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The business people – an extension to your team

## **Referendum 196 report**

### **The Cost of Compliance**

**July 2011**

The Forum of Private Business is a proactive, not-for-profit organisation, providing comprehensive support, protection and reassurance to small businesses. We add value to businesses through the collective voice for members in local, central and European government, and the provision of tailored solutions that promote business success.

We conduct research throughout the year and our quarterly *Referendum* newsletter forms part of our regular consultation with a proportion of our members; in it we ask some key questions that help define our campaigning priorities. We use the results to facilitate dialogue between our members and their constituent MPs, MEPs, and Scottish and Welsh representatives.

For the latest quarter's *Referendum*, we surveyed 4,800 of our members during May/June 2011 to what the true cost of compliance was to their business. The questionnaire used was based on a previous study to the same sample in 2009.

## Summary of the results

The cost of compliance has risen to £16.8 billion in total, with a total of £11.0bn for internal salaried costs and £5.8bn in external support. This is equivalent to £14,200 per small business (£9,300 in internal compliance costs and £4,900 in external costs). However the cost for each business owner feels much higher as the opportunity costs of internal compliance are £29.8bn or almost three times the actual salaried costs.

Major costs are health and safety (3.8bn), employment law (4.2bn) and tax compliance (5.1bn). The internal cost of tax compliance has dropped significantly with much more being outsourced to accountants and tax specialists despite the campaign for tax simplification. Internal costs make up 74% of employment compliance costs, 82% of health and safety costs and 35% of tax compliance costs.

Smaller firms want a more realistic assessment from legislators and enforcers about what they can and should do in terms of compliance. Enforcement officers are not incentivised to support businesses in compliance when this is needed as Business Link is scaled back and support from HMRC (in terms of local tax offices and their helpline) is insufficient.

There is a general feeling that although legislation has helped in some areas of management, the time and costs involved in compliance have become excessive. 21% felt that the time and cost spent complying with legislation had meant poorer business performance, 18% felt that it had an impact on the motivation and even health of their team and 5% felt that compliance hindered employment opportunities in the future.

Although the actual amount spent on compliance has remained fairly consistent with an increase of just 4%, over the last two years 84% of businesses had seen an increase in the amount of time spent by the business in complying and 67% had seen an increase in the costs of external support.

36% of businesses felt that there was a decrease in their control of the organisation as a result of regulatory compliance, whilst 16% had seen an increase in their control over the business.

The number of people within the business involved in compliance has not changed significantly although the proportion of businesses where the owner alone can deal with compliance has dropped. There has also been an increase in the number of businesses who feel that all staff are responsible for compliance. Greater delegation is important as the cost of compliance has increased by 1%, however during this time the real economy has contracted significantly.

There is increased frustration with the Government's aims of reducing red tape after several years of apparent inaction and in fact there is strong justification in stating the legal obligations on smaller businesses have increased. There has also been no improvement when new laws are introduced in terms of funding support, clarification on how these new laws fit in with current legal requirements or advice on how to comply with legislation.

## Policy recommendations

The frequent and overlapping nature of local inspections was highlighted by members. The Local Better Regulation Office (LBRO) has improved this situation in a number of areas over recent years but faces threats to its independence when it is moved into the Business, Innovation and Skills department. The LBRO must continue to exercise authority following that move and continue to improve the primary authority scheme to ensure consistent and proportionate inspections. Targeted support, sympathetic enforcement and grading of compliance would be helpful for businesses.

The Regulatory Policy Committee has been established to ensure legislators take full account of the impacts of regulation on small businesses. We fully support its work and rejection of inadequate impact assessments and recommend it continues to refuse to endorse any regulations that have not taken the small business impact adequately into account.

The perceived failure of legislators to understand small business is a prominent feature of the responses. The Forum has recently launched a 'Business Buddy' scheme to foster working relationships between MPs and businesses in their constituency. This, together with programmes like BIS outreach and the Industry and Parliament Trust, will continue to build political understanding of the costs of compliance for smaller businesses.

Around 40% of respondents to the questionnaire were unable to suggest regulations that could be scrapped to reduce the time they spent on compliance. This calls into question government efforts to engage many small businesses in scrapping specific regulations. The Red Tape Challenge is a website which the Government is encouraging people to visit to make recommendations as to which of the 21,000 pieces of legislation can be scrapped. However, like other crowd sourcing initiatives before it, is open to abuse from specific interest groups and as a consequence a very small proportion of comments have come directly from business. We recommend that the Government, in reviewing comments on the site and thereafter which regulations to repeal, takes account of and navigate around interest group campaigns to derail the deregulatory ambitions.

## Impact of legislative compliance

*"It has made us very aware which is a good thing but it is a constant and draining worry in case we get things wrong." Member response*

We asked our members what the impact of compliance was for their business. There was a wide and varied response although the three most frequent responses of time, cost and business performance are consistent with previous reports.

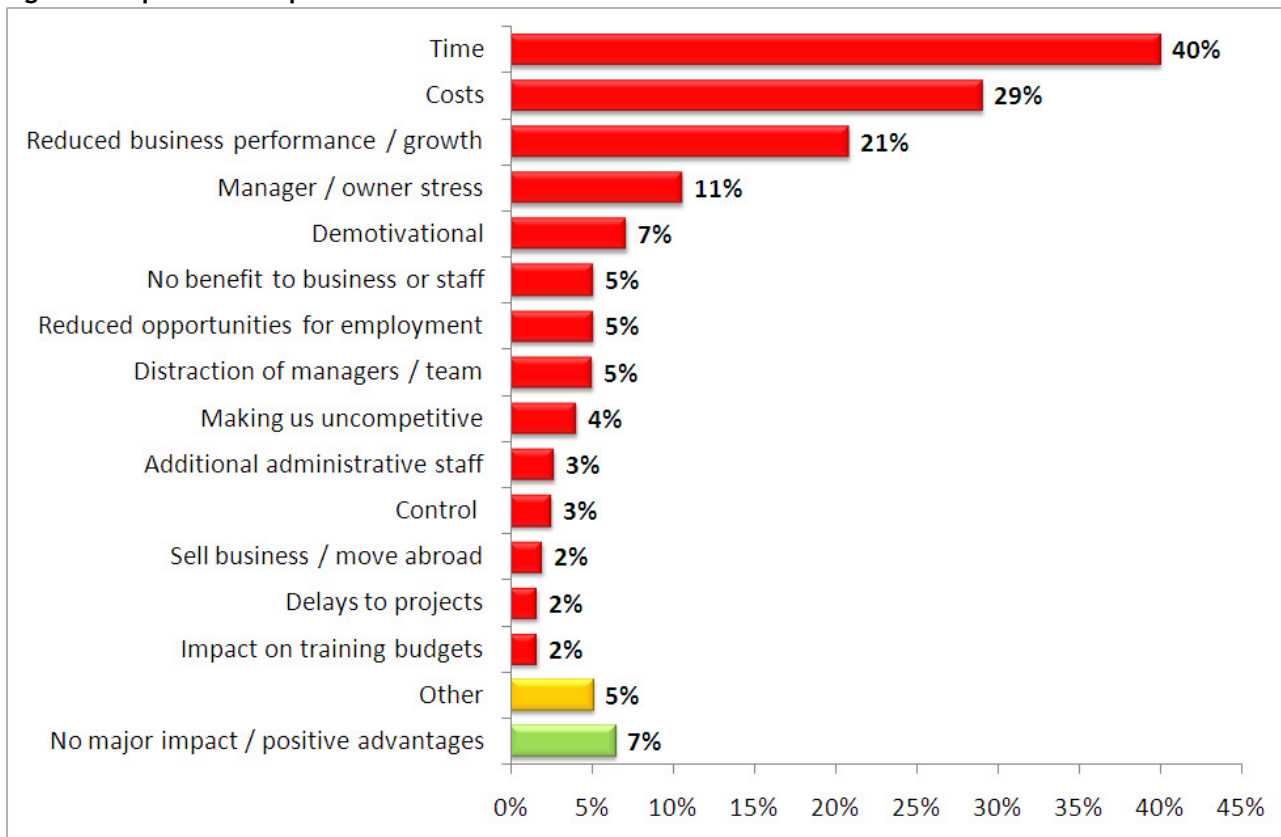
*"We have had to put policies and processes in place to ensure compliance. These are now built into our business improvement and quality management system. Overall positive outcome of having to grasp some nettles and implement." Member response*

7% reported that there were no major compliance issues and that there were positive advantages to being compliant other than just not breaking the law. For most businesses this allowed them to have a general framework for making difficult decisions whilst others reported that it gave them control over other management issues.

*"Costly and time consuming, harder to keep up with ever-changing regulations we are forced to use outside consultants otherwise there would be no time to run the business." Member response*

Unsurprisingly, cost and time remain the biggest problems caused by having to comply with the regulations. During a recession cost and management time are at a premium as they are needed to minimise the damage to the business, develop the business and to maintain quality standards.

**Figure 1 Impact of compliance on the business**



*“At times all the minor pointless regulations we have to deal with at times almost reduce the profit margins to nil”.* **Member response**

We can report that the cost and time spent on compliance has impacted on the financial performance of businesses. 1 in 5 businesses stated their profitability or ability to grow and invest had been damaged, leaving less than 1% seeing a financial benefit to compliance.

*“Using valuable time rather than growing our business. We are reluctant to increase staff levels as getting rid of incompetent staff is far too complicated.”* **Member response**

3% of businesses stated that they had had to hire more administrative or non-productive staff, adding costs to the business, and 5% stated that compliance had reduced the opportunities for direct employment into the business.

*“Business is not easy or fulfilling like it used to be. It isn't normal to take a chance on instincts anymore as any good ideas get bogged down with legality and bureaucracy.”* **Member response**

As important is the morale of the management/compliance team, of which 11% reported that they were suffering stress from longer hours or that the compliance requirements were draining. 7% felt that the administrative requirements were demotivating for their employees and supervisors.

*“I have to make sure I belong to trade associations like the Forum of Private Business and the BHF to keep up to date on everything because you can't rely on organisations like trading standards to be up to date on information”* **Member response**

Lack of support from compliance bodies also impacted on the stress and demotivation felt by business owners. Part of the problem appears to be that the law makers and enforcement officers do not seem to understand smaller firms and introduce laws or gold plate them to such an extent that any benefits for the organisation are outweighed by costs. One business reported that it had been forced to make half its staff redundant over a failure of compliance which led enforcement bodies to take disproportionate action. 5% of businesses reported that many of the technicalities of the laws may be highly useful for organisations with a remote management team or businesses with branches across the country, but are simply not relevant when a business owner is so close to the workforce.

*“[Regulation] increases cost of services which is not acceptable to many clients who do not understand the costs. Time and money continuously allocated to compliance issues. Training ongoing to keep up to date.” Member response*

Some business owners have had to minimise training for staff as training budgets are spent elsewhere, or other budgets are raided to put individuals through expensive health and safety or other compliance courses, even when the business owner has an unblemished record.

**Figure 2 Impact of compliance on the business in terms of cost, time and control**

	Increased	Decreased	Stayed the same	Do not know
Time spent by the business in complying	84%	0%	15%	1%
Cost of external support in complying	67%	1%	30%	2%
Control over the business	16%	36%	46%	3%

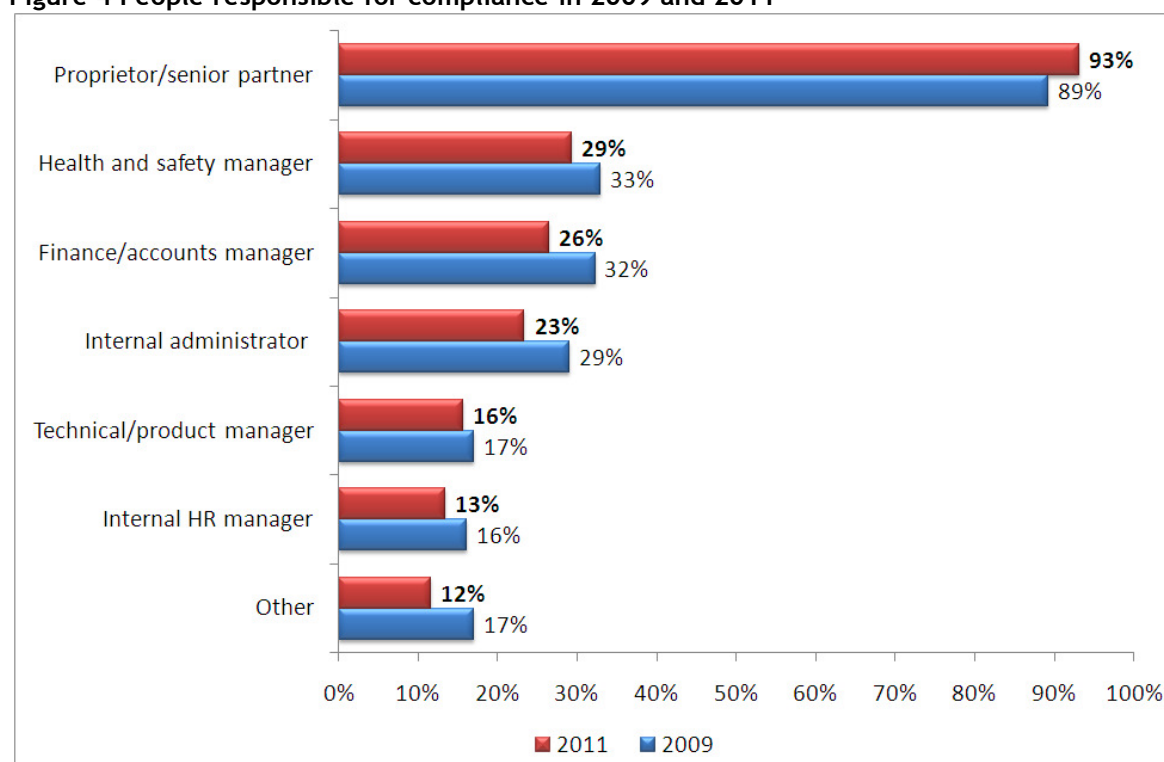
84% of businesses feel that the time spent by the business in complying has increased. Two thirds have also seen costs increase in external support in complying with legislation. Some businesses recognise benefits to compliance (16%) but in general, business owners are negative over the impact of regulation on the control of their business.

**Figure 3 Responsibility for compliance**

	2009	2011
One person	34%	26%
Two to four people	47%	60%
Five to nine people	11%	8%
10 or more people	7%	6%
Average number of people	3.41	3.38

Although the average number of people involved in compliance has not changed significantly, the impact of the recession has been that there are fewer people with specialist functions within the company (e.g. HR manager or health and safety manager) responsible for compliance. There has however been greater delegation upwards to directors and senior partners.

**Figure 4 People responsible for compliance in 2009 and 2011**



## Time spent on compliance

Businesses overall now spend almost 10 hours a month on health and safety compliance and 12 hours on employment law. Compliance with taxation has dropped to 6.3 hours or just under 1 day. Manufacturers, construction companies and businesses involved in health or care services are most likely to spend longer than average on compliance.

**Figure 5 Time spent on compliance by industry**

	Totals	Manufacturing	Construction	TRAD	Services
Health and safety	9.7	14.3	9.9	7.0	10.4
Dismissals and redundancy	1.6	1.9	1.8	1.1	1.8
Absence control and sickness	1.9	2.4	1.6	1.7	2.1
Maternity, paternity and flexible working	1.5	1.6	0.9	1.1	2.1
Discipline and grievance	1.8	2.4	1.6	1.7	1.9
Holidays, salaries and other employment matters	5.0	6.8	4.6	4.8	4.7
Total employment law	11.9	15.0	10.5	10.5	12.5
Environment/waste	2.9	2.9	5.6	3.0	2.0
Equality and diversity	1.1	0.9	1.0	0.9	1.3
ISO/Industry specific standards	3.5	3.7	6.0	2.6	3.4
PAYE/National insurance and other tax matters	6.3	5.7	6.7	5.8	6.7
Building and property	2.8	2.0	1.7	3.0	3.2
Total compliance	38.1	44.6	41.3	32.7	39.4

There is an increase in the time spent internally according to the size of business. There is however a noticeable increase in the time spent on health and safety when a business has more than 5 employees as they are required to provide written records and this is examined later in the report.

**Figure 6 Time spent on compliance by size of company**

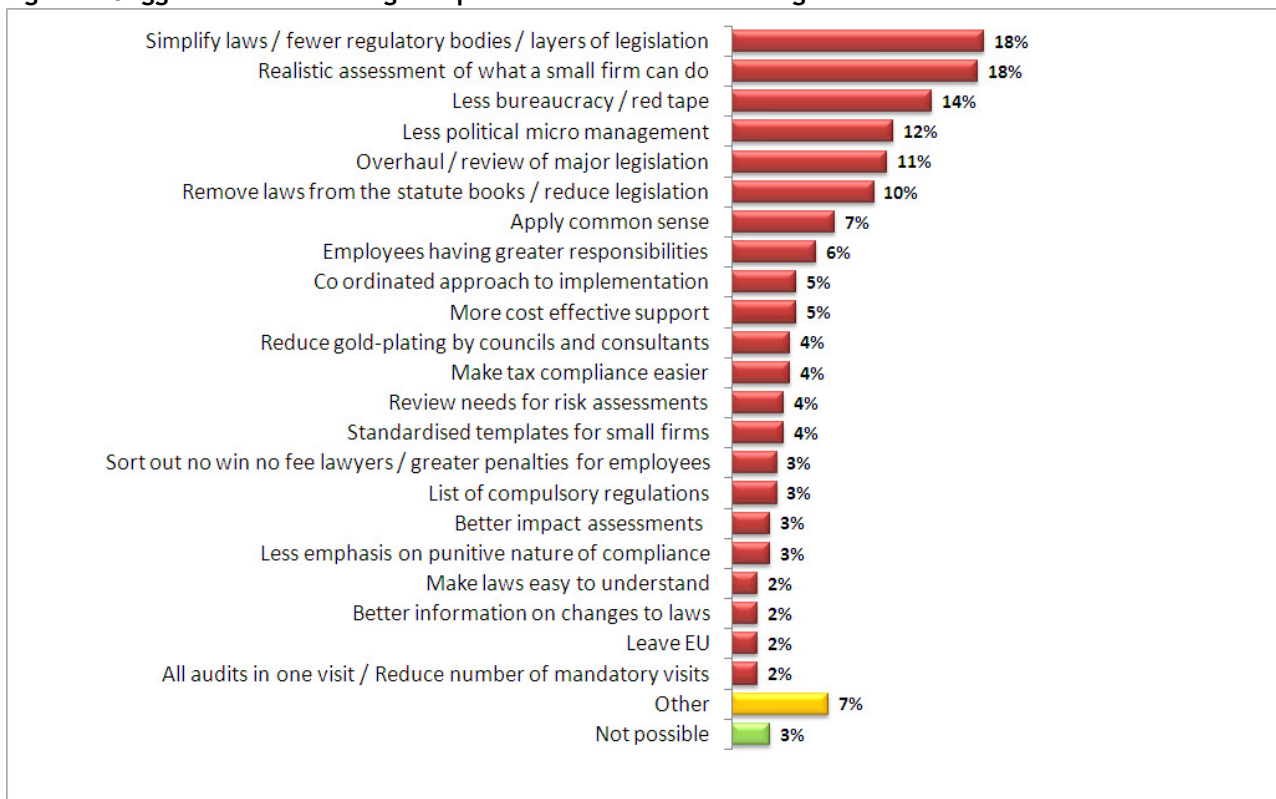
	Totals	Under 10	10 to 49	Over 50
Health and safety	9.7	8.3	15.8	22.4
Dismissals and redundancy	1.6	1.3	2.9	4.0
Absence control and sickness	1.9	1.6	3.4	5.0
Maternity, paternity and flexible working	1.5	1.2	2.8	5.1
Discipline and grievance	1.8	1.4	4.0	5.8
Holidays, salaries and other employment matters	5.0	4.1	9.2	13.0
Total employment law	11.9	9.6	22.3	32.9
Environment/waste	2.9	2.8	3.6	4.5
Equality and diversity	1.1	0.9	2.0	2.4
ISO/Industry specific standards	3.5	2.9	6.1	9.2
PAYE/National insurance and other tax matters	6.3	5.5	9.6	12.2
Building and property	2.8	2.6	3.4	4.8
Total compliance	38.1	32.7	62.9	88.4

## Making compliance less time consuming

We asked business owners what they felt would make compliance less time-consuming for their businesses. Around 40% of businesses did not reply to this question, indicating the complexity of the issue. 3% stated simply it was not possible with a further 2% stating that leaving the EU was the only way to resolve the issue.

*“Nothing short of a complete review of all regulations, it has become a burden and most definitely stifles growth”. Member response*

**Figure 7 Suggestions for making compliance less time consuming**



*“A clear understanding of which requirements are in fact compulsory such as PAT testing and several health and safety myths promoted by various consultants and organisations who are in the business of selling these services and which are not necessary.” Member response*

18% wanted laws simplified with fewer regulatory bodies or layers of legislation. There was a feeling two bodies assessing the company on similar standards caused inefficiency. A simplification of laws would also clarify for businesses what they actually need to do, with almost 6% of respondents stating advice given on employment law or health and safety varied from body to body. 4% of businesses wanted standardised templates for smaller employers and 3% wanted a list of compulsory regulations.

*“A small firms’ charter which recognises the limitation of a single manager’s challenge to conform and comply in the way that a large company employing HR, H & S specialists departments can do so.” Member response*

18% also felt lawmakers should have a more realistic understanding of what was possible for business owners to do. A number of owners felt that they were having to prioritise compliance with key legislation but even then were fearful of a tribunal or audit. 5% of these businesses felt that requirements should be reduced for businesses with less than 5, 10 or 20 employees depending on their size and a minority (2%) felt they were not competing on a level playing field with non employers. Businesses felt that tribunals did not take into account the size of the business in their decisions, failing to factor in a reasonable level of compliance for the owner. As a result, some companies have chosen to de-risk the business by minimising the number of people they will employ in the future.

*“Simplify employment law to make it easier to dismiss, this will lead to a greater desire to employ, reducing unemployment. At present we only employ people if we really do need them because of the risk.” Member response*

The economic need to cut staff has meant that administrative requirements for compliance have become more concentrated on individuals who find them frustrating and difficult to justify when they want to be focusing on business development. Nor could business owners understand why they had to continually

provide the same information to different regulatory bodies. Understandably, 14% wanted less red tape and bureaucracy surrounding compliance. There is also significant dissatisfaction with the first year of the Coalition and the last year of the previous Labour government over the lack of any meaningful reduction in red tape requirements. Whilst it may be too early to judge the current government on red tape, businesses were particularly concerned about the processes for dismissal/redundancy and the complexity of flexible working laws. It was also noted that some of the bureaucratic increase is due to large private sector organisations which have started demanding increased accreditation from their suppliers as a way of improving the perceived quality of their own services.

12% of business owners extended their complaints over micro management to politicians at Brussels. They felt that many new laws were not necessary but a knee-jerk reaction to a specific event. Business owners feel regulatory changes often do not have time to bed in and allow for a culture change within an organisation to take place before they are tinkered with and the organisation has to rewrite their internal processes.

Some businesses complained about industry specific legislation being contradictory or, in the case of legislation such as CQC or REACH requirements, as excessive. One in ten wanted a reduction in the number of laws they have to comply with, allowing them to more easily focus their efforts on clear responsibilities, rather than having to assess priorities from a huge volume of law. To that end, an additional 2% also complained that laws needed to be made easier to understand.

7% wanted legislation to assume a basic level of common sense among employees, avoiding employers having to spend time instructing them in matters which could reasonably be expected to be a matter of common sense. One or two business owners felt the common sense defence should also be extended to the general public to ensure, within reasonable limits, their own safety.

HMRC's computerisation programme in particular was seen as increasing the time spent on compliance rather than reducing it. Less than 1% felt that the computerisation had been an improvement, though this may be down to its recent introduction. More than three times this number mentioned that combining payroll taxes would reduce time spent on taxation compliance. Just under 2% felt that tax compliance could be improved by HMRC answering the phones more and some felt that more realistic reporting periods could be used in their situation. HMRC was also singled out - along with enforcement officers - as an example of an organisation which adopted punitive measures too quickly, creating a hostile environment and encouraging owners with compliance concerns to hide them rather than seek help.

Few businesses felt there was a coordinated approach to the introduction, justification and application of new laws. Around 2% felt that the Government should do this for them in a form of a standardised template for compliance whilst others felt more realistic impact assessments would help, sometimes with funding for smaller businesses to comply.

## Cost of compliance

We have produced three different estimates for the internal cost of compliance. These are:

- **Salaried costs** - this is based on the gross pay of staff according the Annual Survey of Hours and Earnings (ASHE). This measure was used in the 2009 survey and will allow costs to be compared.
- **Cost to the business** - an additional 17% to cover national insurance, pension contributions and associated costs. This measure gives an actual cost to the business and allows it to be considered in the same way as external costs.
- **Opportunity costs** - worked out based on the turnover created by each employee at a business from the Business Population Estimates in 2010 (BPE). This gives an idea of the difference of how business owners see the costs of compliance.

Overall, the opportunity costs lost through compliance were almost £30 billion for the UK's 1.17 million micro small and medium sized employers or an internal cost of £25,500. Actual salaried costs are lower at just under £11 billion at £9,400 per firm, whereas in terms of salaried cost the figures were closer to £8,000 per firm with an overall cost to micro, small and medium employers of £9.4 billion.

**Figure 8 Costs of compliance using different methodologies**

	Salaried costs	Cost to the business	Opportunity costs
Health and safety	2,384	2,789	7,575
Dismissals and redundancy	386	451	1,226
Absence control and sickness	479	560	1,520
Maternity, paternity and flexible working	380	444	1,206
Discipline and grievance	456	534	1,450
Holidays, salaries and other employment matters	1,230	1,439	3,906
Total employment law	2,930	3,428	9,308
Environment/waste	725	849	2,305
Equality and diversity	274	320	869
ISO/Industry specific standards	857	1,003	2,722
PAYE/National insurance and other tax matters	1,543	1,805	4,901
Building and property	683	799	2,170
Total compliance	9,395	10,992	29,850

There is a significant difference by industry. 32% of the cost of compliance for manufacturers was health and safety, compared to around a quarter for other businesses. Areas of the service sector had significantly different costs with care homes have high internal costs in comparison to office based commercial services provider. TRAD (transport, restaurants and distribution) spent slightly more on property and buildings. Construction (14%) spent more on industry specific standards than other organisations (under 10%).

**Figure 9 Cost (to the business) of compliance by industry**

	Total	Manufacturing	Construction	TRAD	Services
Health and safety	2,789	505	382	675	1,228
Dismissals and redundancy	451	66	68	109	208
Absence control and sickness	560	84	62	168	247
Maternity, paternity and flexible working	444	56	36	107	245
Discipline and grievance	534	85	63	162	224
Holidays, salaries and other employment matters	1,439	241	176	463	559
Total employment law	3,428	532	404	1,008	1,484
Environment/waste	849	101	217	288	243
Equality and diversity	320	33	38	90	159
ISO/Industry specific standards	1,003	129	231	245	398
PAYE/National insurance and other tax matters	1,805	203	258	555	790
Building and property	799	72	67	285	375
Total compliance	10,992	1,575	1,596	3,145	4,676

Businesses with fewer than 10 employees make up over 80% of the cost of compliance although on average it costs micro businesses less in terms of internal compliance than small and medium sized business. The cost of compliance for a micro business is £8,030, for small businesses £14,800 and £20,800 for large businesses.

**Figure 10 Cost (to the business) of compliance by size**

	Total	Under 10	10 to 49	50 and over
Health and safety	2,789	2,024	619	146
Dismissals and redundancy	451	311	114	26
Absence control and sickness	560	394	133	33
Maternity, paternity and flexible working	444	302	109	33
Discipline and grievance	534	339	157	38
Holidays, salaries and other employment matters	1,439	992	362	85
Total employment law	3,428	2,338	875	214
Environment/waste	849	676	143	30
Equality and diversity	320	227	77	16
ISO/Industry specific standards	1,003	702	240	60
PAYE/National insurance and other tax matters	1,805	1,348	378	79
Building and property	799	635	133	31
Total compliance	10,992	7,951	2,465	576

## Cost of external support

The total cost for external support is around £5.8 billion, adding a third onto the cost of compliance for small and medium sized entrepreneurs. Many have had to outsource as a cost cutting measure although others have had to do so because of the amount of red tape they have to deal with. In the 2009 survey the cost of external compliance was put at £2,100 however there was a feeling at the time that businesses had not included tax compliance in the figures. The current figure of £4,900 is significantly higher even allowing for this with other external support provision equivalent to £2,100.

There are a number of reasons why tax compliance will have increased significantly in this time rather than just a simple increase in accountancy fees. These include the closing of local tax offices and difficulty in contacting HMRC, issues with filing accounts online, annual changes to VAT and the requirement of banks and other financial institutions for more information about the business.

**Figure 11 Cost of external support by industry**

	Total	Manufacturing	Construction	TRAD	Services
<b>Value of the industry in £M</b>					
Health and safety specialists	986	111	243	205	427
Employment law specialists	752	99	109	218	326
Tax specialists and accountancy fees	3,315	424	537	1,101	1,252
Environmental and other consultants	758	105	206	171	277
Total	5,811	739	1,096	1,695	2,281
<b>Average cost per firm (£)</b>					
Health and safety specialists	833	764	1,478	533	872
Employment law specialists	635	684	663	567	665
Tax specialists and accountancy fees	2,800	2,926	3,263	2,864	2,557
Environmental and other consultants	640	725	1,248	445	565
Total	4,909	5,099	6,653	4,409	4,658

Construction companies in particular have seen the cost of compliance rise significantly. This may be because a much higher proportion of work is now public or public/private contracts which typically require more accreditation. There was also a split in terms of external contracts between office-based commercial services and the more heavily regulated service providers in health and education.

Unsurprisingly, larger businesses spend higher amounts on compliance. However, figures show there were noticeable increases between 5 and 6 employees (this is studied below) and at around 20-25 employees, when businesses were more likely to recruit specialist staff rather than give employees extra responsibilities.

**Figure 12 Cost of external support by size of business**

	Total	Under 10	10 to 49	Over 50
<b>Value of the industry in £M</b>				
Health and safety specialists	986	713	213	60
Employment law specialists	752	456	232	64
Tax specialists and accountancy fees	3,315	2,576	609	130
Environmental and other consultants	758	557	155	46
<b>Total</b>	<b>5,811</b>	<b>4,302</b>	<b>1,209</b>	<b>300</b>
<b>Average cost per firm (£)</b>				
Health and Safety specialists	833	721	1282	2,146
Employment law specialists	635	461	1397	2,313
Tax specialists and accountancy fees	2,800	2,602	3,665	4,684
Environmental and other consultants	640	562	933	1672
<b>Total</b>	<b>4,909</b>	<b>4,346</b>	<b>7,277</b>	<b>10,815</b>

## Changes in compliance

Comparing 2009 and 2011 there has been little change in the relative cost of compliance as the hourly rate of an owner/manager has not changed. The major increases are in health and safety and employment law.

*“The principal impact has been to ignore the vast majority of regulations - there are far too many to comply with”.* **Member response**

Tax matters have reduced significantly as businesses have outsourced some of their duties to third parties, whilst building and property costs have declined slightly as fewer businesses are looking to refurbish or extend their property portfolio.

**Figure 13 Comparison of cost (salaried) between 2009 and 2011**

	2009	2011	Change
Health and safety	2,072	2,384	15%
Employment law	2,394	2,930	22%
Environment/waste	783	725	-7%
Equality and diversity	367	274	-25%
ISO/Industry specific standards	939	857	-9%
PAYE/National insurance and other tax matters	1,826	1,543	-16%
Building and property	921	683	-26%
<b>Total compliance</b>	<b>9,302</b>	<b>9,395</b>	<b>1%</b>

Overall time spent on compliance has increased over the last two years. There has been a significant increase in small businesses, particularly amongst health organisations, but a decrease amongst medium businesses, which have been able to streamline processes more easily by reducing the hours of in-house specialists or using external consultants.

**Figure 14 Comparison of time spent on compliance 2009 and 2011**

	2009	2011	Change
Micro employers	32.9	32.7	-1%
Small businesses	48.0	62.9	31%
Medium business	131.4	88.4	-33%
Manufacturing	34.7	44.6	29%
Construction	36.6	41.3	13%
TRAD	32.8	32.7	0%
Services	40.9	39.4	-4%
Total	36.8	38.1	4%

There has also been an increase in the cost of compliance to manufacturing, where flexible working rights can cause problems for assembly lines and construction companies. According to anecdotal evidence there has been a greater demand by the supply chain (public and private) for administrative evidence of competency. Offices in particular have seen a reduction in the requirements on their business.

**Figure 15 Comparison of the time spent on compliance (unweighted) since 2007**

	2007	2009	2011	Difference
Employment law	12	13.6	16.0	18%
- Dismissals and redundancy	5	1.9	2.2	16%
- Discipline and grievance		2.2	2.8	27%
- Absence control and sickness	4	2.4	2.6	8%
- Maternity, paternity and flexible working	3	1.6	1.9	19%
- Holidays, salaries and other employment matters	n/a	5.5	6.5	18%
Health and safety	14	11	11.8	7%
Environment and waste	n/a	3.4	3.0	-12%
Tax, PAYE, National Insurance	15	7.8	7.1	-9%
Industry/trading standards	n/a	4.8	4.4	-8%
Building and property	n/a	4.3	3.2	-26%
Equalities and diversity	n/a	1.8	1.5	-17%

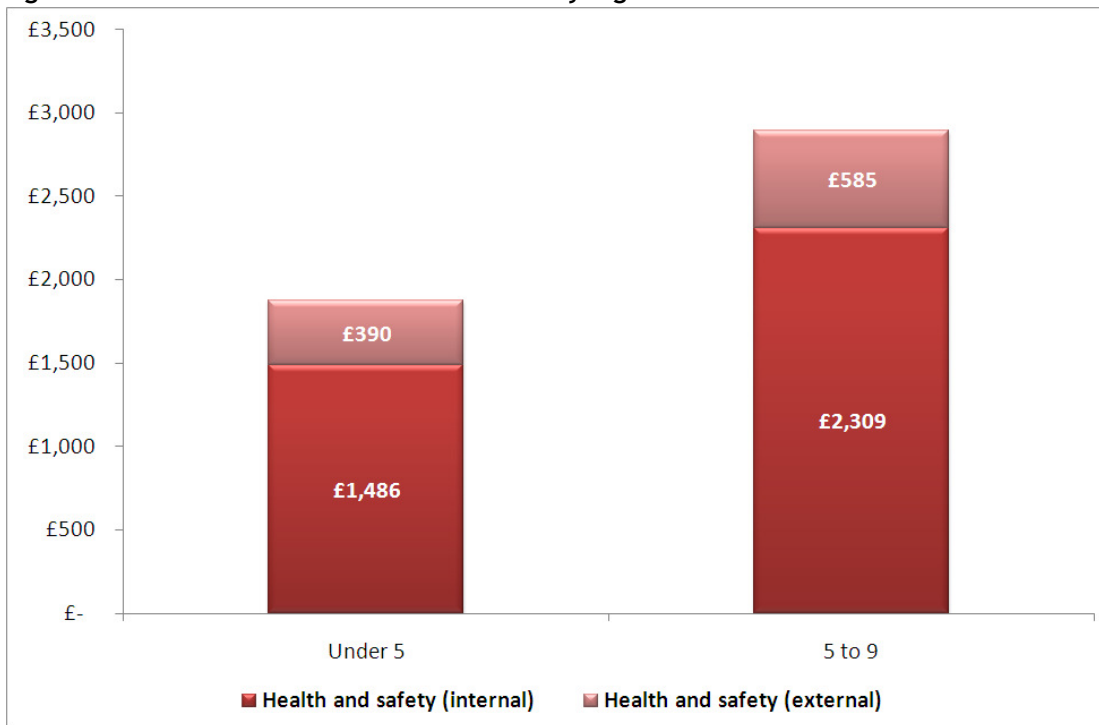
## Compliance and growth

*“We are a very small company, so have not been too affected - 4 full time staff.” Member response*

When asked about the impact of legislation, 5% of businesses reported that they felt compliance requirements made them uncompetitive, both in relation to international markets but also compared to one man bands. The punitive nature of compliance enforcement makes businesses wary of growth at key points so a further 2% reported that there was little incentive to grow.

The Forum has enough evidence to look at the increased costs of compliance when businesses increased their staff numbers from 5 to 6. To ensure a good sample size, the figures taken were split between businesses with 2 to 5 employees and those with 5 to 9. The cost of health and safety compliance rose 54%, from an average annual cost of £1,876 % to £2894. External costs increased by about 30% and internal costs by 55%.

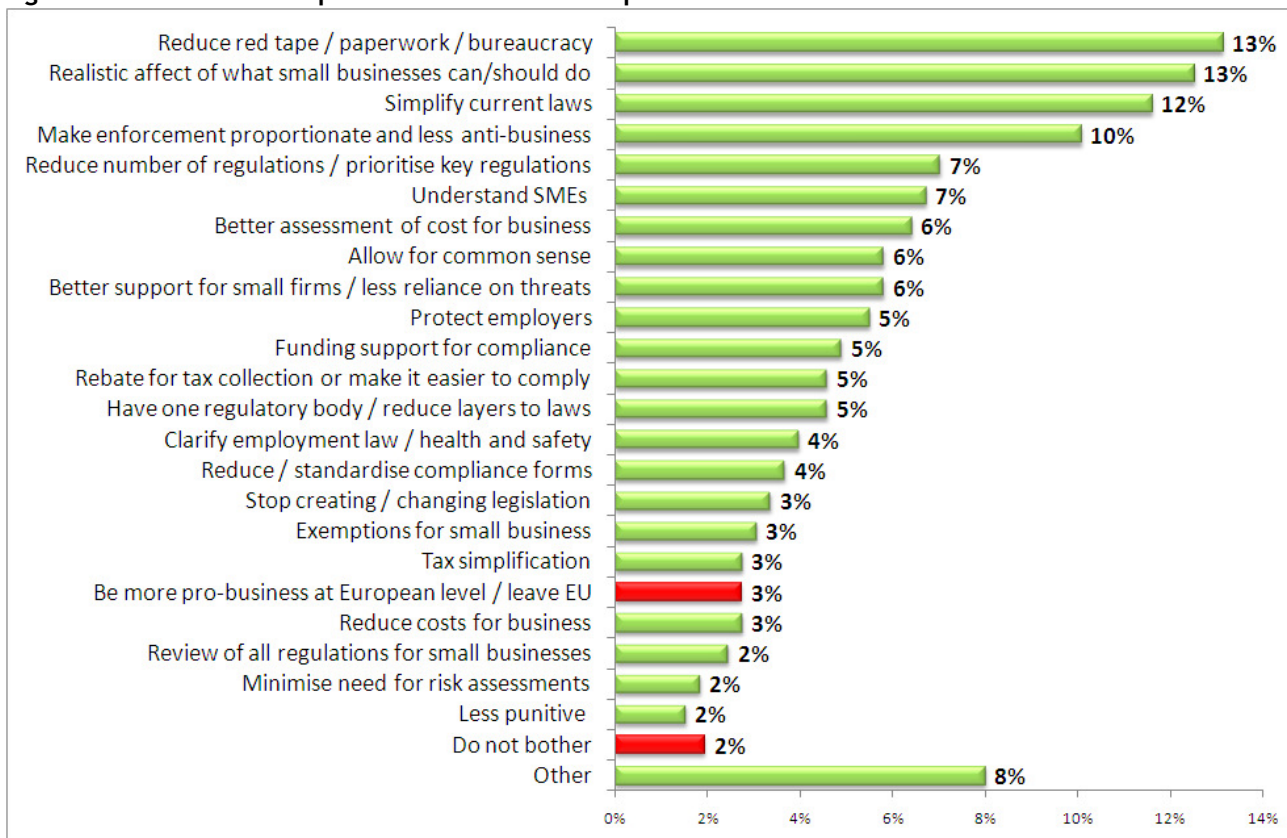
**Figure 16 Increase of cost of health and safety legislation in micro businesses**



There was a total average difference of £1,000 between those with fewer than five employees and those with slightly more. There is however no support to help businesses with the additional administrative burden (and culture change) of employing that fifth individual. Targeted support, sympathetic enforcement or grading of compliance would be helpful for businesses.

## How elected representatives should help

**Figure 17 How elected representatives should help**



13% of businesses wanted less of a requirement for a paper trail in compliance and a similar proportion wanted a more realistic assessment of what small businesses can and should do. This report indicated that businesses are close to reaching a tipping point in compliance meaning that trying to implement and monitor newer legislation is becoming increasingly difficult.

12% want simplification of current laws with a sole focus on what is essential, allowing businesses greater flexibility in how they operate. A further 5% wanted fewer layers of legislators with less scope for interpretation, as many are considered as 'anti-business'. Some owners felt that councils were not incentivised enough to support local businesses but felt it was their professional duty to punish any perceived or actual infringement of the law. They saw enforcement based on punishing good businesses on technicalities rather than on looking for unscrupulous businesses and practices that are illegal.

There is evidence that businesses are becoming disenchanted with legislators. 2% of business owners claimed that elected representatives should simply not bother trying to support as legislation keeps putting new and more onerous responsibilities on business owners. A further 3% argued that since the legislation was coming from Brussels, MEPs should be more pro-business or we should simply leave the EU, since it was noticeably failing to think small first. Business owners felt that there was no interest by elected representatives to understand the issues faced by smaller employers, with MPs not interested enough in understanding the drivers of local wealth and employment.

HMRC was singled out as being excessively punitive considering the lack of support that they offered to businesses. We receive regular complaints of unanswered calls and little support or leeway given over demanding payments online. There is concern about a lack of political interest in the problems faced by smaller firms and the lack of scrutiny being applied to the low tax bills of large corporations. Some businesses also wanted a rebate for the tax collection as it was becoming so expensive.

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