

## In this issue

### ▶ Cutting red tape

# The cost of compliance revisited



**Back in 2009, we asked you for your experiences of adhering to the many rules and regulations facing business owners in a highly-governed trading environment.**

The results were quite shocking – we found that small business employers devote an average of 37 hours each month to complying with various types of legislation. That's a whole working week – albeit a short one by most businesspeople's standards – spent on nothing but bureaucracy!

By converting the amount of time Forum members spent on complying with regulations into costs, we found that red tape was costing small business employers almost £12 billion per year.

Perhaps unsurprisingly, employment law emerged as the most time-consuming type of legislation, costing small businesses £2.4 billion per year and taking up ten hours of the average business owner's time each

month. Health and safety administration came a close second, costing £2.1 billion and taking up eight hours a month, while tax was the third most onerous category, coming in at £1.8 billion per year and taking up an average of seven hours each month.

Building and property regulations, standards and environmental regulations also emerged as persistent bugbears for Forum members.

Now, once again, we're asking you to tell us what impact red tape has on the running of your business. We want you to tell us what could realistically be done to make red tape less of a problem for your company – can you suggest specific regulations which could be simplified or streamlined, or perhaps scrapped altogether?

We will use the information to gauge whether, two years on and with a new government in power, the burden of compliance has increased or decreased.

We will also measure the broader costs involved with compliance, in terms of the amount small to medium-sized enterprises (SMEs) spend on external consultants and the numbers of SME employees and directors who are involved in the process.

Please take a few minutes to complete the enclosed questionnaire. As always, your input will be greatly appreciated and will help us to put across the strongest possible case for freeing you and your fellow small business owners from the tangle of red tape you currently face.

## Red Tape Challenge

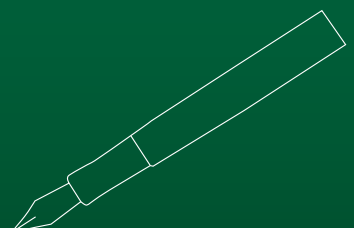
**Clearly, a lot of the regulatory framework facing small businesses is here to stay; however the Coalition has recently launched the Red Tape Challenge website which aims to review the stock of more than 21,000 statutory rules and regulations active in the UK today.**

The priority will be to focus on regulations that are known to place the biggest burdens

on businesses and society.

Would you like to tell the Government which regulations you want to see simplified or scrapped? The Red Tape Challenge website allows you to do exactly that. Working on a sector-by-sector basis, the site asks for suggestions from business owners on how particular pieces of legislation can be improved or removed.

Find out more about the Challenge at [www.redtapechallenge.cabinetoffice.gov.uk](http://www.redtapechallenge.cabinetoffice.gov.uk).



# Recent Forum research

## Red Tape Panel

### At the Forum, we conduct in-depth, qualitative research into compliance-related issues through our Red Tape Panel.

When we surveyed our members in November 2010, just under 90% of respondents said they felt that the individuals and organisations behind new legislation do not understand the needs of small business employers.

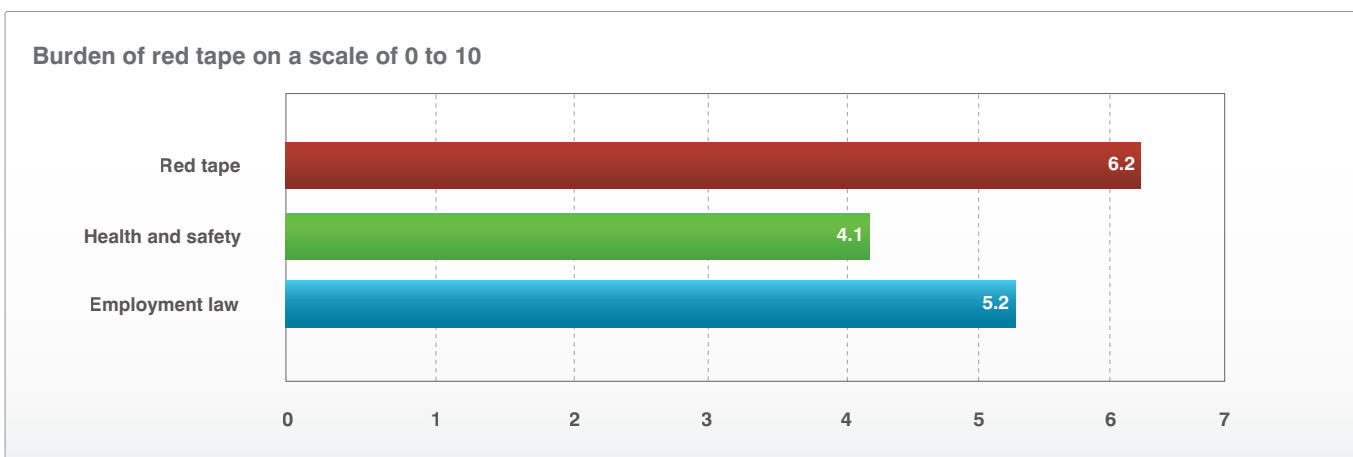
Respondents also felt that there were not enough restraints to prevent legislators inadvertently introducing rules that help a certain proportion of businesses at the expense of others. Generally, this involves larger businesses exploiting tax loopholes in order to give them an advantage over their smaller competitors, but it can also be a 'scattergun' effect, where some SMEs benefit and others don't.

By comparing the findings of the Panel with those of our Health and Safety and Employment Law Panels, we also made an interesting discovery. Generally, it appears that, while business owners feel too much of their time is taken up by complying with health and safety regulations and employment-related laws, they do appreciate why

they exist. However, Forum members are more resentful of the various other types of legislation in existence as business owners often fail to understand the reasoning behind them.

In summary, members of the Panel wanted to see:

- ▶ A change of culture, using more common sense and less criminalisation over slight mistakes.
- ▶ Greater understanding of the impact legislation has on smaller businesses.
- ▶ The administrative work required to prove compliance with legislation limited as much as possible and action taken to deal with laws which conflict with or duplicate each other.
- ▶ Greater balance in legal disputes between business owners and government agencies (e.g. HMRC) or disgruntled employees.
- ▶ Legislators accepting that, due to their size, smaller businesses can undertake actions informally with more success than more formal methods.



## Employment Law Panel

### Know your rights! The 'Employer's Charter'

During a recent study, members of our Employment Law Panel gave a warm welcome to the Employer's Charter – a document published by the Government to raise awareness among business owners of their rights in the workplace.

The Charter aimed to dispel some commonly-held myths about the restrictions employment law places on businesses and reminded SMEs of things such as the legality of dismissing poorly-performing employees, and their ability to make redundancies in the face of difficult trading conditions.

Panel members felt that, although the measures were already available in law, the document was generally very useful, as it highlighted the abilities of employers to take remedial action and balanced out the constant, and sometimes misleading, focus on employee rights.

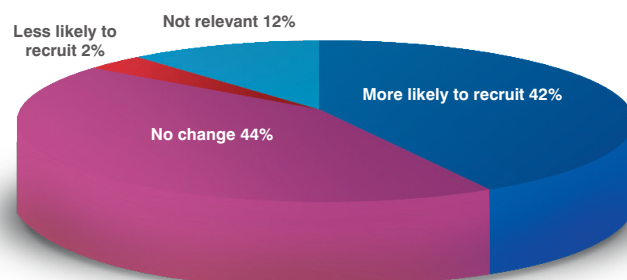
However, it was noted that many of the rights highlighted in the charter are rarely clear-cut from a legal perspective, as they require careful adherence to complex legislation.

Additionally, panel members reported that, irrespective of the Charter,

more action is needed to balance the rights of individual employees against the rights of the wider business – both the employer and other employees.

Some panel members felt the Charter was a gimmick at a time when employee rights are constantly being extended as a result of the Government passing European legislation into UK law.

Nevertheless, 42% of respondents to last quarter's *Referendum* ballot felt that the Charter would have a positive impact when deciding whether or not to increase their employee headcount in the future.



## Resolving workplace disputes

### The Employment Law Panel also found that the vast majority of workplace disputes are handled internally by small businesses.

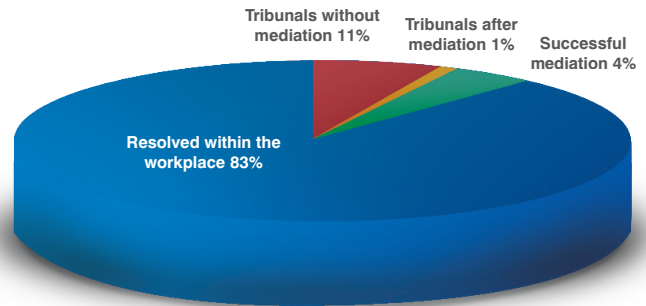
Forum members find that the best ways of resolving workplace disputes do not tend to involve lawyers or consultants.

However, business owners on the Panel feel that there is little recognition for the work they do and that the 'tick-box' approach of the tribunal system discriminates against the informal methods that smaller firms can operate, due to the closer relationship of employer and employee.

The introduction of pre-claim conciliation, proposed via a recent government consultation, was generally thought of as positive. However, the suggested timeframe of a month was thought to be excessive as respondents felt it needed to be faster or it could lead to another level of bureaucracy and hold cases up.

Three quarters (76%) of panel members said they prefer mediation to tribunals, although 20% felt that, as soon as a case was escalated

externally, they were likely to lose out because of cost and time. Reducing the number of frivolous and spurious cases was the most helpful measure proposed by the government consultation, although owners were concerned about whether judges would understand the more informal methods of compliance that are more appropriate for smaller firms.



## Health and Safety Panel

### Proposals to overhaul health and safety laws prove popular with business owners.

We recently asked members of our Health and Safety Panel what they thought of the recommendations included in the recent Lord Young report.

Experienced businessman and ex-minister Lord Young was hired by the Government to carry out a review of health and safety regulations last autumn. Forum members on the Panel broadly supported the recommendations for regulatory simplification and reduction he made in his report, which was entitled 'Common sense, common safety'.

At 83%, eight in ten panel members described the recommendations as 'positive' or 'very positive'. Members felt that the consolidation of regulations into a single set of accessible ones and the focus on keeping UK health and safety laws internationally competitive were helpful.

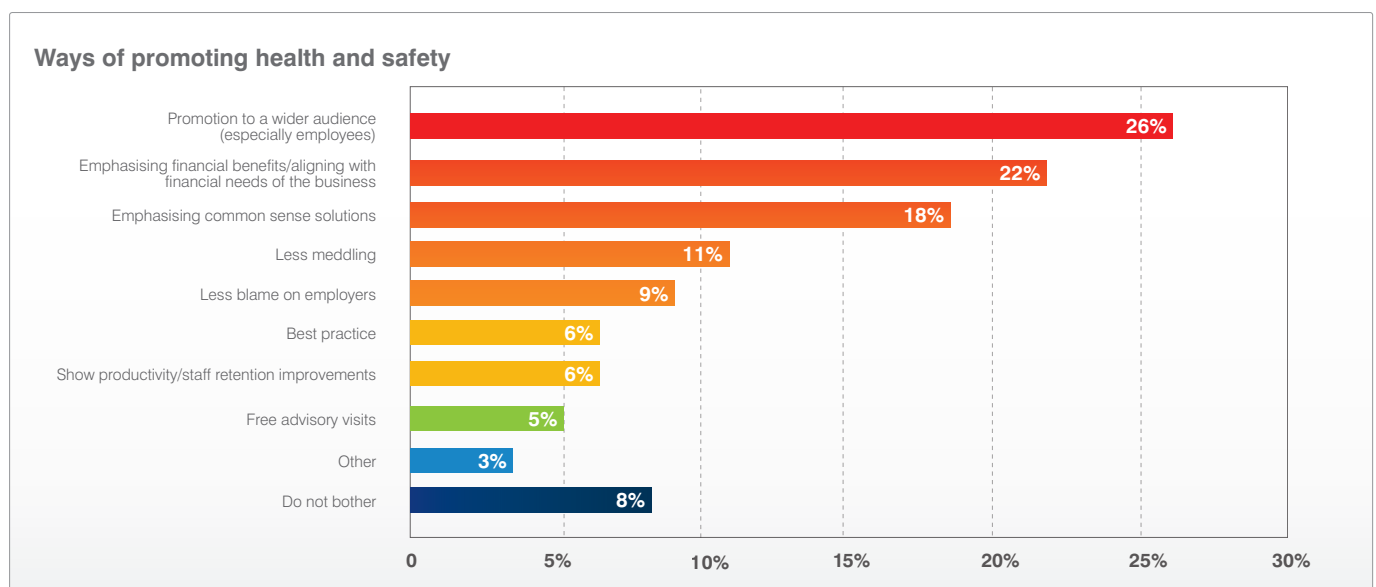
However, there was a degree of suspicion over another of Lord

Young's ideas – the use of a single government-recognised system for the accreditation of health and safety consultants. Panel members felt that this would actually increase the time and money they were forced to spend on compliance.

The desire among panel members for less health and safety-related administration was tempered by a concern that this would leave them open to vexatious legal claims that they would not be able to defend.

Our members also felt that health and safety should be much more closely aligned to the financial requirements of their businesses as good workplace safety will pay for itself. They also want employees to take greater responsibility for their own actions, rather than the widely-felt perception that the employer is automatically to blame for any accident or injury.

The Forum will be feeding this and other information into the Löfstedt Review – a new and independent review into possible ways of reducing business-related health and safety legislation, led by Professor Ragnar Löfstedt – which reports back in the autumn.



# Referendum 195 results

**In last quarter's ballot, we wanted to focus on senior management training as this was a gap identified by our Training and Skills Panel.**

Member responses indicated that business owners felt they needed most help with sales and marketing support delivered to senior managers, with leadership and management also important. Accessing additional finance was the type of business support that respondents were most likely to look for externally.

Respondents varied in to how they wanted this support delivered; informal advice, coaching, training courses or formal advice and consultancy. Since we sent out the ballot, the Government has announced that there will be a leadership and management programme offering leadership training and coaching for SMEs.

Retention of staff is a key issue for many of our members; almost half of respondents indicated that they were introducing

measures to improve morale, such as events, internal training and various employee benefits, although owners were worried about whether some offerings could be seen as disguised remuneration by HMRC.

Overall, business owners were happy with their chosen recruitment methods, with word of mouth being seen as particularly effective. They were less sure about the effectiveness of social media and recruitment consultants.

Owners felt that recruitment could be improved by the recruitment process being greater value for money (13%) and reducing the time spent internally on vetting candidates (9%).

Our members wanted their elected representatives to focus on making red tape fairer (20%), simplifying employment law (13%) and giving the Employer's Charter more weight by making the procedure simpler (8%). As a result, in this issue we

are focusing on the cost of compliance to give us up-to-date information on the costs that businesses have to bear in complying with measures supposedly designed to help owners run their businesses.

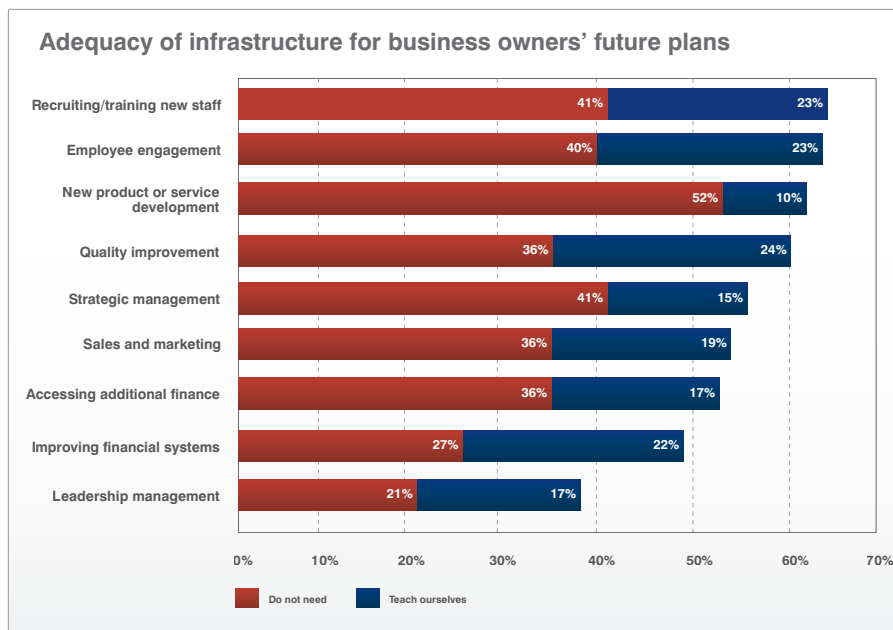
The full report on results from the *Referendum 195* ballot is available on our website at [www.fpb.org/referendum](http://www.fpb.org/referendum).

## Tell us what you think!

This quarter, we're asking you to tell us what impact red tape has on the running of your business. We will use the information to gauge whether, two years on from our previous research, and with a new government in power, the burden of compliance has increased or decreased.

If you could spend a few minutes completing the ballot, with however much information you feel you can provide, we would be very grateful.

Return it by **Monday, 20 June 2011** and your feedback on this issue will allow us to lobby more effectively for a proportionate and effective regulatory framework.



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