

The Impact of Government Regulation on Small Businesses in the United States

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Introduction

Governments across the world establish numerous policies and regulations whose main objectives is to guide business establishment and operations. Rules such as minimum wage and zero tolerance to discrimination are mandatory and should be adhered to by all business entities in the United States, while other policies and regulations may influence a business entity indirectly. For this reason, it is essential for business owners and their management teams to make sure that they are conversant with all rules and regulations that may impact their businesses either directly or indirectly (Amor, 2018). Business organizations need to be flexible enough to enable them to adapt to the ever-changing rules and regulations without losing their competitive edge. This is true because these regulations are made on different levels such as the federal, state, and municipal levels, and for this reason, an organization should ensure that they adhere to all the regulations set. Government regulations on small businesses change regularly based on the prevailing situations and restrictions in terms of business permits and licensing, taxes, consumer advertising, environmental legislation, and employment laws determine the success of a small business.

Problem Statement

The primary role of the government in any economy is to provide regulations and policies that can help bring about an environment that is devoid of anarchy. Controls help bring law and order, which is what enables business organizations to prosper. This is the main reasons why the United States is interested in the regulation of small business enterprises in the country. However, these regulations have led to some impacts that have affected businesses positively or negatively (Statisca, 2019). Therefore, the purpose of this research paper is to discuss the impact of government regulations on small business

enterprises. It will also be vital for the article to determine whether these impacts have had positive effects or negative effects on the business organizations in the country.

Purpose statement

The purpose of this study is to discuss the various methods the United States government uses to regulate small business organizations and the impacts of these regulations on the business entities. Small businesses are subject to regulations in the form of business permits and licensing, taxes, consumer advertising, environmental legislation, and employment laws. Therefore, this study unravels the regulations and costs associated with each regulation and how they benefit or derail starting and operating a small business.

Research questions

1. How does cost and regulations on permits and licensing affect the opening and running of small businesses?
2. How does cost and regulations on taxes affect the opening and running of small businesses?
3. How do regulations on consumer advertising affect the opening and running of small businesses?
4. How do the regulations on environmental legislation affect the opening and running of small businesses?
5. How do the regulations on employment laws affect the opening and running of small businesses?

The Significance of the Study

The importance of this study is that it will make an excellent contribution to the topic. The paper will give a good discussion as to why the government should regulate small business enterprises in the United States and the impacts of these regulations on business ventures and the economy as a whole.

Business Permits and Licensing

Many businesses require licenses and business permits to operate. Locally, cities and county governments require that new businesses or companies acquire permits and licenses to operate in their jurisdiction. (the United States, 2018) For instance, restaurants are required to have permits that show that they comply with the stated government regulations in health and sanitary. Additionally, the state or federal government issues new businesses like gun shops, bars, radio stations, and vets and doctors with specialty licenses (Iliev and Vitanova, 2019). To acquire this information, one can visit the specific state chamber of commerce or networking group of a specific industry. Moreover, this section will discuss how government requirements with regards to permits and licensing affect small business (Vasudeva et al., 2015). Moreover, the amount charged to acquire the respective permits and licenses determines the number of businesses opened in a given area. Besides, this section will compare information on the requirements and the amounts charged to have specific permits and licenses and come up with a conclusion on the effect permits and licensing requirements have on small businesses. Even though permits and licenses ensure that businesses operate in safe environments and the public is protected in terms of health and safety, they affect the rate at which businesses are opened. Other than business permits and licenses, taxes determine the level of investment in an area.

Taxes

Paying tax is both good and painful. Sales taxes are paid for selling goods or services and paying income tax means that one has an income. Having to comply with tax regulations is another downside of tax that small business need to comply with (Nguyen, Donohue, & Mehrotra, 2019). The regulations require that when employers pay their employees they take payroll tax. In addition, businesses should collect and pay sales tax based on their state government's schedule. Furthermore, tax regulations require that one gets an employer

identification number from the IRS to get business identification just like individuals are identified using the social security numbers. This section will also compare and contrast tax rates (Vasudeva et al., 2015), as well as tax exemptions and tax regulations of different states and find out the correlations between tax and rate of investment in specific states (Nguyen et al., 2019). Different states have different tax rates and tax regulations that small businesses have to adhere to, thus, determining the rate at which small businesses are started in a given state. Other than tax and tax regulations, consumer advertising plays a critical role in starting of small businesses.

Consumer Advertising

Virtually, consumer advertising must adhere to stipulated government rules and regulations. In this case, small businesses must ensure that when they advertise their goods and services, they are within the stated rules and regulations (United States, 2018). The regulations ensure that no fraudulent claims are made. For instance, when promoting health products, science is needed to back up the claims. Furthermore, for microfinance businesses, it is required that rates and interests are reported accurately (Christopher, 2015). Complying with consumer advertising regulations requires deeper research and expertise, which increases business expenditure and in turn, can affect the pricing and profits from given products. The impact of government regulation on consumer advertising will be the area of focus in this section and results from different states will be given. Besides, having to adhere to consumer advertising regulations, meeting the environmental legislation requirements is important for any new and continuing business.

Environmental Legislation

Both the state and national governments have several regulations that small businesses must keep to ensure that the environment (soil, water, and air) is not polluted. Manufacturing businesses are required to follow regulations when disposing of wastes, smoke, and

byproducts from their factory (Jan Adamiak, 2019). Additionally, white-collar businesses where a building is constructed, regulations controlling the amount of stormwater that can run off the building must be met to ensure that buildings are safe (United States, 2018). Different states have different environmental regulations that must be met to ensure public safety.

These regulations will be discussed here and their impact on small businesses investment in different states presented. Furthermore, after complying with the environmental legislation, businesses must adhere to employment laws implemented by the government.

Employment Laws

State and federal government stipulate rules and regulations that govern how employers should treat their employees. These regulations ensure that workers are not discriminated during the hiring and firing process based on their religion, race, ethnicity, age, gender, the nation of origin, and disability. Besides, when hourly employees work for over 40 hours a week, they are entitled to overtime pay (Vasudeva et al., 2015). Employees should also be provided with insurance to cover them when they get injured while on duty (Jan Adamiak, 2019). Other rules also require that employees are given time offs due to medical conditions and pregnancy. This section will, therefore, focus on specific employment laws in different states and find out their impacts on small business investment.

Discussion

The role of the government in developing economies vary in phases of market reform. In industrialized countries like the U.S., the State highly regulates the pace of SMEs as it is a mature economy. This is because the government exerts external factors to influence the pace and the nature of small businesses rather than direct support. Chittenden, Kauser, and Poutziouris (2003) argue that the compliance cost of taxation in the UK and the USA follows the largest single element of the compliance burden for SMEs, which is similar in New

Zealand and Australia. The countries have applied the model of simplifying initiatives and deregulation because there is no direct correction with tax regulations.

Negotiating culture between workers and employers over time is important. The culture is to create understanding in a well-organized labor market, as well as where the legislator and the state have a detached and supporting role (Cagan & Simonyi, 2018). A rate from an organization with the high international comparison on both employer and employee side has underpinned the functioning and the legitimacy of the model. It is perceived that "compromise competence" built is a contradiction to the relationship between two portions of the labor market in many other places. There should be fewer instances regarding inequality and great social security (Cagan & Simonyi, 2018). Proportional representations in the political negotiation culture foster a degree of pragmatism needs for compromises and chime labor market development (Larsen et al., 2015). The development resulted in well-functioning and prosperous societies.

Healthcare system in the United States has a long heritage. It is well-established due to primary and preventive healthcare. As a result, it sophisticates occupational health standards. Moreover, the markets have less impact on the functioning of the healthcare system. Additionally, equality and equity are prioritized at the political level, as well as productivity and efficiency (Larsen et al., 2015). For instance, Finland and Denmark have achieved minimum patients' attendance time and improved hospital productivity. Additionally, Iceland, Norway, and Denmark do not charge variable hospital fee.

Protecting workers is inevitable for any business – especially precarious workers. *Occupational Health and Safety Act (OHSA)* sets minimum requirements concerning safety in the workplace: *the Employment Standard Act (ESA)* sets minimums protections like hours at work. Furthermore, the government introduced exceptions to workers from sectors like construction and agriculture. The workers have been protected from the employer's

misconducts like terminating their employment or punishing them when they complain. The laws are put in place to provide wide protection to the worker, and they are working to sort issues concerning the legal framework, as some temporary workers do not qualify for ESA benefits. Along with that, new protection programs should be created. Moreover, they should be influenced to join workers unions to express their problems as one group. It is also important to include precarious work in the country's labor laws and the government should be influenced to do a review on alternative models to the traditional unions to help vulnerable workers in working environments.

Conclusion

Government regulations on permits and licensing, taxes, consumer advertising, environmental legislation, and employment laws play a critical role in the success of small businesses in the United States. Consistently, even though these regulations are meant to bring about sanity in small business enterprises, they can have negative or positive impacts on the business entities (Strategic Management Insight, 2013). The many licenses required are costly, which make it hard for many people intending to start a business giving up on their dreams. In addition, high taxation collected by different government agencies increases operation costs making it hard for these businesses to attain their bottom lines. Labor laws ensure employees are not discriminated or exploited. Despite the high cost of regulations, the stringent measures imposed by the government help create a suitable environment for businesses to thrive.

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