

# REPORT



## United States Chamber of Commerce Q4 Small Business Study

January 18, 2012

Survey Dates: December 30, 2011 – January 6, 2012

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### Methodology

The Q4 U.S. Chamber of Commerce Small Business Study was conducted online December 30, 2011 to January 6, 2012 by Harris Interactive among 1,322 Small Business Executives (defined as executive level position in a company with fewer than 500 employees and annual revenue less than \$25M).

- N=515 U.S. Chamber of Commerce Members
- N=807 Non-U.S. Chamber of Commerce Members, weighted to be representative of the small business population

Sampling error: +/- 2.5 percentage points. This report contains data from this survey and references data collected in the Q2 and Q3 U.S. Chamber of Commerce Small Business Study.

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### Key Summary Points

#### *I. Uncertainty Continues to be the Biggest Challenge for Small Businesses*

- The small business outlook for the national economy still shows that the vast majority think our country is off on the wrong track (85%).
- Of small businesses polled, 52% perceive their top issue and biggest challenge as the general economic climate. Half of all small businesses surveyed are not sure if America's best days are ahead or behind, and the threat of over-regulation continues to cause concern.
- *What is the impact of regulation and the new health care law? Fewer jobs.* 78% of small businesses surveyed report the taxation, regulation and legislation from Washington make it harder for their business to hire more employees. And, 74% say the recent health care law makes it harder for their business to hire more employees.

- What do small business leaders want Washington to do? Eight out of ten say they would rather have Washington stay out of the way than provide a helping hand. Eight-six percent say they would rather have more certainty from Washington than more assistance (6%) to deal with the economy.

## II. Small Businesses Recognize the Importance of Politics in Policies that Impact their Business

- The vast majority of small business members surveyed (93%) find the Chamber’s work in educating the public on political issues and candidates valuable.
- Nearly all small businesses polled (98%) consider a candidate’s position on free enterprise and business issues as important to how they vote. Eighty-four percent of small businesses cite support for free enterprise as very important.

## III. The Small Business Outlook for Local Companies and the Local Economy is Improving

- Fewer small businesses plan to lose employees over the next year (11%). However, there was no increase seen in employers planning to hire in 2012, with 63% planning to keep the same number of employees in the next year.
- Small business attitudes about the local economy have improved over the last year, up 12 percentage points. Thirty-four percent of small businesses surveyed think the business climate will improve over the next two years, but have yet to resume hiring.

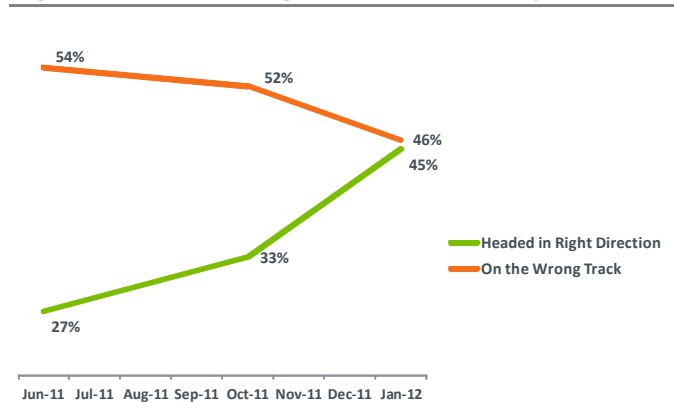
### Analysis

#### *Economic environment improving, but uncertainty remains*

The outlook on the national economy has not improved since our last study in October; only 10% say the U.S. economy is headed in the right direction. However, this quarter’s data shows a significant increase in the percentage who believe their local economy is headed in the right track (up from 33% to 45%). And, small business owners still hold a fairly bright outlook for their own businesses, with 69% saying they believe their business is heading in the right direction.

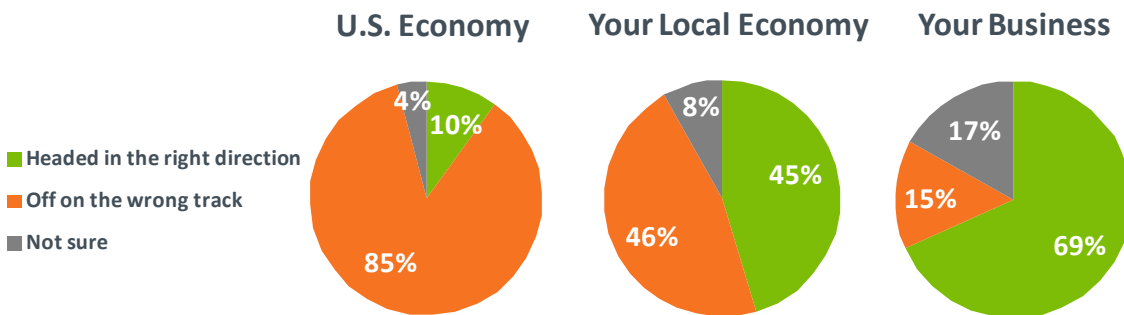
As businesses look forward, attitudes about the future are also beginning to brighten. Thirty-four percent say the climate for small businesses like theirs is likely to improve over the next two years. This is a significant improvement from October, when only 23% said the environment was improving.

**Right Direction v. Wrong Track: Local Economy**



However, challenges still exist. More than half of all small business owners polled cite economic uncertainty as one of their top challenges. This finding has been consistent over the course of the study.

## Right Direction v. Wrong Track



\*Q4 Results Only

## The Hiring Outlook

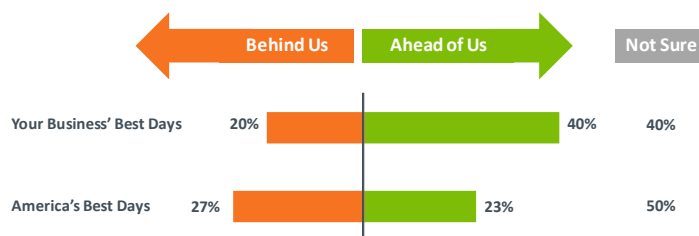
Though there are seeds that point to a more positive economic outlook, they have yet to sow large scale hiring plans for small businesses. Only 19% of small business owners say their business has added employees over the last year (virtually unchanged since July), and an additional 63% say they will keep the same number of employees over the next year.

**Why aren't they hiring?** As one would expect, 52% say economic uncertainty is among the top reasons they are not hiring. Additionally roughly one-third cites lack of sales as part of their hesitation. Many say Washington is part of the problem, as well. Thirty-six percent say uncertainty about what Washington will do next is one of the top two reasons they are not hiring and 30% say they are not hiring because of the requirements in the health care bill.

## What lies ahead?

**Uncertainty about the future:** 50% say they are not sure if America's best days are ahead of us or behind us – a significant increase over last quarter. Only 23% say our country's best days are ahead of us and 27% say the best days are behind for America.

### Best Days Behind or Ahead



\*Q4 Results Only

However, they are much more positive about their own business. Forty percent

say their business' best days are ahead, and 40% say they are unsure. Only 20% say their business' best days are behind them.

### Washington's impact on the economy

Small businesses do not believe Washington is positioned to help. They place blame on all bureaucrats in Washington (47%), but Obama shoulders more of the blame than Congress (29% compared to 18%).

*What do small business owners want from Washington?* The vast majority of small business owners would prefer that Washington simply "get out of the way" (82%) rather than offer a "helping hand" (10%). However, when voting for elected officials, small business owners want a candidate who is a strong supporter of free enterprise. 98% say this is important in determining their vote – and 84% say it is very important.

### The Debt and Deficit, Regulation and Taxes

Economic uncertainty is still the overwhelming issue facing most small businesses, but there is increasing concern about the impact of regulation, and the federal debt and deficit. Almost one-half (49%), say regulation is a greater threat to their business than taxation (29%) or litigation (6%). Small business owners view regulation and the federal debt and deficit as equally threatening to their business (39% to 39%).

Almost two-thirds of small business owners say the deficit and debt will have a threat to the success of their business. While only 22% say the debt and deficit poses an immediate threat to their businesses success, 42% say there is a long term threat.

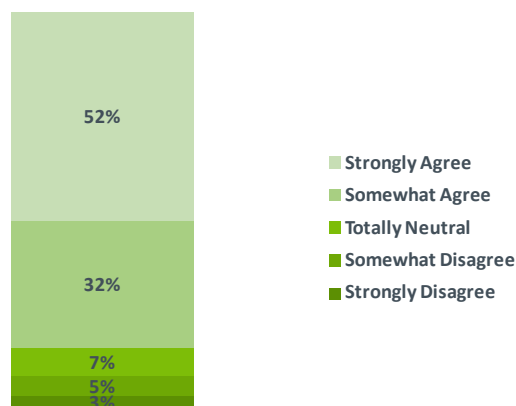
Beyond a direct threat, the debt and deficit is causing uncertainty for small business owners. Eighty-four percent say the large national debt makes them feel uncertain about the future of their own business.

Small businesses do not think the current regulation environment is good for their business. Only one out of ten small business owners say the current regulation environment is reasonable. Almost nine-out-of-ten (86%) of small business owners say they worry about regulations, restrictions and taxes and their negative impact on their ability to do business.

And, they fear what Washington will do next – 59% say what regulations Washington will roll out next is more frightening than what they have already done.

*What is the impact of regulation and the new healthcare law? Fewer jobs.* Seventy-eight percent of small businesses surveyed report the taxation, regulation and legislation from Washington makes it harder for their business to hire. And, 74% say the recent health care law makes it more difficult to hire additional employees.

**America's large national debt has a real and negative impact on my business. The bigger America's national debt, the less certain I feel about my business's future.**



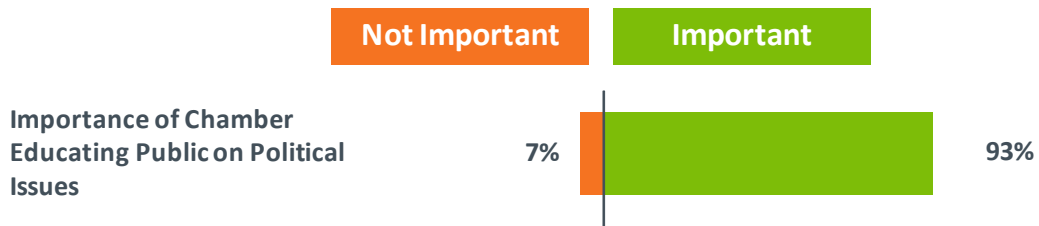
\*Q4 Results Only

Perhaps for many of the reasons above, small businesses recognize the importance of politics in policies that impact their business.

Out of small business members polled, the vast majority (93%) view the Chamber’s work in educating the public on political issues and candidates as valuable.

## Importance of Educating the Public on Political Issues

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**\*Q4 Results Only**