent in past three years)

\$, , . 00

9. **Not including COVID-19 regulations, during the past three years, what impact have delays caused by regulations (e.g. waiting on permits, etc.) had on your business?**

(Select one answer only)

- No impact or have not experienced any delays
- Minor impact (5% or less lost in weekly sales)
- Major impact (6% or more lost in weekly sales)

10. **Not including COVID-19 regulations, roughly what percentage of your business's regulatory burden could governments reduce without sacrificing the public interest (i.e. health and safety, environmental objectives)?**

(Please insert approximate percentage)

%

11. **To what extent do you agree or disagree with the following statement?** (Select one answer only)

"COVID-19 has substantially increased my business's compliance costs, in terms of time and money"

- Strongly agree
- Somewhat agree
- Somewhat disagree
- Strongly disagree
- Don't know/Unsure

12. **What would help your business better comply with regulations?**

(Select as many as apply)

- Simplify existing regulations and guidance, including using plain language
- Communicate new regulations in a clear and timely way
- Provide examples of what constitutes compliance (e.g. a template or guide)
- Reduce the total number of regulations
- Improve government customer service (e.g. reduce call wait times, friendly knowledgeable staff to answer questions)
- Improve speed of decision making by regulators (e.g. wait times for permits and licences)
- Improve online compliance options (e.g. better information, more filing options, chat support)
- Ensure auditors focus on education before issuing fines for minor regulatory violations
- Other (Please specify)
- Don't know/Unsure **cannot be combined**

13. If the cost of regulations (time and money spent complying) were reduced, how would your business most likely use the savings? (Select as many as apply)

- Increase employee wages and benefits
- Increase employee training
- Hire additional employees
- Invest in equipment, expansion
- Convert savings into profit
- Increase donations to charitable organizations
- Decrease prices
- Pay down debt
- Other (Please specify)
- Don't know/Unsure **cannot be combined**

14. To what extent do you agree or disagree with the following statements? (Select one for each line)

	Strongly agree	Somewhat agree	Somewhat disagree	Strongly disagree	Don't know/ Not applicable
Excessive government regulations significantly reduce my business's productivity and ability to grow	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Excessive government regulations add significant stress to my life	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Given the current burden of regulation, I would not advise my children to start a business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Too often, government has big business in mind more than small business when creating regulations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Better online government services have the potential to significantly reduce my compliance costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Compliance with government rules would be easier if I could submit forms through the software my business already uses (e.g. file state and local sales tax through my accounting software, ROE through payroll software)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The language used on government forms, documents and websites is clear and easy to understand	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
At times I receive conflicting information when dealing with government (e.g. from different government staff or between a person and online)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

15. Who is the **primary** person responsible for managing your business's books to ensure it completes all administrative compliance requirements (e.g. managing expenses, recording sales, workers' compensation, state and local sales tax, payroll, etc.)? (Select one answer only)

- Business owner(s) and/or in-house non-accounting professional (e.g. family member, employee) manages them
- A hired accounting professional (internal or external) manages them
- Other (Please specify)
- Don't know/Unsure

If Q15 = "Don't know/Unsure" skip to final comments

16. Does the individual who manages your business's books use accounting software (e.g. for managing expenses, recording sales, etc.)?

- (Select one answer only)
- Yes
 - No
 - Don't know/Unsure

If Q16 = "Yes" answer Q17, else skip to final comments

17. Of the following types of accounting software, which is primarily used to manage your business's books (e.g. for managing expenses, recording sales, etc.)?

- (Select one answer only)
- QuickBooks Online
 - QuickBooks Desktop/Enterprise
 - Sage
 - FreshBooks
 - Xero
 - Wave
 - Spreadsheet (e.g. Microsoft Excel, Google Sheets, etc.)
 - MS Dynamics
 - NetSuite
 - Other (Please specify)
 - Don't know/Unsure

18. (Final Comments) Do you have anything else to share? Positive and/or negative experiences your business has had with regulation or regulators (streamlining processes, inspectors, auditors, COVID-19, etc.), for example, are extremely helpful when meeting with government.

May we contact you about the feedback you shared?

- To give us permission, please check this box.

Pop-ups:

Red tape: Red tape includes excessive government regulation (i.e. unfair, overly costly, poorly designed, or contradictory rules and regulations) and poor government customer service.

Appendix B: Methodology for Estimating the Cost of Regulation

CFIB is a non-partisan organization exclusively representing the interests of 95,000 small and medium-sized businesses in Canada. CFIB's research capacity is second-to-none because the Federation is able to gather timely and concrete information from members about business issues that affect their day-to-day operation and bottom line. In this capacity, CFIB is an excellent source of up-to-date information for governments to consider when developing policies impacting Canada's small business community.

In estimating Canadian regulation costs, CFIB conducted its *Regulation and Paperburden Survey* from November 6, 2020 to December 9, 2020. CFIB, also conducted a survey using identical questions with clients from Intuit Inc. between November 23, 2020, and December 1, 2020. Intuit clients were either business owners, accountants, bookkeepers, or tax administrators. Respondents were excluded if they worked in a business with 500 or more employees or in a publicly traded company. Individuals in public administration or other government services were excluded. Only respondents who dealt with matters of regulatory compliance in their work could take the survey.

A total of 5,851 respondents across Canada participated, across both surveys corresponding to a margin of error of 1.2 percentage points, 19 times out of 20.

Answers from 4,603 survey responses were used after filtering and excluding outliers. The following data were captured:

- Hours spent weekly doing paperwork related to regulatory compliance and on other activities related to regulatory compliance (reading, training, verification, time spent with accountants and lawyers). These costs will be referred to as (h).
- Dollars spent annually on professional fees to ensure regulatory compliance (accountants, lawyers, consultants) and on special equipment and renovations solely to comply with regulations. These costs will be referred to as (f).
- Cost of lost sales as a result of regulatory delays or restrictions. These costs will be referred to as (s).

The Canadian regulatory cost estimate was calculated based on data from Statistics Canada's 2019 Survey of Employment, Payrolls and Hours (SEPH) which focuses on payroll administrative records (T4s). In estimating the total number of individuals employed in Canada, SEPH data were used in conjunction with the 2019 Labour Force Survey (LFS). SEPH only includes businesses with employees and incorporated self-employed individuals. To capture the unincorporated self-employed portion of the labour force (with and without paid help), data were extracted from the LFS. Although employee data are also available from the LFS, SEPH data were used over LFS data since more reliable income and employment data were available. It was also assumed that all unincorporated self-employed belonged to the first employment size category (fewer than 5 employees) as most unincorporated businesses are either sole proprietorships or partnerships.

Canadian employee hourly wage rates (w) were calculated using SEPH and LFS data. Hourly wage rates for employees in the private sector were derived based on average weekly earnings from SEPH by size of business and average actual hours worked weekly (for all jobs) from the LFS by province. SEPH data for industry sectors deemed mainly as public sector (utilities, education, health, public administration) were excluded.

The basic equation used to calculate the total annual cost of regulation for businesses in our sample is:

Hours (h) x weekly wages (w) x 52 + professional fees and required spending (f) + net cost of lost sales (s).

Total weekly hours spent on paperwork by employees and employers were assumed to be at least 1 hour a week. Weekly hours spent on paperwork per employee were assumed to be less than 30 hours a week.

Required spending amounts in the past three years were then divided by 3 to obtain annual required spending costs. Professional fees and spending on equipment were restricted to be equal to or less than \$5,000 CAD per employee per year. This threshold was increased in 2014 from \$4,000 in earlier editions as an adjustment for inflation since 2005. Based on the CFIB survey results, 38.9 per cent of respondents reported a minor impact (5 per cent or less lost in weekly sales) on sales due to delays caused by regulations, while 14.1 per cent of respondents reported a major impact on sales (6 per cent or more lost in weekly sales), resulting in a lost sales margin of 1.8 per cent. The net cost of lost sales due to regulatory delays was then calculated by multiplying the lost sales margin obtained from the survey results by the annual wages paid to employees of the businesses surveyed and by the 2018 “national total net profits to total wages” ratio for business enterprises obtained from Statistics Canada’s Financial and Taxation Statistics for Enterprises publication.

The survey sample was divided into five categories. The number of employees includes the business owner.

n_1 = Fewer than 5 employees

n_2 = 5-19 employees

n_3 = 20-49 employees

n_4 = 50-99 employees

n_5 = 100 or more employees

This allows us to estimate the cost of regulation per employee (CE) for each of the different business sizes using the following general equation:

$$CE = \sum [(h_{ij} \times w_{ij}) \times 52 + f_{ij} + s_{ij}] / \sum e_{ij}$$

where:

i = the ith business from a total 4,603 cases

j = the jth size category from a total of 5 categories

h_{ij} = hours spent weekly performing regulatory paperwork in business i and residing in size category j

w_{ij} = average hourly wage rate in business i and residing in size category j

f_{ij} = annual amount spent on professional fees and required spending related to compliance in business i and residing in size category j

s_{ij} = annual net cost of lost sales in business i and residing in size category j

e_{ij} = number of employees in business i and residing in size category j

To determine the total cost for all Canadian businesses, the national cost per employee for each business size (CE) was multiplied by the total number of employed individuals in Canada belonging to that business size. Regulatory costs were aggregated across the five size categories to obtain an estimate of the total cost (TC).

$$TC = \sum (CE_j \times N_j)$$

where:

j = The jth size category from a total of 5 categories

CE_j = cost of regulation per employee for size category j

N_j = total number of employees in Canada working for businesses in size category j

Provincial total regulatory costs were calculated in a similar fashion using provincial cost per employee for each business size. However, for cases where there were insufficient data (less than 20 respondents) for a business size category, the national regulatory cost per employee was used in place of the provincial cost per employee. Provincial employment figures for particular sectors were estimated due to data suppression in SEPH.

Treatment of Inflation for Canada

Regulation costs for 2012, 2014, 2017, and 2020 were converted to 2021 dollars using annual Consumer Price Index (CPI) data from Statistics Canada (Table: 18-10-0005-01).

Regulation Estimates for the United States

CFIB, with the Small Business Roundtable, conducted a comparable survey on regulation in the United States. This survey was conducted between June 16, 2021, to August 25, 2021. In addition, respondents were excluded if they worked in a business with 500 or more employees or in a publicly traded company. Individuals in public administration, government services or the military were excluded. Only respondents who dealt with matters of regulatory compliance in their work were allowed to take the survey. The sample was comprised of either members or contacts of the Small Business Roundtable representative of all regions of the United States. A total of 2,577 responses were collected.

The survey questions used to produce the U.S. regulation cost estimate were identical to those from the Canadian survey. U.S. regulation costs were estimated using a methodology similar to that used for Canada. Answers from 1,765 respondents were used after filtering and excluding outliers. The following assumptions were made to calculate U.S. regulation costs:

U.S. employee hourly wage rates (w) were based on data from the U.S. Bureau of Labor Statistics. Hourly wage rates for employees in the private sector were derived using the average weekly wage by size of private sector establishment in the first quarter of 2020 from the Quarterly Census of Employment and Wages (QCEW) and the average weekly hours of all private sector employees in 2020 from the Employment, Hours, and Earnings from the Current Employment Statistics survey (National). The latter was calculated as the average of monthly data in 2020.

- Based on the U.S. survey results, the lost sales margin for the U.S. is 2.64 per cent (40.2 per cent of respondents reported a minor impact on sales due to delays caused by regulations and 27.3 per cent reported a major impact). The net cost of lost sales due to regulatory delays was then calculated by multiplying this lost sales margin by the 2020 “national total net profits to total wages” ratio. Data on corporate profits after tax were obtained from the U.S. Bureau of Economic Analysis, National Income and Product Accounts, while data for total wages in the private sector were obtained from the Bureau of Labor Statistics’ QCEW.
- U.S. costs per employee by firm size were multiplied by total U.S. employment in the private sector by establishment size, and then aggregated to obtain the total cost estimate. Total U.S. private sector employment in the first quarter of 2020 was obtained from the QCEW. Employment in utilities, education, and health care were included in the private sector employment figures. U.S. incorporated and unincorporated self-employment for 2020 was added to the private sector employment total under the smallest firm size category (fewer than five employees). Self-employment data were obtained from the U.S. Bureau of Labor Statistics, Current Population Survey (CPS).

- The U.S. dollar was assumed to be 0.79 per Canadian dollar. To adjust for differences in sampling between Canada and the U.S., the U.S. sample was weighted by sector and by size of business (including self-employed) to reflect the distribution of the Canadian sample.

Treatment of Inflation for the United States

Regulation costs for 2012 were converted to 2021 dollars using the Consumer Price Index (CPI) inflation calculator from the U.S. Bureau of Labor Statistics (Series Id: CUUR0000SA0).

Other Notes

Certainly, there exist additional costs related to complying with regulation that are difficult to quantify. Since this report excludes such additional costs, the national cost estimate presented is conservative. Additional costs that are excluded in the calculation would, if included, inflate the current estimates even more. For example, costs linked to lost innovation, productivity, and economic activity because of excess and inefficient regulations are unaccounted for in this report but would contribute significantly to the burden of regulation.

Appendix C: Additional Data

Table C.1

Canadian business owners' comments on government customer service - sector and province

Positive Customer Service Experience	Negative Customer Service Experience
<p>I received a fabricated human rights complaint from an ex-employee in 2017. The Service Canada and WCB investigations were simple enough to work through. The OHS officer found us to not be compliant on a few things. The officer was good about guiding us through the process of becoming compliant, rather than shutting us down immediately or levying cost-prohibitive fines against us. She wanted to see us successful as a small business.</p>	<p>I was recently taken off the provider list to service WCB NB clients due to an oversight. I am not the only clinic. They sent a vague email out in January to let us know changes were coming. They did not mention that I needed to sign up for NBON - I didn't even know what that was until it was too late. I missed a deadline and because of the lack of communication, I am not allowed to service any new WCB clients until March 2021 if approved! This makes up a lot of my clients in the Sussex area and we are in a pandemic! There needs to be better communication and more flexibility for small businesses!</p>
<p><i>-Automotive Repair & Maintenance business, AB</i></p>	<p><i>-Hearing Clinic business, NB</i></p>
<p>I feel that basic federal reporting for source deductions and GST online services are pretty good. Also, the provincial WCB portal and PST reporting portal are user friendly and quick and easy to figure out.</p>	<p>Inspectors should be more business friendly and familiar with the industries [they service]. Often, they are argumentative and don't understand the reality of daily business operation.</p>
<p><i>-Restaurant business, BC</i></p>	<p><i>-Automotive Repair & Maintenance business, MB</i></p>
<p>WSIB's model of educating business owners so they are well prepared to comply with health and safety regulations should be an example for all government departments. Imagine if government actually trained business owners on how to collect/remit HST! They could cut their audit efforts in half and reduce the stress on the business owner at the same time.</p>	<p>When trying to contact the health department about guidelines, it can take talking to 3 people as the first 2 don't have the information. [There are] inspectors that don't follow through with things discussed during inspections. Or inspectors that don't have any knowledge about the service they are inspecting for.</p>
<p><i>-Furniture Store business, ON</i></p>	<p><i>-Beauty Salon & Personal Care business, ON</i></p>
<p>We have a great health and safety inspector who is fair and acknowledges the improvements we have made to our premises. We can phone at any time to get answers to our questions.</p>	<p>For the money we send to government the services we get in return leave much to be desired. Called CRA this am at 9 am (their opening time) and was told there was a 45-minute wait to speak to an agent.</p>
<p><i>-Greenhouse & Nursery Production business, AB</i></p>	<p><i>-Bookkeeping business, BC</i></p>

Source: CFIB, Regulation and Paperburden Survey, November 2020 to December 2020.

Table C.2

The cost of regulation by province, 2012, 2014, 2017, 2020 (in millions, 2021 CAD)

	2012	2014	2017	2020	% Change 2012-2020
Canada	36,710	42,418	39,704	40,555	10.5

Sources: Calculations based on CFIB’s Survey on Regulation and Paperburden (conducted in 2014, n = 6,644; conducted in 2017, n = 5,838; conducted in 2020, n = 4,603) and data from Statistics Canada.

Notes: 1) There was a change in assumptions in 2014 (see Appendix B for a detailed methodology). CFIB estimates are meant to be conservative and act as ballpark figures.
2) The total regulation costs for 2012, 2014, 2017 and 2020 were converted to 2021 dollars using annual Consumer Price Index (CPI) data from Statistics Canada (Statistics Canada, CANSIM Table 326-0020, retrieved January 27, 2022).

Table C.3

The cost of regulation to U.S. businesses, 2012 and 2021 (in millions, 2021 USD)

	2012	2021	% Change 2012-2021
United States	236,672	364,261	54

Sources: Calculations based on CFIB’s Survey with the Small Business Roundtable on Regulation and Paperburden (conducted in 2012, n = 1,535; conducted in 2021 in the United States, n = 1,765) and data from the United States Bureau of Labor Statistics.

Appendix D: Ten Point Plan for Effective Regulatory Reform

1) Measure the regulatory burden

Without measurement, there cannot be true accountability. Measuring the regulatory burden is not an easy task since much of the cost of regulation is hidden, indirect or intangible.

Governments should consider the regulatory burden on both businesses and citizens found in legislation, regulation, policy, and forms. Additionally, governments should measure the burden from all government departments, agencies, and delegated authorities to obtain a complete comprehensive measure.

2) Institutionalize the measure by reporting it regularly to the public

Real accountability requires ongoing measurement and external oversight. Measures should be tracked over time. Ideally, there needs to be a legislated requirement for ongoing measurement and reporting.

3) Impose constraints on regulators

Businesses and individuals have limited time and money to cope with regulation. If regulators want their rules followed, they must recognize these limits and impose some restraint on their own regulating. Suggested initiatives include a requirement on the part of government to remove a regulatory requirement for every new requirement introduced (a form of cap and trade) and the introduction of criteria to justify new and existing regulations.

4) Make regulatory accountability a political priority and appoint a minister responsible

Regulation has a serious impact on the economy, yet politically it is usually a low-profile issue. A cabinet-level position should be created (i.e., Minister of Regulatory Accountability or Reform). In the case of municipal governments, a permanent “standing committee”-style body should have designated seats for elected council officials so there is political accountability.

5) Ensure adequate communication of existing and proposed regulation

The onus should be on those creating new rules to ensure effective communication of those rules. It is entirely reasonable for business owners to expect government agencies to provide straightforward and consistent advice regarding regulatory compliance in a timely manner. All communication should be in plain language.

6) Focus on areas that will be most economically productive

To maximize the economic impact of regulatory reduction exercises, policy makers should focus on areas of regulation and red tape considered most harmful to business.

7) Carefully consider the need for all new regulation and the impact on small business

Any proposed regulation should be subjected to scrutiny that includes questioning whether it is needed, ensuring that affected parties are consulted, and that any unintended consequences of the regulation are considered. Guidelines for considering new regulations should be regularly monitored by a third party to ensure that they are being observed.

8) Keep compliance flexible and provide basic examples and guidelines for what constitutes compliance and non-compliance

Regulation works best when it is outcome-based rather than prescriptive in nature. This allows businesses to find the most cost-effective ways to comply with rules. Businesses should, however, also be given some guidelines and examples of what constitutes compliance. This is especially important for smaller businesses that do not typically have the resources to explore different options for the least costly way to comply. For those businesses, having basic guidelines regarding what constitutes compliance is extremely helpful.

9) Improve government customer service

Small- and medium-sized business owners know how critical good customer service is to the survival of their business. Regulators dealing with small businesses should be given customer service training with specific emphasis on understanding the importance of small business to the economy and the resource limitations, risks and hardships faced by many trying to operate small businesses. Government customer service should also be regularly assessed and reported on.

10) Improve accountability for regulators by instituting such measures as reverse onus guidelines for timeliness and communication

Often there is little or no flexibility for business owners when it comes to meeting their compliance/paperwork obligations. Regulators, however, usually have no specific timelines imposed on them for when decisions will be made, or permits will be approved. These asymmetries should be remedied so regulators also have deadlines and suffer consequences when these deadlines are not met, or if advice proves inaccurate or inconsistent.¹⁴

¹⁴ Examples of accountability for regulators that exist include:

- In 2009, the Federal Communications Commission (FCC) issued a ruling that established a “shot clock” for local zoning authorities acting on wireless facilities siting applications. Under the ruling, local governments have 90 days to act on requests for collocations (placing antennas on existing towers) and 150 for all other applications (https://docs.fcc.gov/public/attachments/FCC-09-99A1_Rcd.pdf).
- In 2018, the FCC set deadlines of 60 days for localities to review the application for attachment of a Small Wireless Facility using an existing structure and 90 days for the review of an application for attachment of a small wireless facility using a new structure (<https://docs.fcc.gov/public/attachments/FCC-18-133A1.pdf>).
- The Canadian Impact Assessment Process establishes deadlines for environmental review of projects (<https://www.canada.ca/en/impact-assessment-agency/services/policy-guidance/the-impact-assessment-process-timelines-and-outputs.html>)

Plain language
Paper Burden
Pension
Customer Service
Time Consuming
Payroll
Pension
Stress
Compliance
Red Tape
Customer Service
Time Consuming
Payroll
Stress
Customer Service

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