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Paychex Survey Finds Majority of Small Business Owners Optimistic About Growth, Concerned About Increase in Government Regulations

ROCHESTER, N.Y.--(BUSINESS WIRE)-- Results released today from a nationwide survey commissioned by Paychex, Inc. (NASDAQ:PAYX) show that half of small business owners (50 percent) express optimism about their prospects for growth in 2011. At the same time, 47 percent report that recent government regulations have slowed or prevented growth.

Tax changes (56 percent), healthcare reform (39 percent), and state regulations in response to budgetary challenges (25 percent) were cited as the top three regulatory issues most impacting small businesses. The research found that 61 percent of respondents have seen more government regulation over the past five years.

In addition to gauging their perspectives on government regulations, respondents were asked to identify the business issue that "keeps you up at night." Uncertainty about the economy and consumer confidence, the need to add customers and revenue, and concerns over cash flow were among the most-cited responses.

"After several extremely difficult years for small businesses, 2011 is shaping up as a year when indicators of progress and growth appear to be moving in the right direction for many categories of small business," said Martin Mucci, Paychex president and CEO. "While regulation clearly weighs heavily on the minds of small business owners, optimism for growth and plans for adding employees bode well for small businesses in particular and the U.S. economy in general."

The survey was conducted from February 16 through March 1, 2011 with 565 randomly selected owners of small businesses with 50 or fewer employees. Participants in the survey were not necessarily clients of Paychex, a leading provider of [payroll](#), [human resource](#), and [benefits outsourcing](#) solutions for small- to medium-sized businesses.

Results Differ by Company Size

The survey shows significant differences in opinions and outlooks among small business owners with fewer than 5 employees and those with 5 to 50 employees. For example, owners of companies with 5 to 50 employees were 14 percent more optimistic about their prospects for growth than their counterparts at smaller businesses. And while 22 percent of all small businesses surveyed plan to hire in 2011, the number rises to 46 percent for companies with more than 5 employees.

Respondents were also asked their opinions about employee benefits. Fifty-nine percent of small business owners deem offering health insurance to be important, while 47 percent

consider it important to offer retirement benefits. However, only 29 percent and 17 percent of all small business owners offer health insurance and 401(k) benefits, respectively. Among companies with 5 to 50 employees, 57 percent offer health insurance, with 13 percent planning to do so soon, while 39 percent offered 401(k) plans.

"While concerns about cost likely serve as a barrier to offering benefits for small business owners, the costs may not necessarily be as burdensome as owners might think," said Mucci. "For example, we have found that by working closely with health insurance providers and our clients, we can develop health insurance programs that are affordable for small businesses and help them meet their goals of providing adequate coverage."

Administrative Paperwork a Distraction

Another cost incurred by small business owners, time spent on non-core business activities, was examined. The survey found that government regulations, benefits administration, and related issues have increased the amount of time small business owners spend on administrative work.

Among companies with 5 to 50 employees, nearly two out of five companies (39 percent) saw the time it took to handle administrative tasks increase over the last five years, with 21 percent considering outsourcing these tasks. Health care administration was identified as the most cumbersome issue to manage by 38 percent of owners of companies with 5 to 50 employees. Human resources was considered difficult to manage by 30 percent of those respondents.

Survey Methodology

Research was conducted online by Eric Mower and Associates, an integrated marketing communications and research agency, on behalf of Paychex among 565 small business owners (50 or fewer employees) within the United States between February 16 and March 1, 2011. The 565 responses equate to a plus or minus 4.125 percent margin of error at the 95 percent confidence level. Responses from small businesses with between 5 and 50 employees equates to a plus or minus 7 percent margin of error at the 95 percent confidence level. Respondents were invited to participate in the survey through an email invitation.

About Paychex

Paychex, Inc. (NASDAQ:[PAYX](#)) is a leading provider of payroll, human resource, and benefits outsourcing solutions for small- to medium-sized businesses. The company offers comprehensive payroll services, including payroll processing, payroll tax administration, and employee pay services, including direct deposit, check signing, and Readycheck^(R). Human resource services include 401(k) plan recordkeeping, section 125 plans, a professional employer organization, time and attendance solutions, and other administrative services for business. A variety of business insurance products, including group health and workers' compensation, are made available through Paychex Insurance Agency, Inc. Paychex was founded in 1971. With headquarters in Rochester, New York, the company has more than 100 offices serving approximately 536,000 payroll clients nationwide as of May 31, 2010. For more information about Paychex and our products, visit www.paychex.com.

Source: Paychex, Inc.