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QUARTERLY SMALL BUSINESS
MANAGEMENT REPORT



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Issue number 4 • Volume 8 2001

LLOYDS TSB

SMALL BUSINESS RESEARCH TRUST

Government & Regulations



**GOVERNMENT
&
REGULATIONS**

**QUARTERLY SMALL BUSINESS
MANAGEMENT REPORT**

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WEB VERSION: INTRODUCTION

The Lloyds Bank/TSB-sponsored series of small business management reports commenced in 1992, and concluded in 2009. In total, 53 reports were published over a period of 17 years.

Our target audience comprised the owner-managers of independent small businesses, typically employing fewer than 50, and based in mainland UK.

The series originated from a longitudinal study of small business management, undertaken by the Polytechnic of Central London (now University of Westminster), and culminating in: *The Management of Success in 'Growth Corridor' Small Firms*, (Stanworth, Purdy & Kirby, Small Business Research Trust, 1992).

THEMES

The themes were wide-ranging – including such as entrepreneurship, work & stress, employment strategies, and the environment – a full list is shown overleaf.

INSIGHT

In addition to asking questions and supplying the respondents with a range of answer options, the corresponding questionnaire was included as an appendix to each report so that readers would know exactly what questions had been put to respondents.

We also sought qualitative information – in the form of verbatim comments about the key theme – to help elaborate on whatever related challenges respondents felt they were facing at the time.

Finally, the findings are primarily intended to be indicative rather than definitive – partly due to the sample size, which is, on average, 111 for the 2003-09 reports.

PUBLISHING FORMAT

The reports were published in hard copy form, obtainable via subscription. Initially

by the Small Business Research Trust, and from 2003, by the Small Enterprise Research Team (SERTeam), both research charities based at the Open University.

Regrettably, SERTeam ceased operating in 2009, and so in 2010 the authors felt that the more recent reports would find wider interest if they were made freely available in Acrobat format via the Internet – especially with the UK economy set for a protracted journey out of recession, and with the government in turn refocusing on smaller businesses to aid the recovery.

It is worth mentioning that the series commenced as the UK economy emerged from the early 1990s recession.

In 2015, the earlier reports were also converted (1993 to 2003), with the full series made available at Kingston University: <http://business.kingston.ac.uk/sbrc>

SUPPORTING INFORMATION (WWW)

In later years – as the world-wide-web developed and an increasing number of sources of information became more readily available – suggestions for online sources of related material were included.

N.B. For reports 2003 onwards - where successfully validated, the web links (URLs) were enabled in 2009. And in the case of many invalid web links, an alternative was offered, but not where the organisation appeared defunct and an obvious replacement was not traced.

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University of Westminster**
<http://www.westminster.ac.uk/schools/business>

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Kingston University**
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2002 (Vol.10)

- 1 Networking in BusinessAugust 2002
- 2 The EuroDecember 2002

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Small Business Management Report
ISSN 1478-7679

- 3 Crime Against Small Firms June 2003

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- 2 Pensions February 2004
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2004-05 (Vol.2)

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2006 (Vol.3)

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2006-07 (Vol.4)

- 1 Owner-Manager Flexible Working..... December 2006
- 2 The Ageing Workforce..... April 2007
- 3 Travel & Transportation..... August 2007

2008-09 (Vol.5)

- 1 The London 2012 Olympic And Paralympic Games..... April 2008
- 2 Competition: Small Firms Under Pressure.....January 2009

WEB VERSION PUBLISHING

<http://business.kingston.ac.uk/sbrc>

Certain content needed to be re-set, e.g., the figures in the earlier editions, but the report body content is intended to be identical to that in the printed original. This web version - an Acrobat document - is derived from the original DTP text and will permit searching.

LIABILITY DISCLAIMER

The information and analysis in each report is offered in good faith. However, neither the publishers, the project sponsors, nor the authors, accept any liability for losses or damages which could arise for those who choose to act upon the information or analysis contained herein. Readers tracing web references are advised to ensure they are adequately protected against virus threats.

HIGHLIGHTS

This is the thirty-second in a series of small business management reports based on surveys of a panel of small firms, mainly in manufacturing, retail/distribution and business services. The focus of this survey was on **Government & Regulations**. The principal findings were as follows:

- **Changes in legislation** – *The majority of respondents (66%) felt there had been no marked change in the volume of legislation and government ‘Red Tape’ during the last four years. However, a sizeable minority (34%) felt there had been a marked change.*
- **European Union (EU) as primary source of legislation since 1997** – *The major source of legislation since 1997 was seen as EU-instigated (38%) rather than UK Government-instigated (21%).*
- **Enforcement of legislation** – *Two-thirds (65%) felt that UK Government and its constituent departments subsequently undertook the major task of enforcement.*
- **Legislative burden on management** – *Many of our respondents (44%) claimed to spend no more than 1 day per month of management time on UK/EU regulatory issues. In fact, 72% of firms with fewer than 5 employees made this claim, compared with only 28% of firms in the 20-49 workforce size category.*
- **Most significant current problems for small business** – *‘Government Regulations’ and ‘Low Turnover/Lack of Business’ emerged most commonly.*
- **Problems for firms in the 20-49 workforce size category** – *‘Lack of Availability of Skilled Employees’ emerged as the single most important problem. For firms in the manufacturing sector, ‘Lack of Availability of Skilled Employees’ and ‘Strong Exchange Rates’ emerged strongly along with ‘Low Turnover/Lack of Business’.*
- **Barrier to growth** – *Just over one-in-three of the respondents said that regulation and government ‘Red Tape’ had undoubtedly acted as a growth barrier on their businesses.*
- **Wider impact of ‘Red Tape’** – *29% said they had seriously considered not continuing with their businesses because of this, whilst 20% had suffered personal fear and stress. Against that, 28% said they had not noticed any real change over the last four years or that some legislative changes had actually been helpful.*
- **Regulatory details ignored by some** – *One-third (34%) said they coped by simply ignoring the less important and more complex detail.*

continued ...

- **Would respondents start a new business today ?** – 71% said ‘yes’, 22% said they would rather be employed by someone else and the remainder were undecided. Respondents from the **business services** sector were the most positive here with **85% saying they would start again**, compared to 76% from retailing/distribution and just 58% from manufacturing. **One third (34%) from manufacturing said they would rather be employed by someone else**, compared with just 8% from business services and 21% from retail/distribution.

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ACKNOWLEDGEMENTS

The Small Business Research Trust wishes to thank all responding firms for their time and effort involved in participation in the production of this Management Report. The Trust acknowledges the help provided by David Purdy, The Open University, and The University of Westminster, in designing the survey, processing data and analysing the results.

The Small Business Research Trust is particularly pleased to acknowledge the generous support provided by Lloyds TSB in sponsoring the research, analysis and presentation of this report. However, it is important to note that any opinions expressed in this publication are not necessarily those of Lloyds TSB.

Report Author – Professor John Stanworth (University of Westminster)

Series Editor – David Purdy

Lloyds TSB

The Small Business Research Trust

MANAGEMENT ISSUES

The emphasis of our Quarterly Management Reports is on monitoring the key management problems and practices of smaller business, with an emphasis on survival and success. Accordingly, each issue of the Lloyds TSB/Small Business Research Trust Management Report addresses one or more highly topical small business management issues. In this survey we focus on **Government & Regulations**.

THE SAMPLE

This report is based on responses received from a panel of over 350 small businesses situated in the Northern, Midland and Southern regions of Britain. Respondents are predominantly small firms with fewer than 50 employees, drawn mainly from the manufacturing, business services, and retail/distribution sectors of the economy. The precise distribution of firms varies from survey to survey, but typically over half of the participants employ fewer than 10 people.

RESULTS

The questionnaire completed by sample firms appears at the end of this report as an appendix. This survey was carried out during January-February 2001.

SMALL BUSINESS RESEARCH TRUST

The Small Business Research Trust (SBRT), founded in 1983, is an educational research charity, aiming to advance the education of the public in relation to small and medium-sized enterprises in the United Kingdom and Europe. Further details may be found at www.sbirt.co.uk

PAST SURVEYS

1993 (Vol.1)

- No.1 *Surviving The Recession***
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GOVERNMENT & REGULATIONS

Digby Jones, Director-General of the Confederation of British Industry (CBI) has described the current Government as “one of the most regulatory minded in modern times”. And Ruth Lea, of the Institute of Directors, accuses the Government of “strangling” companies with ‘Red Tape’. Trades Unions, on the other hand, when commenting upon redundancies in the steel and financial services sectors recently by foreign companies, have pointed to the UK being a “lightly regulated” economy, thus making it first choice for job cuts by multi-national companies.

SMEs Strangled by ‘Red Tape’ ?

In an effort to throw light on this issue, the **Small Business Research Trust** (SBRT) has looked back through its database on small firms problems spanning the last 15 years.

The results are outlined in further detail below. In essence, regulatory ‘Red Tape’ clearly frustrates and annoys many small business owner-managers. However, the issue is not simply a recent phenomenon as it has been creeping upwards for a period straddling three consecutive government administrations (about a decade). Even so, it is still appreciably **less** of a problem than that posed by a lack of business.

Firstly, looking at the accumulated results of the large-sample weighted quarterly survey results (see also Appendix 3), widely regarded as the most reliable in their field and going back to the mid-1980s, it was found that:

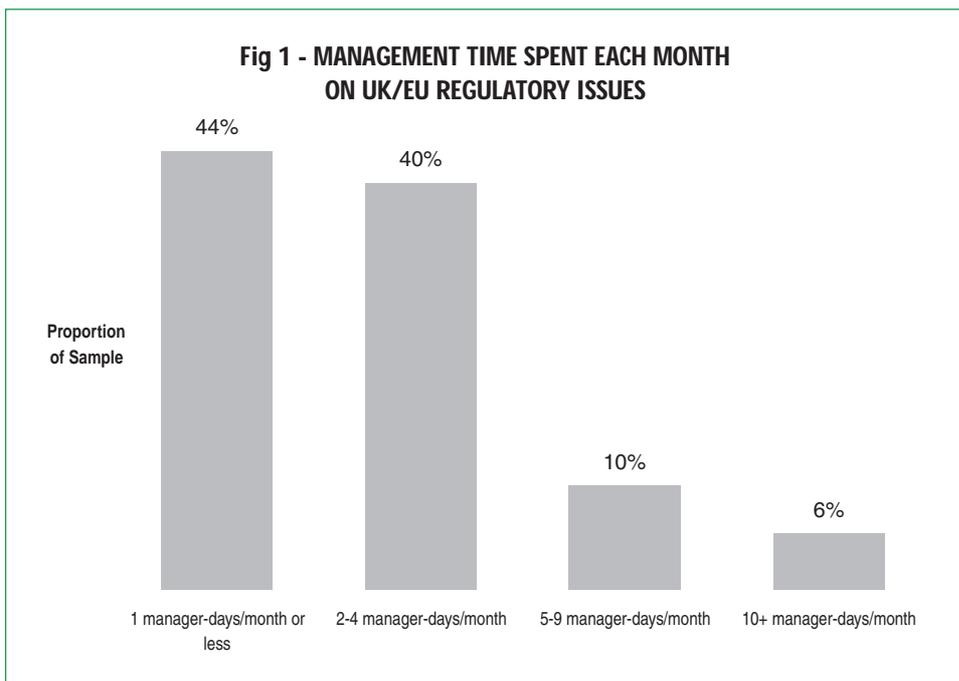
- ‘Interest Rates’ were identified more often than any other issue as the single most important problem faced by small businesses from the time the SBRT data began its researches in 1984 up until 1991 when the economy fell into a recession.

- From 1991 to the present day, ‘Low Financial Turnover/Lack of Business’ has been far and away the single biggest problem faced by small businesses. This peaked in 1992/3 when nearly 50% claimed it as their single biggest problem. Even today it remains high at 30%, roughly the same level as in 1997. And even though the economy is fairly buoyant, competition in many small firms sectors remains intense.
- ‘Government Regulations and Paperwork’, ‘Cashflow’ and ‘Lack of Skilled Employees’ have vied over time for second place with ‘Cashflow’ problems emerging most strongly for much of that period. Only in the last 2 years has ‘Government Regulations and Paperwork’ emerged quite clearly into second place. However, even in the latest survey published recently, only 15% were claiming this as their single most serious problem compared with twice that number (30%) opting for ‘Low Financial Turnover/Lack of Business’. Most (the remaining 55%) identified other main problems such as ‘Cashflow’ and ‘Lack of Skilled Employees’, etc.
- There has been much recent talk of ‘stealth taxes’. However, concern over the ‘Total Tax Burden’ has been consistently registering at under 10% for the last decade after falling from considerably higher levels in the late 1980s.

The graphical representation of selected small business concerns in Appendix 3 indicates that the last four years have witnessed a continuation of the economic buoyancy of the previous Government, underlining the fact that there appears to have been more continuity than change.

New Evidence

To obtain more information on the issue of Government regulations, a questionnaire

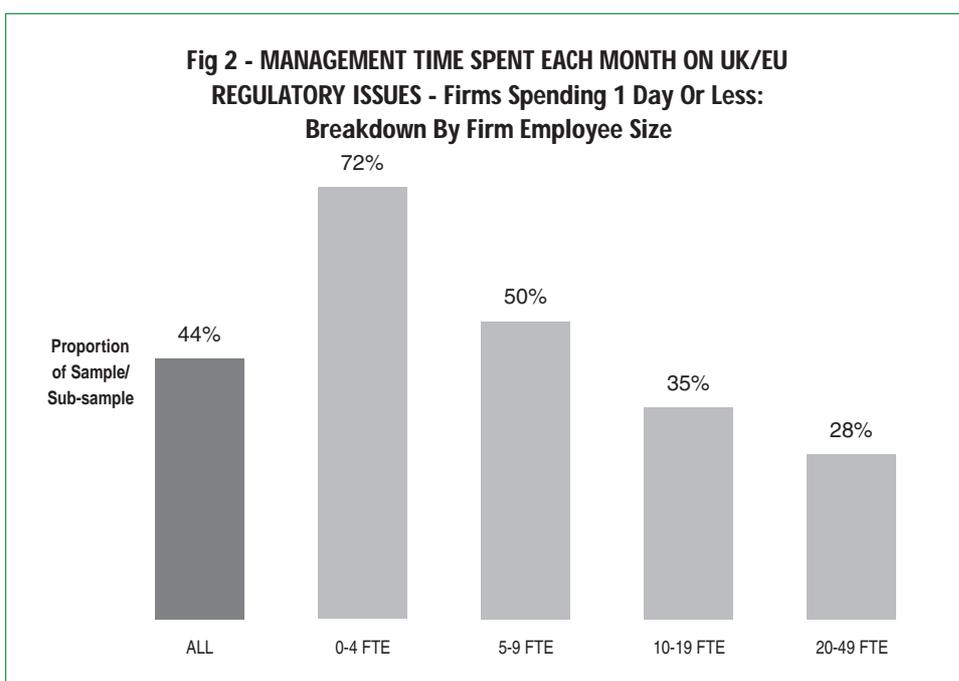


was despatched to a panel of small firms in January 2001 (for this report). This panel was composed of generally 'above average' firms, in terms of success rates and was, therefore, expected to produce results slightly more optimistic responses than our larger sample reported above. In addition, it should perhaps be stated that the questionnaire carried a heading, 'Government and Regulations'. Thus, small business recipients were, in all probability, likely to have stressed, rather than under-

stated, this issue in their replies. Thus, the current research was seen as a stringent test of the effects of current rates of Government 'Red Tape'.

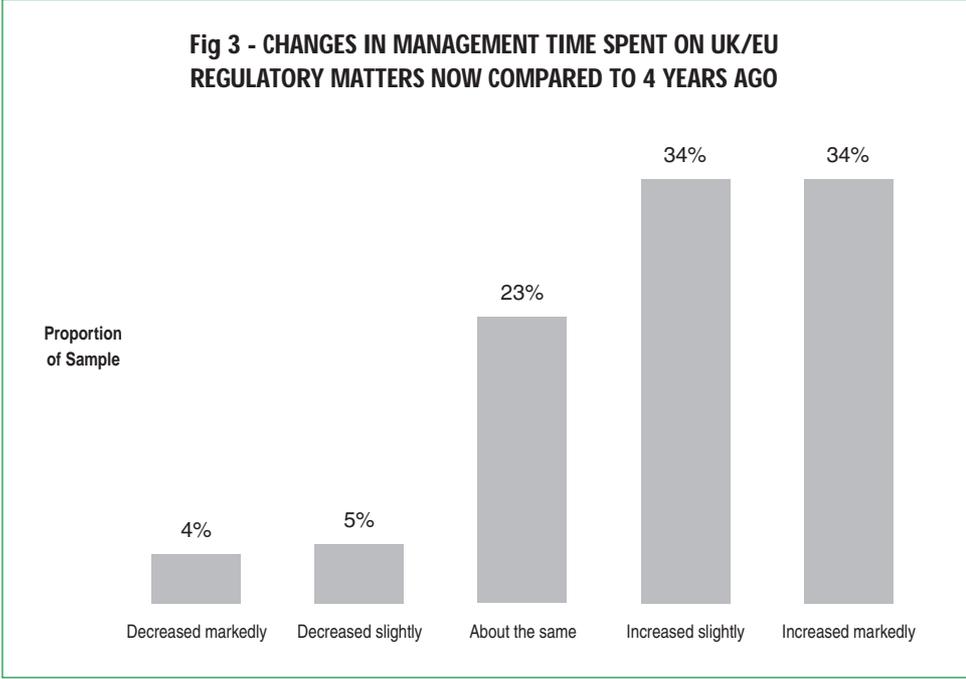
Managerial Days Per Month Devoted to 'Red Tape'

Figure 1 shows responses to our question on the number of days of managerial time small firms were obliged each month to devote to 'regulatory issues'. For 44% of



Many of the smallest businesses benefiting from regulatory exemptions?

'Larger' small firms suffering the greatest time impact from increased regulation



our respondents, the reply was 1 day per month or less and, in fact, a total of 84% claimed to spend 4 days per month or less.

often, 2-4 days (41%).

Getting Worse ?

Figure 2 shows a clear distinction between different small firm size-bands with most micro firms (less than 10 employees) devoting 1 day or less per month to 'Red Tape', compared to just 28% of firms in the 20-49 employee size-band. In fact, for this latter size-band, the figure rose as high as 10+ days for some (14%) but was, more

Figure 3 shows how the respondents thought time spent on UK/EU regulatory issues had changed over the period of the last four years. As can be seen, two-thirds (66%) claimed there had been, at worst, a slight increase. Only 34% felt there had been a 'marked' increase. As **Figure 4** demonstrates, once again there was a size

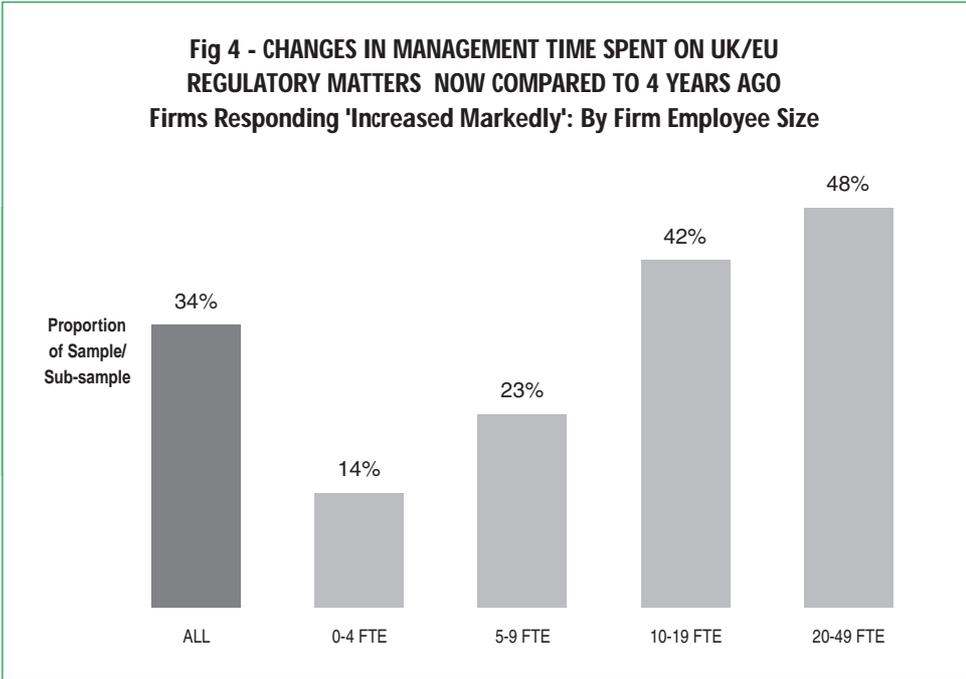
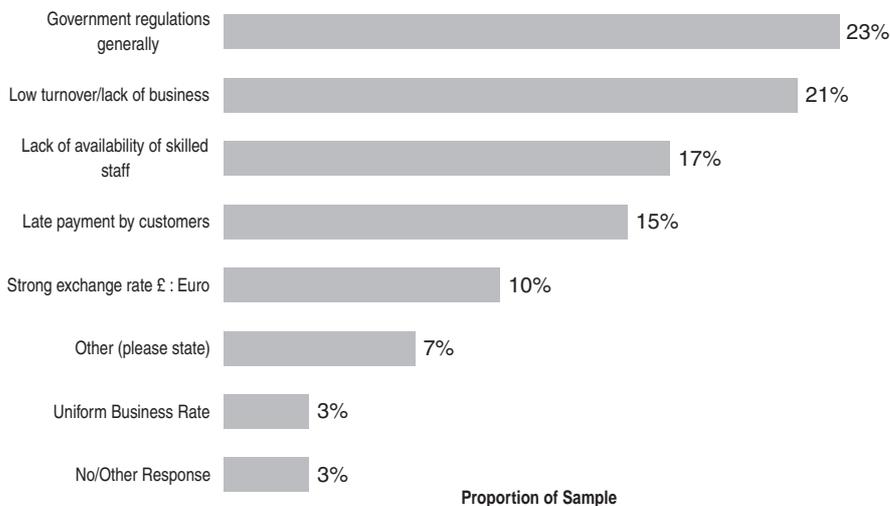


Fig 5 - SINGLE MOST SIGNIFICANT CURRENT BUSINESS PROBLEM

Regulations, lack of business, or skills shortages affecting the majority of respondents

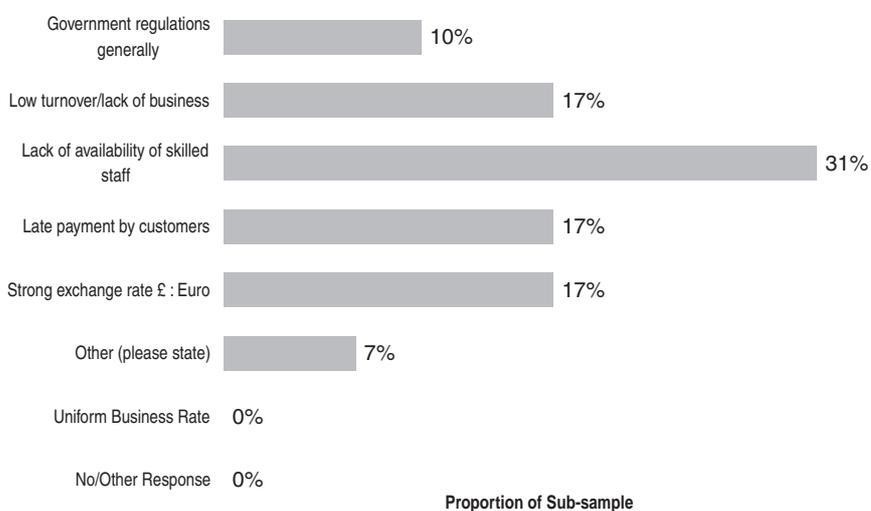
effect here with smaller firms feeling less burdened with legislation than their larger counterparts. Interestingly, industry sector also had an influence here with business services firms feeling more under duress than their counterparts in manufacturing and retail/distribution.

Single Main Problem

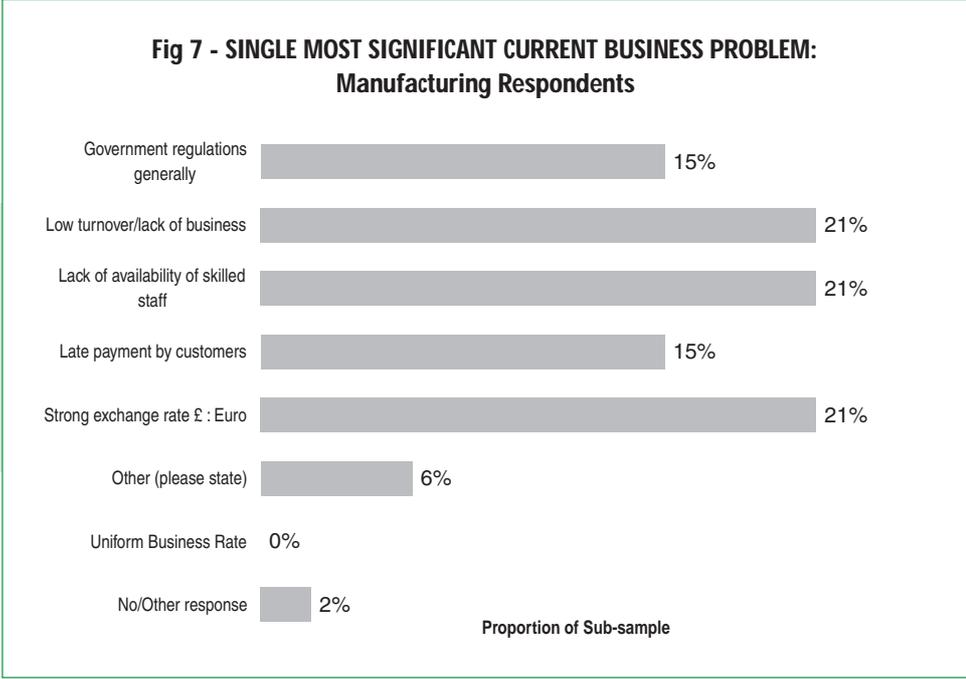
Figure 5 shows responses to a question concerning respondents' 'single main

problem'. Two observations stand out here. Firstly, no one problem, e.g., 'Red Tape' with 23%, stands out prominently above the others. Secondly, 5 different problems each attracted more than 10% of the overall responses – 'Government Regulations Generally', 'Low Turnover/Lack of Business', 'Lack of Availability of Skilled Staff', 'Late Payment by Customers' and, finally, 'Strong Exchange Rate' all attracted some support. 'Uniform Business Rate' registered only 3%. Thus, it would appear

**Fig 6 - SINGLE MOST SIGNIFICANT CURRENT BUSINESS PROBLEM:
For Firms With 20-49 Employees (FTE)**



Manufacturers suffering from Sterling : Euro exchange rate problems



that reality is rather more complex than is often portrayed.

The above picture becomes even more complex when the sample is analysed by size and sector. For instance, **Figure 6** shows that, for firms in the 20-49 employee size band, 'Lack of Availability of Skilled Staff' was their single main problem by a fairly considerable margin. 'Government Regulations Generally' emerged in fifth place with just 10%

In **Figure 7**, for manufacturing respondents only, 5 different factors were fairly closely bunched, led by 'Strong Exchange Rate', 'Lack of Availability of Skilled Staff' and 'Low Turnover/Lack of Business'.

Sources of Legislation and Red Tape

Figure 8 looks at the causes of legislation and 'Red Tape'. The European Union (EU) emerged quite distinctly as the single most likely source here (38%), ahead of 'UK

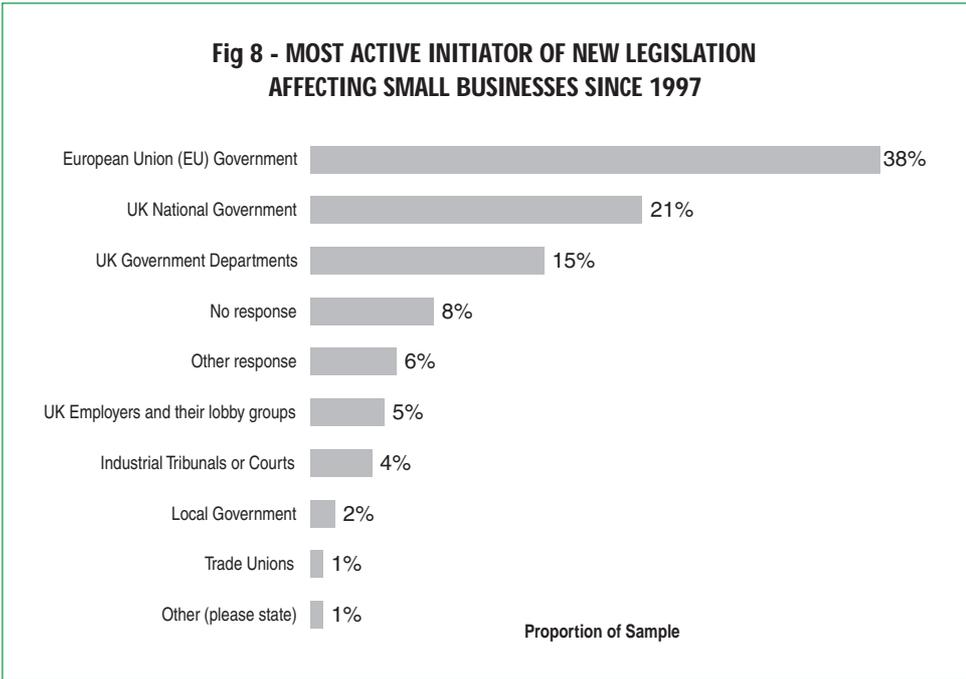
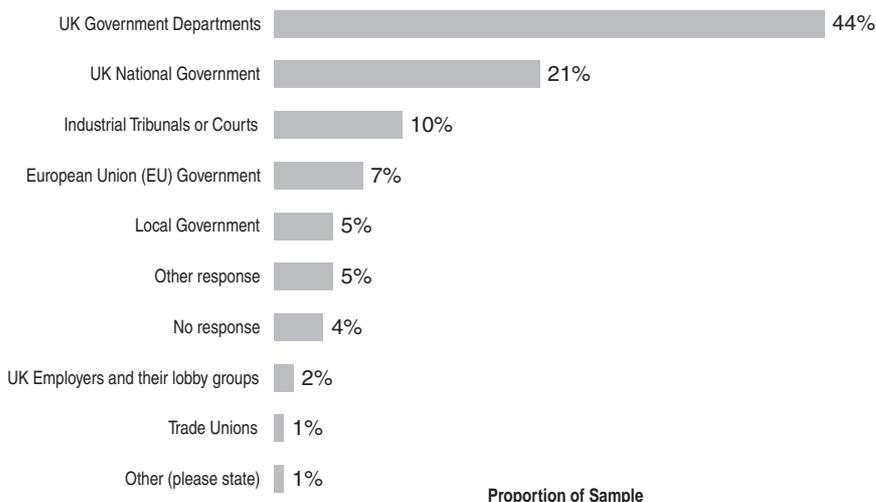


Fig 9 - MOST ACTIVE ENFORCER OF NEW LEGISLATION AFFECTING SMALL BUSINESSES SINCE 1997



National Government’ and ‘UK Government Departments’ at 36%, combined. Interestingly, ‘UK Employers and Their Lobby Groups’ themselves attracted a 5% response.

Enforcers

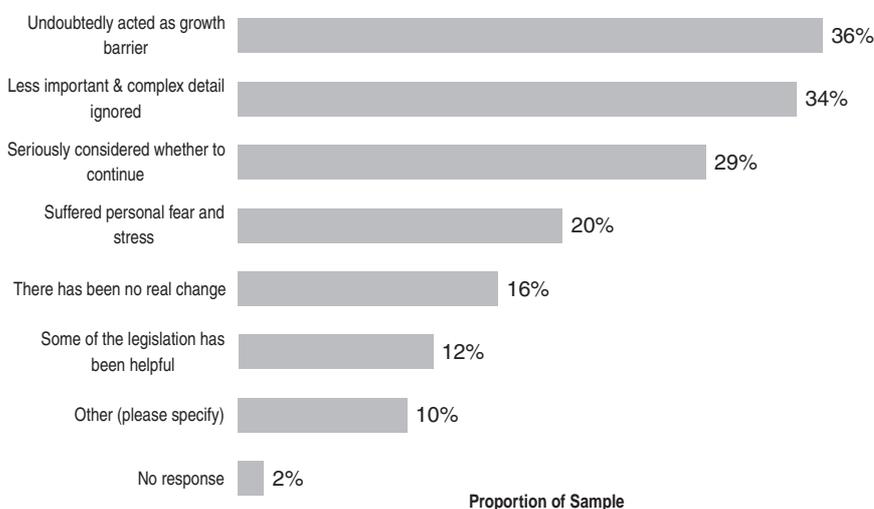
The issue of legislation enforcement often becomes very heated in the UK. Other EU countries are sometimes seen as willing signatories to new legislation but fairly

relaxed enforcers. Not surprisingly, perhaps, the principal enforcers (Figure 9) were seen as ‘UK Government Departments’ (44%), ‘UK National Government’ (21%) and ‘Industrial Tribunals or Courts’ (10%)

Impact of Regulatory Changes

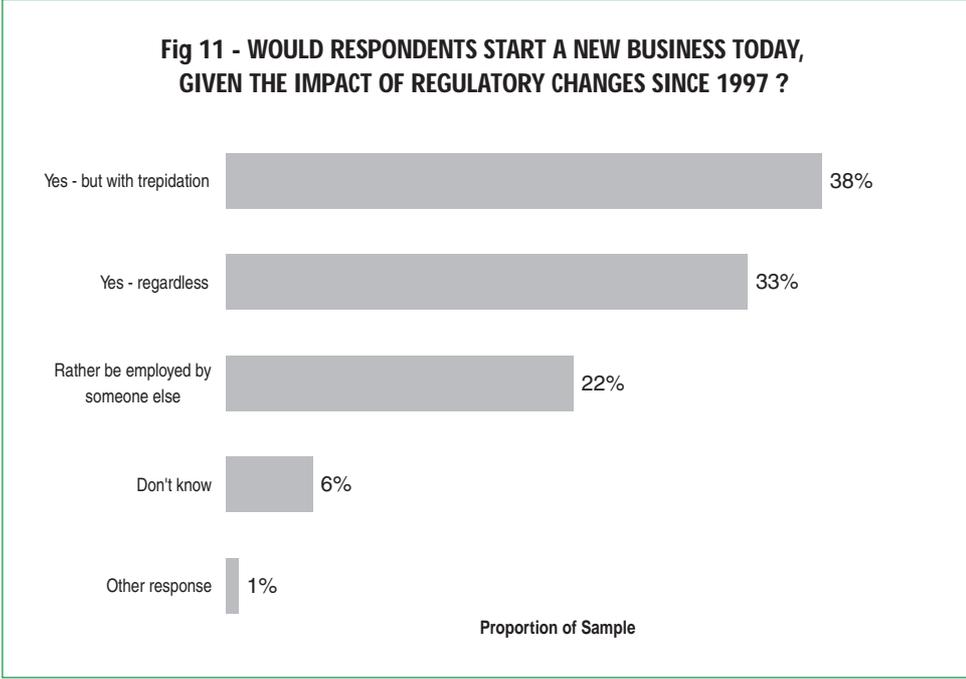
Respondents were asked about the impact of regulatory changes since 1997 and were allowed multiple responses. The results

Fig 10 - GREATEST IMPACT AMONGST RESPONDENTS OF REGULATORY CHANGES INTRODUCED SINCE 1997



‘Red Tape’ acting as a growth barrier and as a disincentive to carry on in business

Business Services respondents least deterred by 'Red Tape' changes

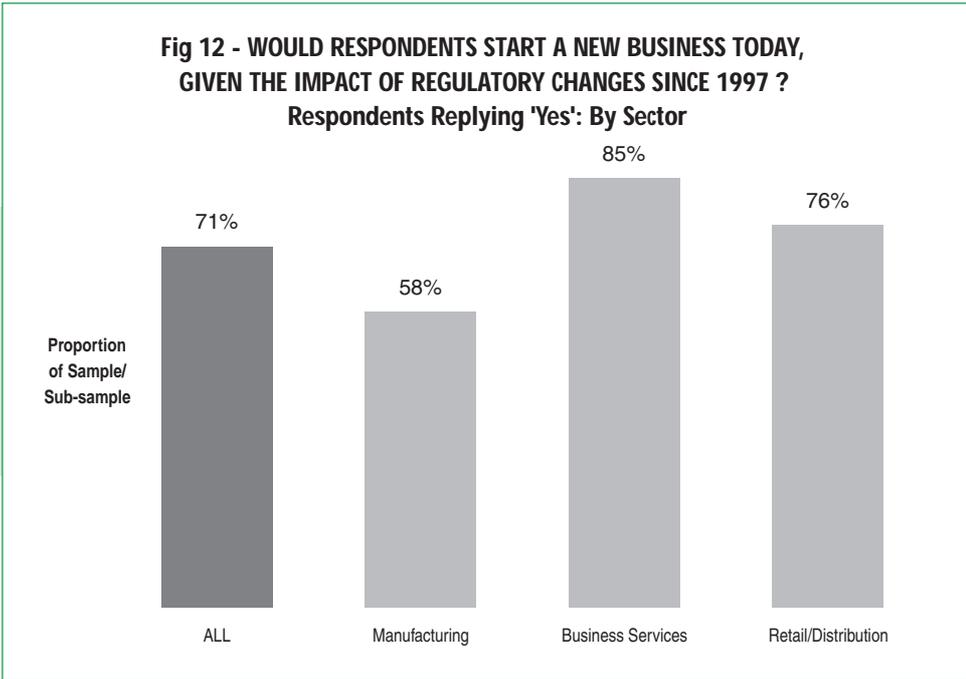


here were highly varied (Figure 10). Some felt that legislative burdens had definitely acted as a 'Growth Barrier' (36%) and resulted in 'Personal Fear and Stress' (20%). However, around one-in-three (34%) said they simply ignored the less important and complex details of legislation. Indeed, some (16%) felt there had been 'no real change' whilst others (12%) felt that some of the legislation had been helpful. Firms in the retail/distribution sector were the least likely (15%) to feel they could ignore

legislation, compared to 38% in manufacturing and 45% in business services. The very smallest firms (0-4 employees) were those most likely to feel either than there had been no change over the last 4 years or, alternatively, that some of the legislation had actually been helpful.

Would You Start Again ?

Figure 11 shows that most of our respondents (71%) said they would start a



new business in 2001, even in view of the regulatory changes introduced since 1997. However, **Figure 12** shows some sector differences here with 85% of those in 'business services' saying they would definitely start again, compared with 76% from retail/distribution and only 58% in manufacturing.

Specific Comments

The European Union (EU), apparently aided and abetted by the UK Government, was cited by a number of respondents:

"The UK Government is too quick to introduce EU legislation with what seems to be little thought of the impact on the small business and the overall effect on the economy. Someone must stop the control freaks in the civil service pandering to their EU masters."

"[I want] Less rigid legislation from Europe."

*"The complexity of new legislation from Europe and Westminster is truly **impossible** to comprehend unless one suspends all belief in justice or logic or common sense. I defy **one** adviser to be able to explain all the legislation relating to retail, employees, etc., etc."*

"If government/lawyers/EU gave us less problems and in particular legislation, we wouldn't have to have thresholds, helplines, advisers and the rest of the 'solutions'."

One respondent said that the pressure had become too much for some:

"As one who has been Chairman of one of the UK's leading Small Business Clubs for over 20 years ..., I can assure you that there has never been a time in my business life (in business since 1978) when

small firm owners are wanting to be out more and more. Constantly I hear of tales of reducing margins, ever increasing non-earning administrative load, and long standing business people seeking to get out of businesses they have run for many years because of the ever increasing pressure of Government induced problems."

Employment tribunals and opportunistic (former) employees were also blamed:

"Employment Tribunals are now so loaded against employers, with again increasing penalties, workers, aided by unions, are just 'having a go' on any pretext for they have nothing to lose."

In response to an invitation for possible solutions, many respondents offered suggestions. Some respondents wanted fairly straight-forward assistance:

"I always find helplines and leaflets helpful."

"Free access to advisers with meetings held outside office hours."

Although this might be difficult to deliver:

*"Free access to advisers **and one** small publication written in plain English telling very small companies in 'tickoff list' format everything to be done to comply with all legislation/regulation. If government finds this impossible to achieve, it would remind them of the difficulty **we** experience, on top of which we have to run our businesses !"*

And some would welcome a more constructive attitude from Government:

"There is a tendency to dump regulations on the market and then use force (fining systems etc.) to put them into effect."

“Size thresholds, and constructive corrective support rather than instant penalties.”

Non-government bodies have been found useful, too:

“We rely on our trade federation to guide us.”

However, more pragmatic attitudes were also evident:

“I always plead ignorance.”

“I would like to think the changes promised by various governments to reduce red tape for small businesses would be seen to happen. I do not think it will because I live in the real world.”

Overall Picture

The results of our analyses on the issue indicates quite clearly that Government ‘Red Tape’, though a fairly high ranking problem with many small firms, does not have the prominence in small business priorities which lobby groups frequently claim. Business order book levels rank as the most enduring problem.

Our recent panel survey puts these two factors neck and neck but this was a more than averagely successful panel. For many of these firms then, the issue of low turnover levels was less prominent, often thus promoting Government Red Tape as their most high ranking problem. In conclusion, once again, we see reality as being more complex than rhetoric. ‘Red Tape’ and regulation act as a constant source of irritation to small businesses and can, on occasions, become critical and exact far-reaching damage. At best, they can be a source of fear and uncertainty. Also, they can be costly. Current trends such as lawyers offering “no win, no fee” deals on tribunal cases are not helping.

But, in the final analysis, for most small

firms, legislation and Government ‘Red Tape’ is one of many problems they face against a background of a whole host of challenges. The most important factor overall appears to be the maintenance of economic stability and buoyancy and here the economy has recently performed better than at any time since 1989.

RESPONDENTS’ COMMENTS

These commence on p.18

REFERENCES: GOVERNMENT & REGULATIONS

The following references are offered as an aid to readers interested in seeking further information, usually available via the world-wide-web. The coverage is not intended to be definitive, and inclusion here should not necessarily imply either agreement or disagreement with the views expressed via these sources.

Special care should also be taken with material obtained from **outside** the UK, for example, the USA, where different legal issues may apply. N.B. Some pages may contain links to other WWW pages offering related material.

● BBC News Online

The Company File | The cost of red tape, July 12, 1999, “The Institute of Directors says red tape introduced in the past two years is costing British business almost £5bn a year and that new rights for employees are placing an “astonishing burden” on industry. A report by the IoD has estimated that the European directive introducing a maximum working week of 48 hours will cost businesses £2.3bn a year, while the national minimum wage will add another £2.4bn. The report also says the Working Time Regulations are a major impediment to flexible working, and the minimum wage rules are so complex that the guidance book for employers is 112 pages long. ...” (<http://news.bbc.co.uk/hi/english/business/>

the_company_file/newsid_392000/392200.stm)
Red tape blitz 'not enough', 10 August, 2000, "Conservatives and business leaders are criticising the government for not going far enough with its latest attempt to cut red tape encountered by business. The Cabinet Office has issued new guidelines ordering all government departments to assess the cost and impact of any new legislation on businesses before they are put into force. Cabinet Office Minister Mo Mowlam says the move is part of an attempt to tackle the "culture of regulation" in Whitehall. But CBI director-general Digby Jones said the guidelines do not go far enough, especially for small and medium-sized businesses. Mr Jones said 16 new employment directives had been introduced in the past two years. ..." (http://news.bbc.co.uk/hi/english/uk_politics/newsid_873000/873989.stm)

- **British Chambers of Commerce**

BCC's ten point campaign to deregulate, 9 January 2001, "BCC Chief challenges government to reduce burdens and help small business: ... Despite 15 years of government initiatives to lighten the regulatory load on business, the burden of red tape remains at the top of the agenda, particularly for small and medium enterprises. Business has lost patience with the rhetoric; the recent improvements are welcome but only scratch the surface. ... In its ten-point challenge, the BCC calls for: 1. A commitment to use statutory legislative or regulatory approaches as the device of last resort in business-related policy. 2. Greater recognition of the cumulative impact of regulation on business. 3. Assurance that measures taken following the current consultation on the work/life balance do not add to the current cumulative burden. 4. Government to be more transparent about regulatory burdens, with all compliance cost assessments

published electronically in one place. 5. A reduction in the compliance costs of burdens on small businesses, through simplification, compensation or exemption. 6. The criteria for sun-setting regulations to be made more explicit and for promotion of far greater use of sunset clauses in regulations. 7. An obligation on all government departments to work with the Small Business Service (SBS) throughout the regulatory process, including consultation with SBS on guidance issued to small businesses. 8. A greater commitment from all political parties towards tax simplification. 9. Assurance that all departments adhere to the government's commitment to have a minimum period of 12 weeks for all consultations. 10. Work to build partnerships at a local level to ensure there is better enforcement of regulations." (<http://www.sillyregs.com/news/display.php?id=57>)
BCC Burdens Barometer: updated regularly, total burden shown as £10.14 billion at time of going to print. "All government departments are required to complete Regulatory Impact Assessments. A Regulatory Impact Assessment (RIA) sets out the risks, costs and benefits of any new regulatory proposal which has an impact on businesses, charities and voluntary bodies." The data is derived from the government's own estimates of the compliance costs on a series of regulations affecting business over the lifetime of this Parliament. Currently includes: European Works Councils, Fire Precautions Regulations, IR 35, NMW [National Minimum Wage], Ordinary Maternity Leave, Parental Leave, Part time Workers Directive, Right to be accompanied in dispute or grievance, Right to time off for family or domestic grievances, Stakeholder Pensions & Welfare Reform Bill, Student Loan Repayment, Trade Union Recognition, Wider entitlement to Additional Maternity Leave, Working Families Tax Credit, Working Time

Directive, Young People - Time off for Studying/Training. Currently excludes: Age Discrimination Code of Practice, Data Protection Act, Disability Discrimination Act, Fixed Term Work Directive, Immigration and Asylum Act, Sex Discrimination Directive, Welfare Reform and Pensions Act. (<http://www.britishchambers.org.uk/cutredtape/burdensbarometer.htm>)
<http://www.britishchambers.org.uk>

● **Cabinet Office**

The Benefits Of Regulation Should Not Be Underestimated Says Mo Mowlam, Press Release, 2 November 2000, "... we recognise that these regulations pose an extra burden on businesses, particularly the smaller ones, and we are working hard to ensure that those burdens are kept to a minimum. We listened to the views of business on both the national minimum wage and the working time directive, for instance, and made changes, which mean that the cost of implementing the regulations is very low. Some of the figures which business organisations claim to be the cost of regulation – anything from the Institute of Directors' £5 billion to the CBI's £13 billion are gross exaggerations. They confuse the cost of the policy itself with the cost of administering the policy. It is very misleading to argue that entitlements and benefits which individuals receive are bureaucracy or red tape." Dr Mowlam emphasised that the UK is relatively lightly regulated compared with its major competitors. "Several surveys have dispelled the myth that the UK is heavily regulated. The OECD reported in 1999 that the UK had the lowest level of product market regulation and one of the most lightly regulated labour markets. The Economist Intelligence Unit ranked the UK second only to the Netherlands as the best location for business and the CBI reported that the UK has more flexible labour market regulation than other European countries." Dr Mowlam

also denied that this Government was more prone to legislate than previous administrations: "If you look at the numbers of Acts of Parliament passed and statutory instruments issued each parliamentary session they are broadly the same order of magnitude. And it is important to remember that less than 5 per cent of statutory instruments have a significant impact on business. ..."

<http://www.cabinet-office.gov.uk/regulation/PressNotices/2000/021100.htm>

● **Cabinet Office Regulatory Impact Unit**

Helping Small Firms Cope with Regulation - Exemptions and Other Approaches, April 2000 "The burden falling on owner/managers: We found evidence that entrepreneurs are being distracted from running and growing their businesses by the cumulative burden of taxation, employment, public protection and environmental regulation. The cumulative burden of regulation on SMEs must be considered against an assessment of how much information it is reasonable to expect one person to assimilate and act upon. Larger companies have experts in the fields of finance, human resources, purchasing, facilities management etc. It is not reasonable to expect the same level of expertise in one person, yet this is what is being asked of many SMEs, which are too small to cost-effectively employ an in-house expert ... We are looking for a change in the culture of policy making. Government guidance already says that policy makers should 'think small first'. However, the message about what running a small business today is like does not appear to have been taken seriously by policy-makers. Even though SMEs account for 99% of businesses in the UK and employ 57% of the workforce, too few regulations show evidence of regulators following either the letter or the spirit of the guidance. ..."
<http://www.cabinet-office.gov.uk>

regulation/TaskForce/2000/
SmallFirms.pdf)
[http://www.cabinet-office.gov.uk/
regulation/](http://www.cabinet-office.gov.uk/regulation/)

- **Federation of Small Businesses**

First National Business Day Conference, March 1, 2001, "A raft of business and trade associations led by the Federation of Small Businesses (FSB), have today put their name to a Ten Point Plan aimed at tackling over-regulation and excessive red tape. ... [it] includes a demand for the introduction of an independent legislative audit commission to look at all proposed government regulations; the request to give the Better Regulation Task Force legal backing and the plea to regulators to think about sunset clauses, exemptions, extensions and derogations wherever possible. ..." (<http://www.fsb.org.uk/news.asp?REC=PR1/01>)
<http://www.fsb.org.uk>

- **Ministry of Silly Regulations**

(Political site) "The Ministry of Silly Regulations is dedicated to helping all of British business to identify and stamp out any regulations that are unfair or are enforced in an over-zealous way. The burden of regulation is getting worse. In the last three years alone there have been new regulations which independent sources say are costing business over £6,000,000,000 every year, that is £10,000 every minute." It has a section on small businesses.
<http://www.sillyregs.com/>

- **The Guardian**

Tribunals are judged wanting, by Mike Emmott, March 12, 2001, "Employment lawyers are on a roll. Every month – every day almost – brings the announcement of new employment rights. From working time regulations to part-time working, from union recognition to paternity leave, the ingenuity of the lawmakers in Brussels and at Westminster is harnessed to the

cause of employment protection. ... The spiralling numbers of claims to tribunals – 118,000 in the past year – reflect the extension of their jurisdiction to support new employment rights. Employer concerns focus on the costs involved in defending claims. DTI figures show that tribunal cases cost employers more than £2,000 as long ago as 1992. Many employers today will be paying several times that figure. Even if cases do not proceed to a hearing, employers will generally have incurred significant costs in collecting evidence and taking legal advice. They may be bombarded by requests for documentation whose relevance to the claim remains unclear. This may sometimes be no more than a tactic by lawyers engaged on a "no win, no fee" basis to put pressure on employers to settle. But unhappiness with the volume of cases is not limited to employers. Many trade unions are also feeling the strain of servicing claims by members, and would be happy if their numbers could be reduced. The average compensation award in unfair dismissal cases is only about £2,500. Three-quarters of employees who make claims never get to a tribunal hearing at all, but withdraw their claim or accept a compromise offer from the employer. ..."

[http://www.guardian.co.uk/Archive/
Article/0,4273,4150187,00.html](http://www.guardian.co.uk/Archive/Article/0,4273,4150187,00.html)

- **The Institute of Directors**

IoD calls for Queen's Speech to herald cut in red tape burden, 1st December 2000 "Ruth Lea, Head of the Policy Unit at the IoD, said: "Businesses are being strangled by red tape. This is not the way to encourage entrepreneurial activity. Time is precious - especially for small businesses. Anything that can be announced in the Queen's Speech and implemented in the next Parliamentary Session to mitigate the red tape horror would be very welcome. ..." (http://www.iod.co.uk/pr_archive/qspeech.html)
<http://www.iod.co.uk/>

MANUFACTURING

Bar Fitting, Shopfitting, Joinery Manufacturing	<i>"Free access to advisers."</i>
Cash Register Ribbons and Stationery	<i>"Helplines, training. Although I wish they would stop legislating for a few years !"</i>
Catering Equipment	<i>"Less rigid legislation from Europe. Legislation more tailored to our industry."</i>
Cushions & Tapestry Wall Hangings	<i>"Size thresholds and free access to advisers."</i>
DIY Products	<i>"Size thresholds create artificial barriers. Free access to informed advice would be the most useful - and my favoured option."</i>
Electro-Magnets	<i>"Size thresholds."</i>
Equipment Installation	<i>"I would prefer simply worded leaflet explaining any new legislation."</i>
Fabrication, Welding, Machining, Special Purpose Machines	<i>"Size thresholds, helplines, free access to good advice."</i>
Joinery	<i>"Free access to advisers with meetings held outside office hours."</i>
Lamination of Coasters, Placemats etc.	<i>"Free access to advisers and one small publication written in plain english telling very small companies in 'tickoff list' format everything to be done to comply with all legislation/ regulation. If government finds this impossible to achieve, it would remind them of the difficulty we experience, on top of which we have to run our businesses !"</i>
Lithographic Printers	<i>"Impossible to say as each issue should be viewed independently and the best solution then applied."</i>
Manufacture Diving Suits	<i>"If government/lawyers/EU gave us less problems and in particular legislation, we wouldn't have to have thresholds, helplines, advisers and the rest of the 'solutions'."</i>
Manufacture of Transformers & Wound Components	<i>"Size thresholds and tapers, helplines, free access to advisers."</i>
Manufacture/sale of Industrial Electronic Instruments	<i>"Helplines, access to advisers."</i>
Manufacturer of Heating Elements	<i>"Notice periods, and free training and advisers."</i>
Manufacturing	<i>"Free access to advisers."</i>
Manufacturing Broom Clamps and Holders	<i>"Free access to advisers."</i>
Manufacturing and Publishing Greetings Cards	<i>"Free access to advisers."</i>
Mechanical Installation and Maintenance Service	<i>"Notice periods."</i>

MANUFACTURING continued

Medical Electronic Instruments	<i>"Size thresholds/tapers."</i>
Metal Fabrication	<i>"Free access to advisers."</i>
Office Screen Systems	<i>"I do not know. I would like to think the changes promised by various governments to reduce red tape for small businesses would be seen to happen. I do not think it will because I live in the real world."</i>
Party/Carnival Goods	<i>"Size thresholds; simplicity of language used; free advice."</i>
Plastic Packaging	<i>"Free access to advisers."</i>
Pneumatic Connectors	<i>"Helplines. Time efficient seminars."</i>
Precision Engineering	<i>"Access to advisers who have practical experience."</i>
Printers	<i>"Size thresholds."</i>
Printers	<i>"Leaflets and free access to advisers."</i>
Process Engineering Support	<i>"Free access to advisers."</i>
Protective Clothing	<i>"Free access to advisers."</i>
Publishing	<p><i>"You ask for a brief reply, that in itself shows what small firms are up against, for this problem of Regulation, Red Tape and Legislation is rapidly crippling small businesses and even you do not seem to realise that there can be no 'quick answer' to a disaster that is creeping up on Government at an ever increasing rate.</i></p> <p><i>As one who has been Chairman of one of the UK's leading Small Business Clubs for over 20 years ..., I can assure you that there has never been a time in my business life (in business since 1978) when small firm owners are wanting to be out more and more. Constantly I hear of tales of reducing margins, ever increasing non-earning administrative load, and long standing business people seeking to get out of businesses they have run for many years because of the ever increasing pressure of Government induced problems.</i></p> <p><i>Employment Tribunals are now so loaded against employers, with again increasing penalties, workers, aided by unions, are just 'having a go' on any pretext for they have nothing to lose. One day someone, somewhere will realise that 'without employers, there are no employees', for the way things are going the only net job creating sector of our economy 'micro' firms (employing 0-9) will slowly disappear. ... Please believe me, the problem is a nightmare scenario and getting worse daily with over 4,000 pieces of new bull in the last three years. Just where is the small firm owner expected to go next ? ... Small firms just cannot take any more and are dying all over the place with massive disillusionment where they still 'hang on'."</i></p>

MANUFACTURING continued

Publishing. Trade and Leisure magazines	<i>"Free access to advisers. Saves time wading through unimportant detail."</i>
Repair of Electrical/Electronic Power Supplies	<i>"Simply create less legislation - it is not needed."</i>
Repairs to Electric Motors	<i>"Leaflets, free access to advisers."</i>
Resincast Giftware	<i>"Free adviser/s, who spends one day a month at your workplace and gets to grips with the day-to-day problems."</i>
Specialist Electronic Instruments	<i>"Size thresholds, free access to advisers, helplines."</i>
Steel Castings	<i>"Grant aid - not currently available. Implementation timescales - big company = shorter time; small company = 1-5 years ?"</i>
Sub-contract Engineers	<i>"The best way to cope with legislation is to keep it to a minimum - but try telling the government that."</i>
Sub-contract Engineering Machining & Light Fabrication	<i>"Size thresholds for firms with less than 20 employees."</i>
Toys/Educational Products	<i>"Free access to advisers. There is a tendency to dump regulations on the market and then use force (fining systems etc.) to put them into effect."</i>
Wholesale Stationery	<i>"Helplines, as there is usually some aspect which applies more than others which is not always covered."</i>

BUSINESS SERVICES

Accountancy, Audit, Tax & Management Consultancy	<i>"All solutions outlined are useful. However the best solution would be for UK national government to make an effort to seriously reduce regulation and the rigid application of those directly affecting small business."</i>
Analytical and Consulting Chemists (Industrial)	<i>"Free access to advisers. I strongly object to EU legislation which is ignored by continental Europe but taken up totally by the British !"</i>
Architect	<i>"Computer literacy and free access."</i>
Architect	<i>"Size thresholds and tapers."</i>
Architecture & Design	<i>"Free advice to head off potential problems."</i>
Audit Accountancy and Taxation	<i>"Size thresholds and tapers."</i>
Building Consultancy	<i>"Thresholds. Free access to advisers - who can give definitive answers rather than guess the impact of legislation."</i>

BUSINESS SERVICES continued

Chartered Accountants	<i>"The ideal solution would be to reduce legislation. The UK Government is too quick to introduce EU legislation with what seems to be little thought of the impact on the small business and the overall effect on the economy. Someone must stop the control freaks in the civil service pandering to their EU masters."</i>
Chartered Civil Engineer	<i>"Thresholds/tapers would be the simplest way of reducing burdens on small companies."</i>
Chartered Surveyor	<i>"No new legislation, repeal some old legislation."</i>
Commercial Cleaning	<i>"1) Common sense approach of UK government. 2) Providing information on new legislation in a timely fashion."</i>
Computer Consultancy	<i>"Free access to advisers."</i>
Computer Software For Exporters	<i>"Free access to advisers is desirable (but not if it is just a lever to sell chargeable consultancy). Thresholds are bad because they create the impression that it is quite acceptable to inflict the regulations on those above the thresholds."</i>
Consultant Naval Architects & Marine Engineers	<i>"Leaflets, free advice."</i>
Finance	<i>"Free advice, proven confidentiality."</i>
Graphic Designers	<i>"Free access to advisers."</i>
Implementation & Audit of Quality Standards	<i>"Leaflets and free access to advisers are my preferred approach - with a fallback to a helpline if it is required."</i>
International Freight Forwarding Services	<i>"We favour helplines plus free access to advisers who are on the spot."</i>
Investment & Pensions Advice	<i>"Don't want help to cope with it - I want there to be less of it to cope with in the first place ! Over-regulation stifles enterprise generally."</i>
Legal and Debt Recovery Services	<i>"I always plead ignorance."</i>
Management Training Courses	<i>"Size [thresholds] and free advice."</i>
Non-Destructive Testing	<i>"1) I favour a reduction in the amount of legislation. 2) I'd like to see a 'filter' on directives from Brussels, e.g., reinstate M. Heseltine."</i>
Provision of Contract & Temporary Labour	<i>"Size thresholds, and constructive corrective support rather than instant penalties."</i>
Public Relations & Marketing	<i>"Size thresholds/tapers."</i>
Recruitment - Contract & Permanent	<i>"Size thresholds and tapers, unambiguous and realistic regulations. Helplines, leaflets, training and advisers only paper over the cracks of poor legislation ! - no help just another distraction."</i>
Software Development	<i>"Size thresholds, notice periods and free access to advisers."</i>

BUSINESS SERVICES continued

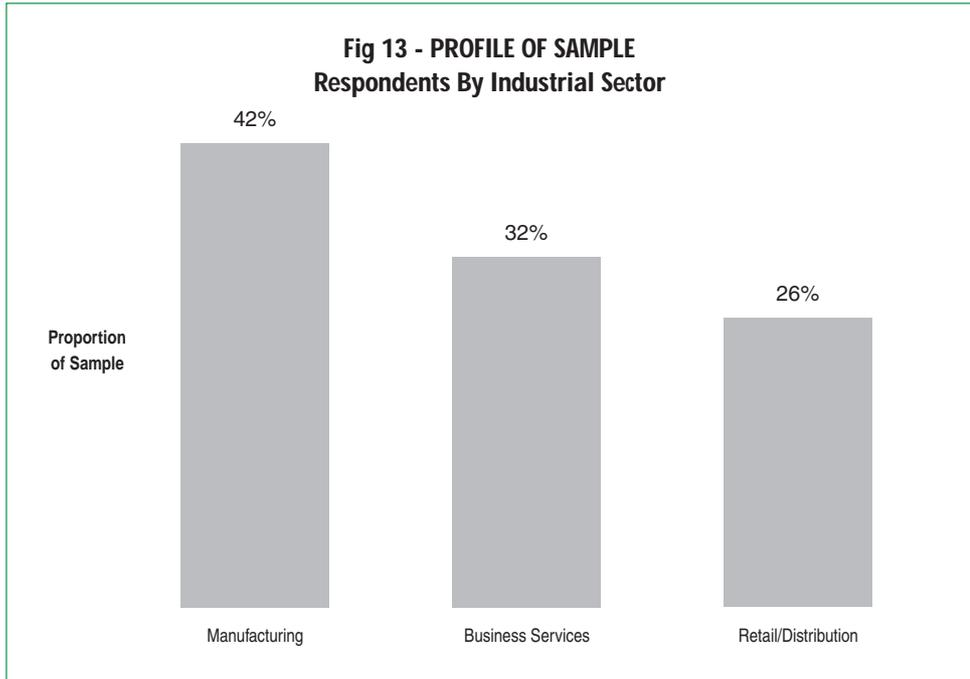
Software Development & Maintenance	<i>"Leaflets, documentation but written for 'real' people, not bureaucrats."</i>
Software House	<i>"Free access to advisers."</i>
Software Provider	<i>"Free access to advisers."</i>
Textile Marketing	<i>"Size thresholds for small businesses [are] vital and essential to their survival."</i>
Training Consultancy	<i>"I always find helplines and leaflets helpful."</i>
Training and Education	<i>"Free access to advisers, helplines, leaflets."</i>

RETAIL AND DISTRIBUTION

Architectural Ironmonger	<i>"Helplines, free access to advisers."</i>
Bus and Coach Hire	<i>"Size thresholds, free helplines."</i>
Computer Software	<i>"Size thresholds."</i>
Computer System Reseller	<i>"Size thresholds."</i>
Domestic Furnishings & Lighting	<i>"Free access to advisers."</i>
Fitted Kitchens	<i>"Free access to advisers."</i>
Floral Services, Retail Florist	<i>"Size thresholds."</i>
Hardware and Pet Store	<i>"We reply on our trade federation to guide us. The complexity of new legislation from Europe and Westminster is truly impossible to comprehend unless one suspends all belief in justice or logic or common sense. I defy one adviser to be able to explain all the legislation relating to retail, employees, etc., etc."</i>
Health Foods and Herbal Remedies	<i>"For government to look at the total burden on small businesses and legislate to reduce that burden be it from the UK or Europe."</i>
Holiday Park	<i>"All - just stop coming up with such stupid laws. It's only a job for the boys in Europe who haven't a bloody clue about running a business and contribute absolutely nothing to any economy."</i>
Importers of Machinery	<i>"Size thresholds."</i>
Importing of Speciality Foods	<i>"Although we tend to sort out our own problems - without outside involvement - I would find leaflets explaining matters or free access the most helpful."</i>
Office Supplies & Printing	<i>"I believe that free training and advice is essential to small businesses. However, size thresholds are also vital as any business below (say) 50 employees is vulnerable to additional cost burdens."</i>
Retail House Furnishers	<i>"Less legislation and Red Tape. Most advisers appear to be failed businessmen!"</i>
Road Haulage	<i>"Leaflets to give advice on changes. Helplines when I cannot understand the leaflets."</i>

RETAIL AND DISTRIBUTION continued

Sales & Support of Computer Software	<i>"Free (quality) advice."</i>
Specialised Accessory Equipment to Process Industries	<i>"Training and access to good advisers. [There is a] Problem with new CE marking - there are no rules to interpret [Applicable to products regulated by European health, safety and environmental protection legislation]."</i>
Suppliers of Woodscrews, Adhesives, Fixings &c.	<i>"The larger problem is passing increased costs through to your customers. I believe all businesses should comply (level playing field). However cost to be reimbursed through tax system ! And kept to a minimum."</i>
Tool Plant & Equipment Hire, Sales & Repair Service	<i>"Helplines and free access to advisers."</i>
Training of Engineering Skills	<i>"Free access to advisers. What are size thresholds and tapers ?"</i>
Tyre & Trailer Retailer	<i>"Helplines."</i>



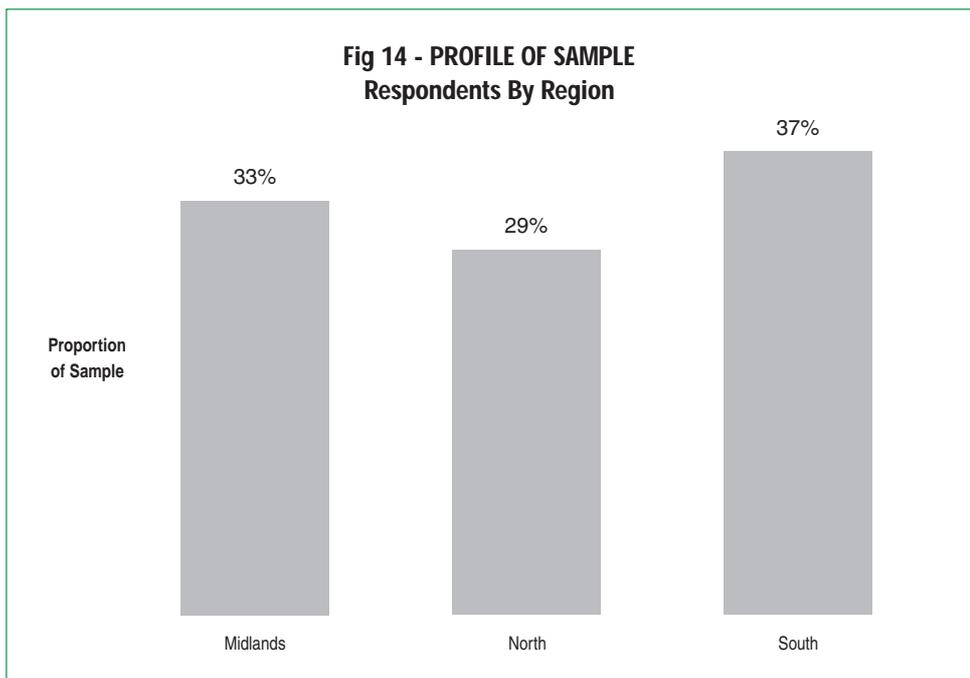
APPENDIX 1 - ADDITIONAL INFORMATION

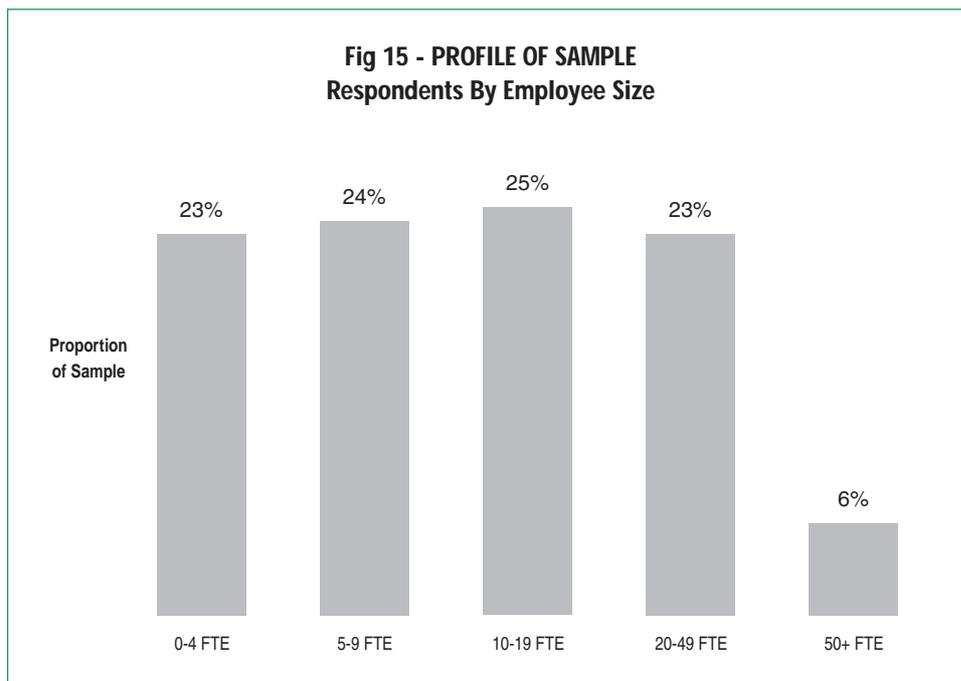
As an aid to the interpretation of the various figures (histograms), we have included some further information about the firms responding to this survey.

The analyses involve key variables, and **industry sector** and **employee size** are those most frequently used as

they are reasonably reliable indicators and less prone to misinterpretation. Other variables have also included **region, sales growth, respondent age** and **sex**.

Industrial sectors – based on the descriptions supplied by respondents, each firm is coded according to the Standard Industrial Classification (SIC 1980). Firms are then grouped into manufacturing, business services, retail/distribution. From 1996 onwards, firms falling outside these 3





bands – previously classified as ‘other’ – are now allocated to the foregoing sector which offers the closest match.

Regions - firms are also classified according to their physical location, namely, North, Midlands and the South.

Employee size - finally, firms are placed in bands according to the number of employees. Each part-time employee is assumed to be equivalent to 40 per cent of a full-time employee (‘FTE’ = full-time equivalent). All of the surveys to date have received only a small number of responses from firms with 50 or more FTE employees. These responses have been **included** in the breakdowns for the **sectoral** and **regional** analyses, but have been **excluded** as a ‘50+FTE’ band in the **employee-size** analyses (the ‘All’ band in each histogram includes all usable responses regardless). This is because a percentage breakdown band based on just two or three firms may not be representative of this size of business.

Figure axes/scales (histograms) - each figure uses a linear scale, with reference to a common zero axis, e.g. running horizontally across the bottom of each column, as in the figure above.

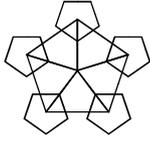
Distribution of firms

The highest proportion of respondents is in manufacturing (42%, previously 47%), followed by business services (32%, see **Figure 13**). Previously, the samples have contained the largest proportion of firms in business services, but the composition has shifted slightly due to the introduction of additional respondents to the sample late 1998, and again, mid-1999.

In this survey, the Southern region has the largest representation, with 37% of the sample’s respondents (previously 36%, see also **Figure 14**).

Historically, the manufacturing and business services firms in the samples have tended to be larger, in terms of employees, whereas the firms in retailing/distribution have had fewer full-time equivalent employees. Likewise, the sample has been biased towards the smaller businesses, but since 1999 there has been an increase in the 20-49 FTE firms (**Figure 15**).

As on previous occasions, the sample is predominantly male (87%).



This questionnaire will take approximately 5-10 minutes to complete – most answers require only a single tick. All information received will be treated in complete confidence. PLEASE DESPATCH AS SOON AS POSSIBLE.

MANAGEMENT ISSUE: Government & Regulations

1 a) Please indicate the number of people working in your business (including yourself): Full-time : _____ A Part-time (16 hours/wk or less)..... : _____ B

b) Your age last birthday: 16-24 years..... A 25-34..... B 35-44..... C 45-54..... D 55-64..... E 65 or over..... F

c) Your gender: Male..... M Female..... F

2 Time spent on UK/EU regulatory issues – please estimate the total management time, including yours, typically spent each month on such matters: Just ONE ✓ only 10 or more manager-days/month A OR 5-9 manager-days/month..... B OR 2-4 manager-days/month..... C OR 1 or fewer manager-days/month..... D

3 Changes in time spent on UK/EU regulatory issues – please indicate how the overall management time spent now compares to 4 years ago: Just ONE ✓ only It's decreased markedly..... A OR It's decreased slightly B OR It's about the same C OR It's increased slightly..... D OR It's increased markedly..... E

4 Current business problems – Which ONE of the following do you feel is the most significant problem for your business at present: Just ONE ✓ only Late payment by customers..... A OR Government regulations generally..... B OR Low turnover/lack of business C OR Uniform Business Rate D OR Lack of availability of skilled staff E OR Strong exchange rate £ : Euro..... F OR Other (please state)..... G

5 **New legislation since 1997 – Which single source do you feel has been the most active regarding the introduction of new laws affecting small businesses:**

Just ONE ✓ in each column *Most Active:*
a) Initiator b) Enforcer

European Union (EU) Government	<input type="checkbox"/>	<input type="checkbox"/> A
Industrial Tribunals or Courts	<input type="checkbox"/>	<input type="checkbox"/> B
Local Government	<input type="checkbox"/>	<input type="checkbox"/> C
Trade Unions	<input type="checkbox"/>	<input type="checkbox"/> D
UK Employers / UK Employers' lobby groups	<input type="checkbox"/>	<input type="checkbox"/> E
UK Government Departments (e.g. Inland Revenue)	<input type="checkbox"/>	<input type="checkbox"/> F
UK National Government	<input type="checkbox"/>	<input type="checkbox"/> G
Other (please state) _____	<input type="checkbox"/>	<input type="checkbox"/> H
	1	2

6 **Impact of regulatory changes since 1997 – Please indicate where the greatest areas of impact have been felt within your own business:**

✓ Against all which apply

I have suffered personal fear and stress	<input type="checkbox"/>	A
It has undoubtedly acted as a barrier to growth	<input type="checkbox"/>	B
There has been a tendency to ignore some of the less important or more complex detail	<input type="checkbox"/>	C
I have seriously considered whether it's really worth continuing in business	<input type="checkbox"/>	D
There has been no real change	<input type="checkbox"/>	E
Some of the legislation has been helpful, e.g. in curbing 'cowboy' competitors	<input type="checkbox"/>	F
Other (please specify) _____	<input type="checkbox"/>	G

7 **Starting a new business – If you were to start a new business now, and given the above impact of regulatory changes (Q6), would your main feeling be:**

Just ONE ✓ only

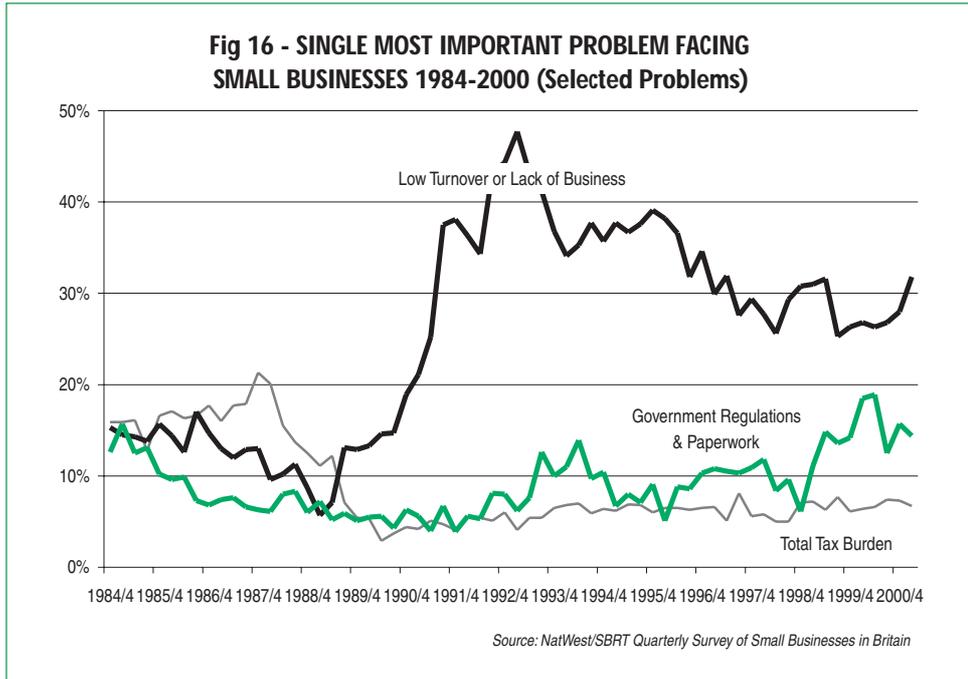
I would start a new business, regardless	<input type="checkbox"/>	A
OR I would start a new business, but with some trepidation	<input type="checkbox"/>	B
OR I would rather be employed by someone else	<input type="checkbox"/>	C
OR Don't know	<input type="checkbox"/>	D

8 **Guidance on regulatory compliance – What attributes do you value most when seeking help from external advisers:**

✓ Against all which apply

Affordability	<input type="checkbox"/>	A
Availability outside normal office hours	<input type="checkbox"/>	B
Confidence in the advice on offer	<input type="checkbox"/>	C
Confidentiality	<input type="checkbox"/>	D
Free	<input type="checkbox"/>	E
Independent	<input type="checkbox"/>	F

9 **'Solutions' – There are many ideas to help small businesses cope with legislation, including: size thresholds and tapers (two or more thresholds), notice periods, helplines, leaflets, training, and free access to advisers. Please briefly say which approaches you personally favour:**



APPENDIX 3 (ABOVE)

N.B. Respondents are asked to identify which one of the following issues represents the main problem for their business at the time of each survey:

- Access to Finance
- Cashflow/Payments/Debtors
- Competition from Big Business
- Government Regulations and Paperwork
- High Rates of Pay
- Inflation
- Interest Rates
- Internal Management Difficulties
- Lack of Skilled Employees
- Low Turnover or Lack of Business
- Premises, Rents, Rates
- Shortage of Materials, Supplies etc.
- Total Tax Burden
- Other

APPENDIX 4 – THE PROS AND CONS OF REGULATORY EXEMPTIONS

The following is a list of potential pros and cons associated with exemptions (for say firms of below a certain size), as identified by the Better Regulation Task Force:

Pros:

- Allow entrepreneurs to focus on running and growing their business
- Diminish the disproportionate effect of regulations on SMEs
- Encourage start-up businesses by reducing costs and administration
- Encourage the employing of staff
- Reduce enforcement costs
- Provide for better targeted enforcement activity
- Graduate the level of regulatory burden on SMEs
- Reduce the cumulative effects of regulation
- Politically popular with SMEs

Cons:

- Confuse consumers, employees and other stakeholders through lack of consistency and transparency
- Reduce protection for employees, consumers and other stakeholders
- Create a barrier to growth
- Encourage entrepreneurs to sell up when they feel overburdened by having to cross a series of thresholds
- Compensate for (or, at worst, mask) poorly designed regulations
- Make those exempted firms less attractive to potential employees
- Add complexity and confusion if firms are unaware of different thresholds
- Politically unpopular with employees, consumers and other stakeholders

Source: *Helping Small Firms Cope with Regulation - Exemptions and Other Approaches*, Better Regulation Task Force, Cabinet Office, April 2000

APPENDIX 5 – EMPLOYMENT REGULATION: SCOPE

The following bulleted items are shown as Web links, offering further online information from the Department of Trade & Industry's (DTI) Web page, entitled **Regulatory Guidance**, and current at the time of going to print (<http://www.dti.gov.uk/er/regs.htm>, last updated 4 January 2001). Some businesses could be excluded in certain cases, for example, where size exemptions apply – see also Appendix 6 for examples.

Employment Legislation

- Benefit repayment by employers after a tribunal award (PL720)
- Collective redundancies and business transfers
- Contracts of Employment: changes, breach of contract and deductions from wages (PL810)
- Dispute Resolution - Guide to the Employment Rights (Dispute Resolution) Act 1998
- The Employment Agencies Act 1973 (PL971)
- Employment outside Great Britain
- Employment Rights on the Transfer of an Undertaking (PL699)
- European Works Councils
- Fair and Unfair Dismissal (PL714)
- Guarantee Payments (PL724)
- Individual Rights of Employees (PL716)
- Itemised Pay Statement (PL704)
- Limits on Payments (PL827)
- National Minimum Wage
- Offsetting Pensions Against Redundancy Payments (RPL1)
- Posting of Workers Directive
- Public Interest Disclosure Act 1998 Guide (PL 502)
- Redundancy Consultation and Notification (PL833)
- Redundancy Payments Service Charter (PL918)
- The Redundancy Payments Scheme (PL808)

- Rights to Notice and Reasons for Dismissal (PL707)
- Rules Governing Continuous Employment and a Week's Pay (PL711)
- Unfairly Dismissed? (PL712)
- Using an Agency
- Working Time Regulations
- Written Statement of Employment Particulars (PL700)
- Example form of a Written Statement of Employment Particulars (PL700A)
- Your Rights if your Employer is Insolvent (PL718)
- Homeworking: Don't be taken in by bogus job offers

Time Off, Maternity, Parental Leave

- Maternity Rights
- Parental leave
- Suspension from Work on Medical or Maternity Grounds (PL705)
- Time Off for Job Hunting or to Arrange Training when Facing Redundancy (PL703)
- Time Off for Public Duties (PL702)
- Time off for Dependants

Trade Unions

- Industrial Action and The Law: a guide for employees (PL869 Rev 4)
- Industrial Action and The Law: a guide for employers (PL870)
- Industrial Action and The Law: stopping the unlawful organisation of industrial action (PL943)
- Payment of Union Subscriptions (PL944)
- Trade Union Executive Elections (PL866)
- Trade Union Funds and Accounting Records (PL867)
- Trade Union Political Funds (PL868)
- Union Membership and non-membership rights (PL871)
- Unjustifiable Discipline By a Trade Union (PL865)
- Picketing (PL928)
- Industrial Action Ballots and Notice to Employers (PL962)

- Access to Workers during Recognition and Derecognition Ballots (PL500)

Sunday Trading

- Sunday Trading Act 1994: Employment Rights for Shopworkers (PL960)
- Sunday Betting: Employment Rights for Betting Workers (PL973)

Employment Rights Factsheets - published by the Small Business Service

- Disability Discrimination in Employment
- Dismissal: Fair or Unfair?
- Itemised Pay Statements
- Maternity Rights
- National Minimum Wage
- Part-time workers
- Racial Discrimination in Employment
- Redundancy
- Sex Discrimination and Equal Pay
- Suspending Employees from Work
- Time Off Work
- Trade Union Membership
- Transfer of an Undertaking
- Written Statement of Employment Terms

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APPENDIX 6 – A COMPARATIVE OVERVIEW

The following tables compare the **financial, safety, employment and equality** regulatory issues for the UK, the United States, Italy and Germany (mid-2000).

UK	United States	Italy	Germany
FINANCIAL: Business Taxes			
Companies with profits of up to £10,000 pay at 10%, rising gradually to 20% for profits between £50,000 and £300,000, then rising gradually to 30% for profits over £1.5 million. Companies with profits below £1.5 million do not have to pay corporation tax by quarterly installments (thresholds are reduced proportionately where companies are grouped or have associated companies).	Corporate capital gains tax is 15% on the first \$50,000 net income, 25% on the next \$25,000 and 35% above \$75,000. The top tax rate for individuals is 20%. New Jersey rates: Up to \$100,000 net income 7.5%, over \$100,000 is 9%. Florida : 5.5% net Florida income. California : C Corporations 8.84%, S Corporations 3.5%. New York : Corp 9%, S Corp 7.87%.	Corporate Income Tax is 37%, regional tax is 4.25% giving a total tax level of 41.25%.	Corporation tax is levied at 30% and 40% on distributed and retained profits. Municipalities tax business income. The rates vary between 13% and 20% of business income.
FINANCIAL: VAT & Sales Tax Rates			
17.5% standard rate. Other rates are 5% (e.g. domestic supplies of gas and electricity) and 0% (e.g. books and most food). Certain services are exempt from VAT (e.g. in finance sector).	Sales tax rates: Florida 6% plus county rates of up to 1%. No tax on groceries, medicines, household fuels and most services.	20% standard rate. Other rates are 4% and 10%. Certain services such as banking, insurance, financial services and the leasing of buildings and land are exempt.	16% Standard Rate. 7% reduced rate for selected items, i.e. food, books, particular regulations for some tax-free turnovers.
FINANCIAL: VAT Thresholds			
Liability to register when taxable turnover in the last 12 months or less exceeds £52,000, or where there are reasonable grounds for believing that the value of taxable supplies in the next 30 days will exceed £52,000. De-registration level is £50,000	No sales tax thresholds are in place for the four states researched, though the categories of goods exempted vary from state to state.	All businesses have to register, as there is no threshold. However, there are administrative simplifications on invoicing, record keeping and payment of tax.	Taxation as a small entrepreneur under two conditions: 1. Turnover in the current year is less than DM 100,000 (£30, 928); 2. Turnover in previous year was less than DM 32,000 (£10,051). The DM 100,000 threshold is now the fourth highest limit in EU after UK, France and Ireland.
FINANCIAL: VAT & Tax Returns			
Individuals running businesses with an annual turnover of under £15,000 need only supply abbreviated figures on their tax returns. Company may prepare abbreviated accounts provided its turnover is below £2.8m and has either a balance sheet total of not more than £1.4 million or the number of employees is 50 or less.	Taxpayers pay annually on the basis of self-assessment. Audited accounts are not required to accompany the tax return, but the return must be signed by a legal representative of the taxpayer. State sales taxes are normally paid monthly.	>20 employees: tax returns on diskette <20 employees: make paper returns <10 employees: firms make unified tax and VAT returns.	Corporation tax, trade tax and net-worth tax returns are due on 31 May following the end of the financial (calendar) year.
FINANCIAL: Statutory Audit Requirements			
Private limited liability company, unlimited company, general partnership, and limited partnership are exempt if they meet the following criteria, Assets: below £1.4 million; Employees: 50 or less; Turnover: below £350,000 (subject to Parliamentary approval, to be raised to £1m for financial periods ending after July 31 2000).	No statutory requirement for audit. State rules may require certain classes of companies (e.g. credit unions, benefit plans etc.) and charities to be audited.	Public limited liability company, private limited liability company, incorporated partnership are exempt if they meet the following criteria, Assets: <LIT 3090 million (£1.06m); Turnover: <LIT 6180 million (£2.12m); Employees: <50.	Public limited liability company, private limited company, incorporated partnership are exempt if they meet the following criteria, Assets: <DM 5.31 million (£1.64m); Turnover: <DM 10.62 million (£3.28m); Employees: <50.
SAFETY AT WORK ISSUES			
<5 employees: Firm is exempt from preparing a written H&S policy and bringing it to employees attention, recording risk assessment findings, and recording H&S arrangements. Fire certificates are not required for any factory, shop or office in which: * not more than 20 persons are at work on the premises at any one time; and * not more than 10 people work at any one time elsewhere than on the ground floor	There is no requirement to record job-related injuries and illnesses where: <10 employees or 'low hazard' industries such as automobile dealers, eating and drinking places, finance, insurance and real estate and furniture stores.	<10 employees: no H&S report, self certification being sufficient; <15 employees: exemption from annual H&S meeting; <15 employees: employees' H&S representative can represent more than one firm; <30 employees: simplified H&S procedures & employer can act as the accident prevention service; <=30 employees: medical inspections need only be done once a year (instead of twice).	Only employers with more than 10 employees are required to keep records on hazard classification.

EMPLOYMENT: Minimum Wage

No exemptions.	National Minimum wage (of \$5.15 an hour) applies only to firms with interstate commerce valued at \$500,000 or more.	Each industry has a national labour contract stipulating minimum wage and salary scales.	Most branches of industry have collective pay agreements, which are negotiated between the social partners.
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EMPLOYMENT: Working Time

Voluntary individual exemption (opt out) is allowed from the weekly working time limit of 48 hours, averaged over a 17 week referencing period.	Working Time regulations do not apply to firms with turnover below \$500,000.	Most trade union agreements are for a 40-hour week.	The Act on Working Hours defines working days as Mon to Sat and limits regular working hours to 8 per day i.e. 40 per wk. The max. time per day can be extended to 10 hrs only if the average over 6 months or 24 weeks does not exceed 40 hrs.
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EMPLOYMENT: Maternity Leave

<5 employees: Firms do not have the same obligation as larger firms with regard to re-employing women after taking "old style" maternity leave.	Family and Medical Leave Act provisions do not apply to employers with less than 50 employees. Where it does apply, the maximum leave period is 12 weeks.	No exemptions.	No exemptions.
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EMPLOYMENT: Statutory Maternity Pay

Small employers (who pay <£20,000 gross NICs) may recover 100% plus an additional payment of 5% in compensation for the secondary (i.e. employer) NICs paid on SMP payments.	Where the Family and Medical Leave Act provisions apply, maternity leave is unpaid.	No exemptions.	Women receive their full salary during statutory maternity leave; statutory health insurance funds pay up to DM 25 (£7.73) per day, the rest is paid by the employer. In companies with 20 or fewer employees, health insurance funds take on full costs.
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EMPLOYMENT: Trade Union And Employee Representation

<=20 employees: Firms are exempt from the Employment Relations Act requirement to grant recognition to unions for collective bargaining purposes. The Act gained Royal Assent in July 1999 and the provision will be introduced in due course.	No information available.	>15 employees: Unions' rights to hold meetings, elections, collect dues and put up notices apply. >200 employees: there is a requirement for a permanent union representative.	<5 employees: No entitlement to elect a Betriebsrat (employees' committee). The committee size is dependent on the number of employees e.g. 5-20 emps.: 1 person elected as a representative; 21-50 employees: 3 person committee; 51-150 employees: 5 person committee.
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EMPLOYMENT: Redundancy Notice And Terms

No right if employed for less than two years. Less than 20 employees potentially redundant - no obligation to notify DTI of redundancy; 20-99 employees potentially redundant - 30 days notification; 99+ employees potentially redundant - 90 days notification.	Employers with more than 100 employees (not counting those who have worked less than 6 of the last 12 months, or those who work an average of 20 hours a week), must provide 60 days notice when: a covered plant is shut down for more than 6 months; or a layoff of 6 months or longer affects 500 or more workers; or 50 employees lose their jobs during a 30 day period.	No information.	The following notice periods apply to all full time employees. <table border="1"> <thead> <tr> <th>Employment</th> <th>Notice</th> </tr> </thead> <tbody> <tr> <td>2 years</td> <td>1 month to end of calendar month</td> </tr> <tr> <td>5 years</td> <td>2 months</td> </tr> <tr> <td>8 years</td> <td>3 months</td> </tr> <tr> <td>10 years</td> <td>4 months</td> </tr> <tr> <td>12 years</td> <td>5 months</td> </tr> <tr> <td>15 years</td> <td>6 months</td> </tr> <tr> <td>20 years</td> <td>7 months</td> </tr> </tbody> </table>	Employment	Notice	2 years	1 month to end of calendar month	5 years	2 months	8 years	3 months	10 years	4 months	12 years	5 months	15 years	6 months	20 years	7 months
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20 years	7 months																		

EQUALITY: Equal Pay

No exemptions.	Equal Pay Act does not apply to firms with turnover below \$500,000.	No exemptions.	No exemptions.
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EQUALITY: Race Or Sex Discrimination

Racial discrimination between partners or between partners and prospective partners is not unlawful where there are <6 partners.	Civil Rights Act forbidding discrimination by race, colour, sex, religion, creed or national origin does not apply to firms employing less than 15 people.	No exemptions.	No exemptions.
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EQUALITY: Disability Legislation

Employers with <15 employees (full or part time) are exempt from the Disability Discrimination Act's employment provisions.	Disability Rights legislation does not apply to firms employing less than 15 people.	Firms with 35 people or less are exempt from the requirement to employ disabled people in 15% of the positions. Other exemptions apply to businesses involved in rail, sea or air travel.	No exemptions.
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Source: *Helping Small Firms Cope with Regulation - Exemptions and Other Approaches*, Better Regulation Task Force, Cabinet Office, April 2000



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