



Department
for Business
Innovation & Skills

BIS PERFORMANCE INDICATORS

Ease of doing business in the
UK, ranking of UK on World
Bank Doing Business Report

MARCH 2015

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How it works

Through 10 indicators benchmarking across 189 world economies, the World Bank Ease of Doing Business Report sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant legal obligations.

The report measures and tracks changes in the requirements applying to domestically based, primarily smaller businesses, over their life cycle; from start-up to closure. The indicators are used to analyse a range of economic and social outcomes. Each benchmark typically considers (1) the number of processes to be completed, (2) the length of time these processes take, and (3) the cost of completion.

The World Bank annually reports (www.doingbusiness.org) on a variety of business driven indicators; designed to portray the life cycle of a small to medium-sized domestic business.. They are built on standardized case scenarios and cover a variety of factors including regulations that enhance or constrain business activity. On regulation it specifically produces a set of indicators based on:

- The degree of regulation, such as the number of procedures to start a business, to get electricity or to register and transfer commercial property;
- Regulatory outcomes, such as the time and cost to enforce a contract, go through bankruptcy or trade across borders;
- The extent of legal protections of property, for example, the protections of investors against looting by company directors or the range of assets that can be used as collateral according to secured transactions laws;

In addition it looks at the tax burden on businesses and different aspects of employment regulation, although the latter is currently not included in the calculation of country rankings.

Why is this indicator important?

Targeted and proportionate regulation helps promote economic growth and wider economic welfare. However, regulation should be designed to guide markets towards producing the desired outcomes with the minimum burden and corresponding costs for businesses.

The report produces a simple overall ranking based on these detailed indicators. The results provide a comparison of the regulatory burden that businesses face across different countries on a consistent basis. A positive regulatory environment implies that competition between firms should be high, as there are low barriers for new firms to be created. In turn this

competitive pressure should enhance firms' incentives to innovate, increase productivity and, ultimately, create economic growth.

How are we performing?

The UK is ranked 6th out of the OECD countries in the World Bank Ease of Doing Business rankings, behind New Zealand, the United States, Denmark, Korea and Norway, and 8th overall in the 2015 figures (released on 29 October 2013).

Compared with 2014, the UK improved by one place from 7th in OECD and 9th overall.

	2015	2014
1	Singapore	Singapore
2	, New Zealand	, New Zealand
3	Hong Kong	Hong Kong
4	Denmark	Denmark
5	Korea, Rep	Korea, Rep
6	Norway	Norway
7	United States	United States
8	United Kingdom	Finland
9	Finland	United Kingdom
10	Australia	Australia

Methodology

The World Bank annually report on regulations that enhance or constrain business activity, using a number of quantitative indicators on business regulation and protection of property rights, to compare different economies over time.

Surveys are issued to local experts (including business consultants, lawyers and government officials) and look at 10 aspects of business regulation including; starting a business, getting credit, and trading across borders. Data for the indicators are based on responses to a common template, which uses a simple example to ensure comparability across countries and over time (e.g. assumptions about the size of a business, its legal form and nature of its operations).

Full details of the methodology can be found at [World Bank Doing Business Methodology](#).

Limitations

It is important to note that the report offers an objective, but limited, comparison of regulatory environments across different countries. The report itself caveats the results with the following key limitations:

- a. Underlying indicators do not account for all important factors which matter to firms or investors; further considerations such as macroeconomic conditions, market size, workforce skills, quality of infrastructure and security, are not captured
- b. The report focuses on the quality of the regulation framework but is not all-inclusive; it does not capture all regulation in an economy
- c. The report considers regulations for standardized case scenarios with specific assumptions around the location, type and size of business

A number of other international organisations produce rankings of countries on the basis of criteria relating to various aspects of competitiveness. These rankings are often based on subjective data and can be volatile due to how they are compiled. For example, data collected via surveys can be sensitive to methodological changes and sample sizes, and methods that assign weightings can lack transparency.

Figures can get revised. When originally published, the 2013 report listed the UK in 7th position, but this ranking was retrospectively revised when the 2014 report was published due to the World Bank retrofitting methodological changes to previous years. As a result it is not possible to produce a series of consistent historical rankings for the UK over time.

What will influence this indicator?

This indicator will be influenced by changes to the quality of the specific regulations covered by the report, in both the UK and other countries. Previous years have also included regulations relating to employing workers, but this indicator has not been included since 2010.

International rankings are sensitive to methodological changes such as the choice of indicators, the aggregation process and the assignment of weights. As such, they should be seen as providing a high-level assessment, rather than an absolute measure of the ease of doing business.

In addition, a country's ranking can change without any alteration to its business environment, as the rankings are relative to other countries rather than providing an absolute score. This is particularly true for economies near the top of the rankings, for whom the differences across particular indicators can be relatively small.

What is BIS's role?

The BIS Growth Team have been leading efforts across Government to use the World Bank indicators to improve UK's competitiveness. Indicators have been used to identify and drive reforms in areas that will improve performance on the individual indicators, enhance the wider business environment and brings tangible benefits to SMEs.

The Better Regulation Executive in BIS is responsible for the Government's strategy on better regulation. This includes setting the Framework of policies to reduce the flow of regulation and review the stock and enforcement of regulation. Some of the regulations covered in the survey will be captured by this system.

The Government has met the Prime Minister's pledge to be the first Government in modern history to leave office having reduced the overall burden of domestic regulation and is saving businesses £2.2bn per annum by cutting regulation through One-in, One-out (later One-in, Two-out) and the Red Tape Challenge. These savings are set out in the Ninth Statement of New Regulation, and have been independently validated by the Regulatory Policy Committee. The Statement can be found at: <https://www.gov.uk/government/publications/one-in-two-out-ninth-statement-of-new-regulations>.

The 'One-in, One-out' rule introduced by this Government was introduced to stem the flow of disproportionate regulation by requiring departments to find £1 of regulatory saving to business for every £1 of new regulatory cost. In 2013, we increased our ambition even further by doubling the rule to 'One-in, Two-out'.

With Cabinet Office, BIS also manages the Red Tape Challenge, which reviewed the inherited stock of regulations that have an impact on business. The programme has acted on over 30,000 comments from the public and businesses to remove or improve unnecessary and over-complicated regulations. Our starting point has been that regulation should go unless there is good justification for the Government to be involved.

The Focus on Enforcement programme is working with business groups and regulators to review the enforcement of regulation. Ten official-led reviews and three business-led reviews have been completed with significant improvements to enforcement in areas such as infrastructure developments on the coast.

This combined approach to challenging the stock, flow and enforcement of regulation has made a difference to business experience of red tape in the UK.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/211981/bis-13-1038-better-regulation-framework-manual-guidance-for-officials.pdf

With Cabinet Office, BIS also manages the 'Red Tape Challenge' which reviews the inherited stock of regulations that have an impact on business. Of around 5,600 substantive regulations being examined by the Red Tape Challenge we committed, by December 2013, to identify at least 3,000 regulations to scrap or improve. This has now been achieved and the full list of 3,000 reforms was published on the Red Tape Challenge website on the 27th Jan 2014. (<http://www.redtapechallenge.cabinetoffice.gov.uk/themehome/red-tape-challenge-results/>)

800 of the 3,000 reforms are already implemented and are already saving businesses £300 million per year. Red Tape Challenge reforms are expected to, in total, deliver savings to business of over £850 million per year once all reforms are implemented.

The Better Regulation Executive, which is part of BIS, has set out a guide to how the Government is implementing the Coalition Agreement commitments and how, over the course of this Parliament, they will reduce the quantity and improve the quality of domestic regulation and regulation that comes from the European Union.

Indicator definition

The World Bank Ease of Doing Business index ranks economies from 1 to 189. The index is calculated as the ranking on the simple average of country percentile rankings on each of the 10 topics covered. The ranking on each topic is the simple average of the percentile rankings on its component indicators.

This indicator also considers the UK ranking within Organisation for Economic Co-operation and Development (OECD) economies.

Further information

[The 2015 Doing Business report](#)

Who are our partners?

All Government Departments

Related indicators

[Change in the net domestic regulatory burden imposed on business by Government](#)

[Change in net domestic employment regulatory burden imposed on business by Government](#)

The recently published [World Economic Forum's Global Competitiveness Report](#) also provides ranking of the business environment across countries. In the 2014-15 report, the UK was ranked 9th in the world, climbing 1 place on its position in 2013-14.

Status

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