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Report

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# Executive Summary

## Background

The Business Perception Survey (BPS) has for nearly 10 years acted as a source of information to illustrate businesses' views on the extent of regulation in the UK. As the government seeks to reduce the burden of regulation further, its ability to track trends over time provides a useful portal into the perceived impact, while also identifying possible further areas of regulation that might be reviewed. IFF Research was commissioned to conduct the 2016 survey, with specific objectives to:

- Examine businesses' perceptions of regulation and views on regulation, and how these have changed since previous years
- Explore what aspects of regulation and the regulatory delivery are most burdensome to businesses
- Explore where businesses get their advice on complying with regulation.

The Business Perception Survey 2016 was commissioned as part of the research series by the Department of Business, Innovation and Skills. The subsequent research and report was completed previous to the formation of the new Department for Business, Energy and Industrial Strategy and therefore this report may make reference to the Department of Business, Innovation and Skills.

Mainstage fieldwork occurred between 2nd February and 4th March 2016. In total, 2,000 interviews were achieved by telephone using Computer Assisted Telephone Interviewing (CATI). Interviews were conducted with a senior member of staff with responsibility for legal or compliance issues. Among smaller businesses this was commonly the owner or managing director.

The questionnaire was adapted from the 2014 survey to focus on the company's experience of regulation in general rather than a specific law, reducing the ability to compare across surveys. However, several core tracking questions were retained to allow for time series comparisons.

## Key findings

### Business Performance and Key Challenges

More businesses (50%) reported that their sales turnover had increased than decreased in the last 12 months (29%), with more also taking on more staff (30%) than reducing their staff headcount (17%).

Business growth varied by industry sector: those in the Agriculture / Mining / Energy sector were the least likely to report an increase in sales turnover (32%), while those in the Construction and Hotel / Catering sector (both 24%) were more likely to report reducing their staff headcount.

Two-fifths (42%) of businesses reported increasing their capital investment, while a similar proportion (39%) had started offering new products and services; a quarter (25%) had started working in new business markets, while 9% said they had increased the amount they export to other countries.

Overall, 15% of businesses felt complying with regulation was their greatest business challenge. Businesses in the Finance (44%) and Agriculture / Mining / Energy (31%) were by far the most likely sectors to report this.

### Overall attitudes towards regulation

Compared with 2014, the proportion of businesses who felt complying with regulation is their greatest challenge (up to 15% from 11% in 2014) and the proportion of business who expect the burden of regulation to increase in the next 12 months (up to 52%, from 43% in 2014 and a 38% low in 2012) has risen.

Despite rising concerns about the burden of regulation and that businesses expect it to increase, the proportion who felt the level of UK regulation is an obstacle to business success fell to around half (49%), continuing the downward trend from 62% who reported this in 2009.

Most commonly businesses felt the burden of regulation would increase in the next 12 months because of a perception that the burden always increases (38%). In terms of the impact of specific regulations, businesses were most likely to mention pension issues and, in particular, Automatic enrolment (11%) as the reason why they expect the burden to increase.

The most important factor in encouraging businesses to comply with regulation is maintaining their reputation with customers (95%), with three-fifths (61%) deeming this essential and a further third (34%) considering it very important. This was closely followed by it simply being important to do the right thing (91%) with 55% considering this essential and 36% very important.

### Effort of dealing with regulation

While the proportion of businesses citing regulation as an obstacle to business success has been in steady decline, more than half (53%) of businesses felt that the total cost of complying with regulation had actually increased over the last 12 months. Only 3% of businesses said it has decreased.

Three-fifths (59%) of businesses agreed that the time taken to comply with regulation was a burden, with businesses spending an average of 5.4 staff days per month dealing with, or complying with, regulation.

The Finance sector was most likely to report an increase in the cost of regulation over the last 12 months (71%), to agree that the length of time taken to comply is a burden (75%) and spent the most time complying with regulation (11.5 staff days per month).

Completing paperwork, filling out forms and keeping records on facts and figures was considered the most burdensome of the prompted activities (65%), closely followed by

keeping up to date with information about regulations the business needs to comply with (64%) and having to provide the same information more than once (62%).

## External support

Most commonly, businesses used external business advisers / agents (71%), government websites (65%), friends, family and other personal contacts (54%) or trade associations / business organisations (53%) to help their business in complying with regulation. In total, nearly all (95%) businesses had used external support to help them comply with regulation.

Companies that used external business agents to help them comply with regulation sought advice from a wide range of experts. Around nine in ten (92%) used an external accountant or insurance company (87%). Lower proportions (63%) used an external lawyer for these purposes, while around half made use of specialists in particular fields such as Health and Safety (46%) and Fire (45%).

On average, businesses spent £8,550 on the use of external business agents to help them comply with regulation, with this rising to £51,000 among large companies. Businesses in the Agriculture sector (£11,450) and especially Finance (£20,150) were also more likely to spend more on their external business agents.

Amongst businesses that had used government websites to help their business comply with regulation, the most popular website used was Gov.uk, (94%, equating to 61% of all employers). Local Council websites (52%) and specific regulator websites (47%) were less common, while European Union websites were used only by a minority (15%).

## Attitudes towards government

Employers were most positive around the clarity of the Government's approach to regulation, with approaching half (49%) agreeing that they found the purpose of regulation clear. Nevertheless, only a third (35%) found most regulation to be fair and proportionate, indicating that while a portion of employers appreciate the need of regulation, they do not feel this is administered in an equitable manner.

While around two-fifths (38%) agreed that the Government informs businesses of any regulatory changes clearly, only half this number (19%) felt that the Government consults well with business before introducing new regulation or changing existing regulation. Indeed more than half (56%) disagreed with this statement.

Approaching one-third (32%) found it easy to comply with regulations, with one in five (21%) considering that the Government understands business well (57% disagreed).

Businesses were presented with a list of eight different areas of law and asked to identify which they found burdensome. At an overall level, Employment Law and Health and Safety law were most commonly considered a burden, each mentioned by over half of business (56%). One in six businesses expressed that they found no area of law particularly burdensome.

## Experiences of dealing with specific regulators

Her Majesty's Revenue and Customs (HMRC) was most frequently cited (18%) as the regulator with which businesses had most contact. The national Health and Safety Executive was cited by nine per cent of businesses although it is possible that businesses conflated this with Health and Safety officers working in the Local Council (6%).

Environmental Health (7%), The Pensions Regulator (6%), Local Council (Planning (5%)) and the Environment Agency (5%) were all reported by at least one in 20 businesses.

For those businesses whose main regulator was national, their greatest burden lay with the amount of paperwork or administration involved and the impact this had on their workloads (13%). Licensing, including creating applications and acquiring authorisation, was the next most common burden (7%). At a local level, the burden of regulation varied widely by regulator.

In terms of their dealings with regulators, businesses whose main regulator was their Local Council Planning office were more likely to disagree that guidance published was easy to locate and accessible (43%) and that previous compliance was taken into account when scheduling visits and inspections (30%).

Local Environmental Health offices appeared to provide the best service, as those for whom it was the main regulator were more likely to agree that guidance was easy to locate and accessible (71%), that previous compliance was taken into account when scheduling visits and inspections (57%) and that the impact on their business was taken into account when providing advice (45%). In addition, more agreed (31%) that the process to appeal a decision made by their Local Environmental Health office was easy and transparent than disagreed (11%).

# 1 Introduction

## Background

Effective regulation plays an important role in protecting consumers, businesses, employees and the environment. While they can create costs, regulatory interventions facilitate a level playing field among businesses, protect individuals from market failures, while encouraging safe and responsible business practice.

However, some regulations can be unnecessary, overcomplicated or out of date, thus leading to needless inefficiencies that have the potential to damage the UK economy and inhibit growth.

The Small Business, Enterprise and Employment Act 2015 requires Government to publish a target for the impact of deregulation on business (the Business Impact Target). The target for 2015-20 is a saving for business of a further £10 billion. To support this the Government has launched a programme of Cutting Red Tape reviews, designed to identify areas where regulation and enforcement could be improved.

## Survey objectives

The Business Perception Survey (BPS) has for nearly 10 years acted as a source of information to illustrate businesses' views on the extent of regulation in the UK. As the government seeks to reduce the burden of regulation further, its ability to track trends over time provides a useful portal into the perceived impact, while also identifying possible further areas of regulation that might be reviewed.

In previous years the BPS has focussed – to an extent – on individual law areas; to reflect changing policy priorities, the objectives for 2016 have shifted slightly in that it generally covered businesses' experience of regulation in general as opposed to a specific area of law.

Specifically the objectives of the study sought to:

- Examine businesses' perceptions of regulation and views on regulation, and how these have changed since previous years
- Explore what aspects of regulation and the regulatory delivery are most burdensome to businesses
- Explore where businesses get their advice on complying with regulation.

## Methodology

A key concern of the methodology for any tracking survey is to ensure comparability of findings is possible. Thus the sampling, questionnaire design, fieldwork and weighting processes followed similar approaches to previous surveys.



An important change however was to exclude sole traders from the sample of businesses interviewed; all businesses therefore had at least one employee. While sole traders were included in 2014, they were treated separately from the rest of the sample at the reporting stage; hence findings between 2016 and 2014 (and before) are still comparable as they are both based on businesses with at least one employee.

Businesses were sampled using a stratified random sampling approach that was based on industry sector, size of business and UK nation. To ensure we achieved representative base sizes that were suitable for robust subgroup analysis, we over-sampled larger businesses and distributed sample by sector relatively evenly. This stratification followed the same approach taken in 2014. More information on sampling and the rest of the methodology is available through the separate Technical Report.

From a questionnaire perspective it was important to be able to continue to track changes over time. Thus questions used for this purpose received no revision. However, as referred to in the section above, some measures were re-focussed on the company's experience of regulation in general rather than a specific law, reducing the ability to compare across surveys. Indeed, in 2016, results for these measures were generally less positive than in 2014, such as businesses' attitudes towards the Government approach to regulation<sup>1</sup>.

With the move away from a focus on individual laws, the survey instead increased its focus on specific regulators, with businesses asked which regulators they had most contact with, and their experience of working with this regulator. These findings are presented in Chapter 7 of this report.

A set of 12 cognitive interviews helped refine questionnaire development, while the survey was also piloted prior to launch.

Mainstage fieldwork occurred between 2nd February and 4th March 2016. In total, 2,000 interviews were achieved by telephone using Computer Assisted Telephone Interviewing (CATI). Interviews were conducted with a senior member of staff with responsibility for legal or compliance issues. Among smaller businesses this was commonly the owner or managing director.

Table 1.1 shows how interviews fell out by size and sector. By nation, we achieved 1,712 interviews in England, 52 in Northern Ireland, 141 in Scotland and 95 in Wales.

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<sup>1</sup> In 2014 for example, 70 per cent of businesses reported that the purpose of regulation was clear; in 2016 this figure was 49 per cent (see Figure 6.1). Such a downward trend was consistent across all measures in this question with the exception of changes being informed clearly (40% in 2014 and 38% in 2016).

**Table 1.1: Achieved interviews, by size and sector**

Industrial Sector	Number of employees in organisation					Total
	1-4 employees	5-9 employees	10-49 employees	50-249 employees	250+ employees	
Agriculture /Mining /Energy	54	42	46	12	12	<b>166</b>
Construction	60	40	45	18	16	<b>179</b>
Finance	39	32	52	25	21	<b>169</b>
Hotel/Catering	25	31	83	21	23	<b>183</b>
Manufacturing	22	40	95	38	21	<b>216</b>
Property /Management /Business Services	118	76	96	24	34	<b>348</b>
Public administration /Other	45	41	76	24	15	<b>201</b>
Retail /Distribution	79	90	109	36	21	<b>335</b>
Transport and Storage	36	38	72	33	24	<b>203</b>
<b>Total</b>	<b>478</b>	<b>430</b>	<b>674</b>	<b>231</b>	<b>187</b>	<b>2,000</b>

To maximise comparability with previous surveys, and to ensure a good spread of businesses, the interviews were weighted to address any distortions caused by the sample stratification by size, sector and country. The final dataset used for this report is therefore representative of all UK companies with at least one employee. The separate technical report contains more information on our approach to weighting.

## Reporting conventions

As mentioned previously in this chapter, a key objective of the survey is to monitor how particular measures relating to businesses' perceptions of regulations have changed over time. Thus we refer back to the 2014 findings, as well as prior to this. We also assess differences in 2016 by key subgroups such as sector, size and nation.

Following this chapter, the remainder of the report is split into six chapters:

- Chapter 2: Business performance and key challenges
- Chapter 3: Overall attitudes towards regulation
- Chapter 4: Effort of dealing with regulation
- Chapter 5: External support

- Chapter 6: Attitudes towards Government
- Chapter 7: Experiences of dealing with specific regulators

Throughout the report unweighted base findings are shown on tables and charts to give an indication of the statistical reliability of figures. All other figures reported are weighted to the UK private sector business population, unless when explicitly stated.

All differences noted are significant to a 95 per cent confidence level from the rest of the sample. Statistical differences are affected by both the unweighted base and the percentage figure. Figures in tables and charts marked with ‘\*’ are significantly lower than the UK average, while those marked ‘♦’ are significantly higher.

In some cases charts or tables may not always add to 100 per cent and where this is the case it is due to rounding (i.e. 99 per cent or 101 per cent). Furthermore, in a number of charts and tables, ‘don’t know’ answers have not been included.

The terms ‘business’, ‘organisation’, ‘company’ and ‘employer’ are used interchangeably throughout the report to avoid excessive repetition.

Some images used in the charts included in this report have been designed by Freepik.

## 2 Business Performance and Key Challenges

This chapter explores business performance over the last 12 months, as well as assessing the degree to which businesses consider complying with regulation as their main business challenge.

### Business Performance

Businesses were asked whether a series of business performance indicators and behaviours applied to them. As Figure 2.1 shows, half (50%) of businesses reported that their sales turnover had increased, compared with only three in ten (29%) that reported a decrease. Furthermore, more businesses had taken on staff (30%) than had reduced their staff headcount (17%). Likelihood of reporting growth in these areas increased with size.

Considering other key measures of performance, two-fifths (42%) reported increasing their capital investment, while a similar proportion (39%) had started offering new products and services; a quarter (25%) had started working in new business markets, while 9% said they had increased the amount they export to other countries. Generally, the likelihood of experience of these measures also increased with size.

**Table 2.1: Business Performance and behaviour by size (over the last 12 months)**

Business performance and behaviour measures	Number of employees in organisation					
	Total	Micro (1-4)	Micro (5-9)	Small (10-49)	Medium (50-249)	Large (250+)
<i>Base: All businesses</i>	2,000	478	430	674	231	187
	%	%	%	%	%	%
Sales turnover has increased	50	47*	55♦	54♦	66♦	68♦
Sales turnover has decreased	29	33♦	23*	22*	16*	12*
Increased staff headcount	30	19*	38♦	54♦	68♦	61♦
Reduced staff headcount	17	18	17	14*	14	16
Increased your capital investment	42	36*	51♦	50♦	58♦	65♦
Started offering new products or services	39	37	38	42	56♦	59♦
Started working in new business markets	25	24	22	29♦	36♦	40♦
Increased the amount you export to other countries	9	7*	11	13♦	20♦	24♦

Business growth varied by industry sector: those in the Agriculture / Mining / Energy sector were the least likely to report an increase in sales turnover (32%), while those in the Construction and Hotel / Catering sector (both 24%) were more likely to report reducing their staff headcount.

The prevalence of business growth also varied by region; the East Midlands and Scotland were less likely to report an increase in sales turnover (each 41%) and more likely to report reducing their staff headcount (each 26%). London businesses were more likely than average to say that their sales turnover had decreased. In contrast, two-thirds (65%) of businesses in the South West reported increasing their sales turnover, while businesses in this region was also more likely to have started working in new business markets (33%).

Businesses based in Northern Ireland (58%), Scotland (52%) and the West Midlands (47%) were more likely to report having started to offer new products or services. Increasing capital investment was more common amongst businesses based in Northern Ireland (59%) and the North East (54%). Businesses in Northern Ireland (17%) and Scotland (14%) were also more likely to have increased the amount they export.

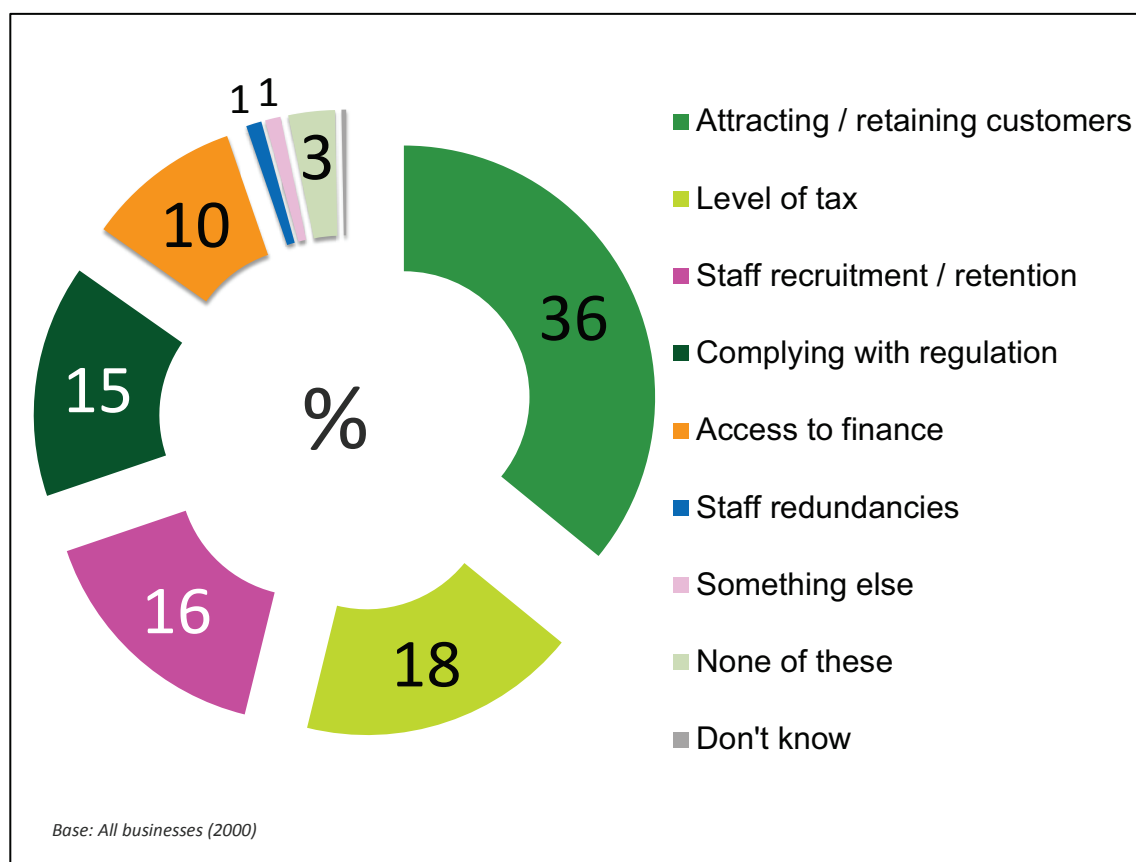
## Business Challenges

A list of six businesses challenges were read out to respondents, who were then asked to pick the one that was the greatest challenge to their own business. As Figure 2.1 shows, the most common business challenge mentioned by around a third of businesses (36%) was attracting and retaining customers, followed by level of tax (18%) and staff recruitment and retention (16%).

Perceptions on what was the greatest business challenge varied by sector. For instance, by sector the most commonly cited challenges were; attracting and retaining customers for the Retail / Distribution sector (45%), level of tax amongst the Property / Management / Business Services sector (25%) and staff recruitment and retention amongst the Manufacturing sector (22%).

There were also differences by region; Scottish businesses were more likely to consider attracting and retaining customers their main business challenge (45%, while only being mentioned by 27% of business in the East Midlands). Businesses in the East Midlands (23%) and London (20%) were most likely to mention staff recruitment and retention as their greatest challenge.

**Figure 2.1: Key business challenges faced (after clarification to ensure administration around tax is not considered)**



Challenges varied based on business performance and behaviour measures. Attracting and retaining clients were more likely to be considered the greatest business challenge amongst businesses whose turnover had decreased in the last 12 months (48%) and those who had reduced their staff headcount (41%). Where businesses saw this as a challenge, they were more likely than average to start offering new products or services (41%) and to start working in new business markets (40%). The level of tax was more likely to be a challenge for businesses whose turnover had increased (20%).

Staff recruitment and retention was more problematic amongst businesses who demonstrated growth, rising amongst those who had increased their sales turnover (20%), staff headcount (27%), and capital investment (20%), as well as those who had started working in new business markets (19%). Further differences by business performance and behaviour are shown in Table 2.2.

**Table 2.2: Business Performance and behaviour by size (over the last 12 months)**

Business challenges	Business performance and behaviour measures								
	Total	Sales turnover increased	Sales turnover decreased	Increased staff headcount	Reduced staff headcount	Increased capital investment	Started offering new products and services	Started working in new business markets	Increase exports
<i>Base: All businesses</i>	2,000	1,113	464	876	316	997	855	590	264
	%	%	%	%	%	%	%	%	%
Attracting and retaining customers	36	31*	48♦	28*	41♦	30*	41♦	40♦	34
Level of tax	18	20♦	16	17	18	18	17	18	22
Staff recruitment / retention	16	20♦	9*	27♦	17	20♦	18	19♦	16
Complying with regulation	15	15	11*	15	11	15	10*	9*	16
Access to finance	10	10	12	11	9	14♦	11	11	9
Staff redundancies	1	1	1	2	2♦	2♦	1	1	1

Although attracting retaining customers was still perceived to be the greatest business challenge, the proportion who reported this has fallen since 2014 (from 45%). However, the proportion of businesses who say that staff recruitment and retention (9% in 2014) or that complying with regulation (11% in 2014) is their greatest challenge has risen.

**Table 2.3: Key business challenges faced over time**

Business challenges	2016 (after clarification)	2016 (before clarification)	2014 (after clarification)	2014 (before clarification)	2012	2010	2009
<i>Base: All businesses</i>	2,000	2,000	2,203	2,203	2,294	2000	1000 (NAO only)
	%	%	%	%	%	%	%
Attracting and retaining customers	36	36	45	44	45	41	42
Level of tax	18	17	17	16	15	21	16
Staff recruitment / retention	16	16	9	9	6	4	5
Complying with regulation	15	17	11	14	14	16	19
Access to finance	10	10	12	11	16	12	13
Staff redundancies	1	1	3	3	0	1	1

As in the 2014 Business Perception Survey, businesses who said that complying with regulation was their greatest business challenge were asked a follow-up question to ensure that they meant compliance with regulation rather than administration around tax. The question was asked because the Small Business, Enterprise and Employment Act 2015 excludes tax administration from the Business Impact Target. HMRC has a separate programme for reducing the burden of tax administration. The figure shown here represents the number who felt complying with regulation excluding tax administration was their greatest challenge after clarification.

Initially, 17% of businesses said that complying with regulation was their greatest business challenge; the majority (11% of all businesses) were thinking about complying with other types of regulation other than tax administration when they answered, 5% were thinking equally about complying with tax administration and other types of regulation, while 1% said they were only thinking about tax administration. When those who said they were thinking solely about tax administration or equally about tax administration and complying with other types of regulation were asked the question again, and to exclude tax administration from their thinking, 2% of businesses changed their response, meaning that 15% of businesses overall felt complying with regulation was their greatest business challenge.



Businesses in the Finance (44%) and Agriculture / Mining / Energy (31%) were by far the most likely sectors to consider complying with regulation their greatest business challenge, while by region, businesses in Northern Ireland (29%), North East of England (25%) and East of England (20%) were more likely to report this.

Unsurprisingly, those who felt the cost of complying with regulation had increased in the last 12 months were more likely to consider it their greatest challenge (24% amongst those whose costs had increased a lot and 18% amongst those whose costs increased a little) and amongst those who agreed regulation in the UK was an obstacle to their business's success (20%).

In terms of operational history, businesses operating for more than 20 years were more likely to select complying with regulation as their greatest business challenge (23%).

## 3 Overall attitudes towards regulation

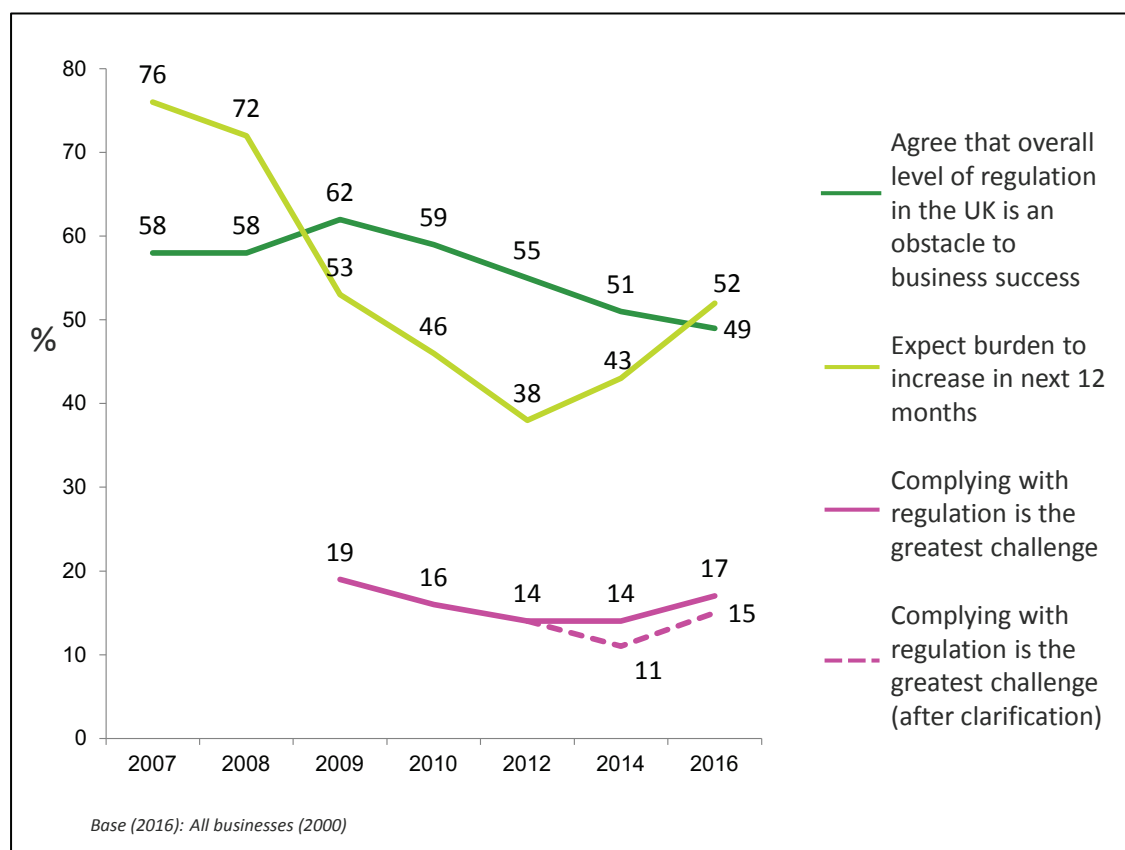
This chapter considers how the key measures of regulatory burden, and how attitudes towards regulatory burden have changed over time. In addition, this chapter looks at the main factors that encourage businesses to comply with regulation.

### The burden of regulation – key measures

As Figure 3.1 shows, compared with 2014, the proportion of businesses who felt complying with regulation is their greatest challenge (up to 15% from 11% in 2014) and the proportion of business who expect the burden of regulation to increase in the next 12 months (up to 52%, from 43% in 2014 and a 38% low in 2012) has risen.

Despite rising concerns about the burden of regulation and that businesses expect it to increase, the proportion who felt the level of UK regulation is an obstacle to business success fell to around half (49%), continuing the downward trend from 62% who reported this in 2009. This suggests that businesses are improving how they manage the burden of regulation.

**Figure 3.1: Key measures of regulatory burden**



As Table 3.1 shows, the proportion of businesses that felt the level of UK regulation was an obstacle to their businesses success was similar across all different size groups, with the exception of large businesses for whom the proportion who agreed fell to two-fifths (40%). By sector, Hotel / Catering businesses were most likely to agree that the level of regulation is an obstacle to business success (56%), while in terms of region, businesses in the North West were most likely to agree. The financial cost of complying with regulation was evidently hitting the bottom line of businesses; three-quarters (73%) of those who reported this cost increasing a lot and half of (52%) of those reporting that it had increased a little in the last 12 months agreed that the level of regulation was an obstacle to business success.

**Table 3.1: Key measures of regulatory burden, by size and sector**

Showing row percentages Base: All businesses			Key measures of regulatory burden		
			Agree that overall level of regulation in the UK is an obstacle to business success	Expect burden of regulation to increase in the next 12 months	Complying with regulation is the greatest business challenge (after clarification)
	Base				
<b>Total</b>	<b>2,000</b>	<b>%</b>	<b>49</b>	<b>52</b>	<b>15</b>
Micro (1-4)	478	%	49	52	15
Micro (5-9)	430	%	50	49	16
Small (10-49)	674	%	50	53	13
Medium (50-249)	231	%	49	56	14
Large (250+)	187	%	40*	64♦	16
Agriculture /Mining /Energy	166	%	54	60♦	31♦
Construction	179	%	54	49	17
Finance	169	%	51	67♦	44♦
Hotel/Catering	183	%	56♦	46	10
Manufacturing	216	%	52	46	16
Property /Management /Business Services	348	%	46	54	12
Public administration /Other	201	%	46	53	13
Retail /Distribution	335	%	49	52	13
Transport and Storage	203	%	42*	48	13

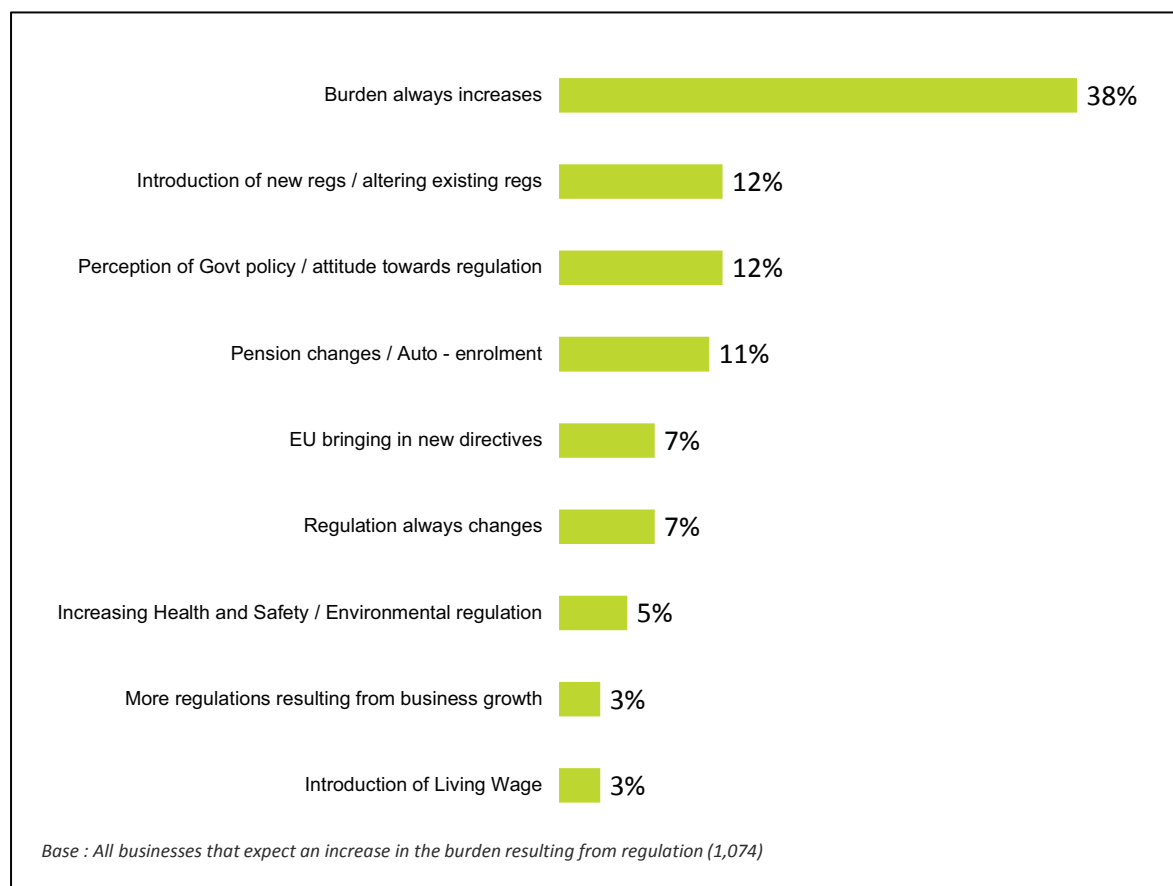
Large businesses were most likely to feel that the burden of regulation would increase in the next 12 months (64%), as were the same proportion of businesses in the South West region. Businesses in the Finance (67%) and Agriculture / Mining / Energy (60%) sectors were also more likely to expect an increase.

Results indicate that those who have recently reduced their workforce may struggle to cope, with 57% of these businesses expecting the burden of regulation to increase for their business in the coming year.

Figure 3.2 shows the main reasons why businesses think the regulatory burden will increase in the next 12 months, with the most common reason being a perception that the burden always increases (38%). This perception was more commonplace for newly established businesses, rising to half (50%) amongst businesses that had been in operation for 1-3 years. Businesses who found Health and Safety law burdensome (41%) were also more likely to feel that the burden always increases. In terms of region, businesses based in the East Midlands were far more likely to mention this (56%).

In terms of the impact of specific regulations, businesses were most likely to mention pension issues and, in particular, Automatic enrolment (11% of all businesses thinking the burden of regulation will increase in the next 12 months), with this most of a concern amongst micro-businesses with 5-9 employees (15%) and the Hotel / Catering sector (21%). One in twenty businesses (5%) also felt that growing Health and Safety and Environmental regulations would cause the regulatory burden on their business to increase, with this most common amongst Construction businesses (19%).

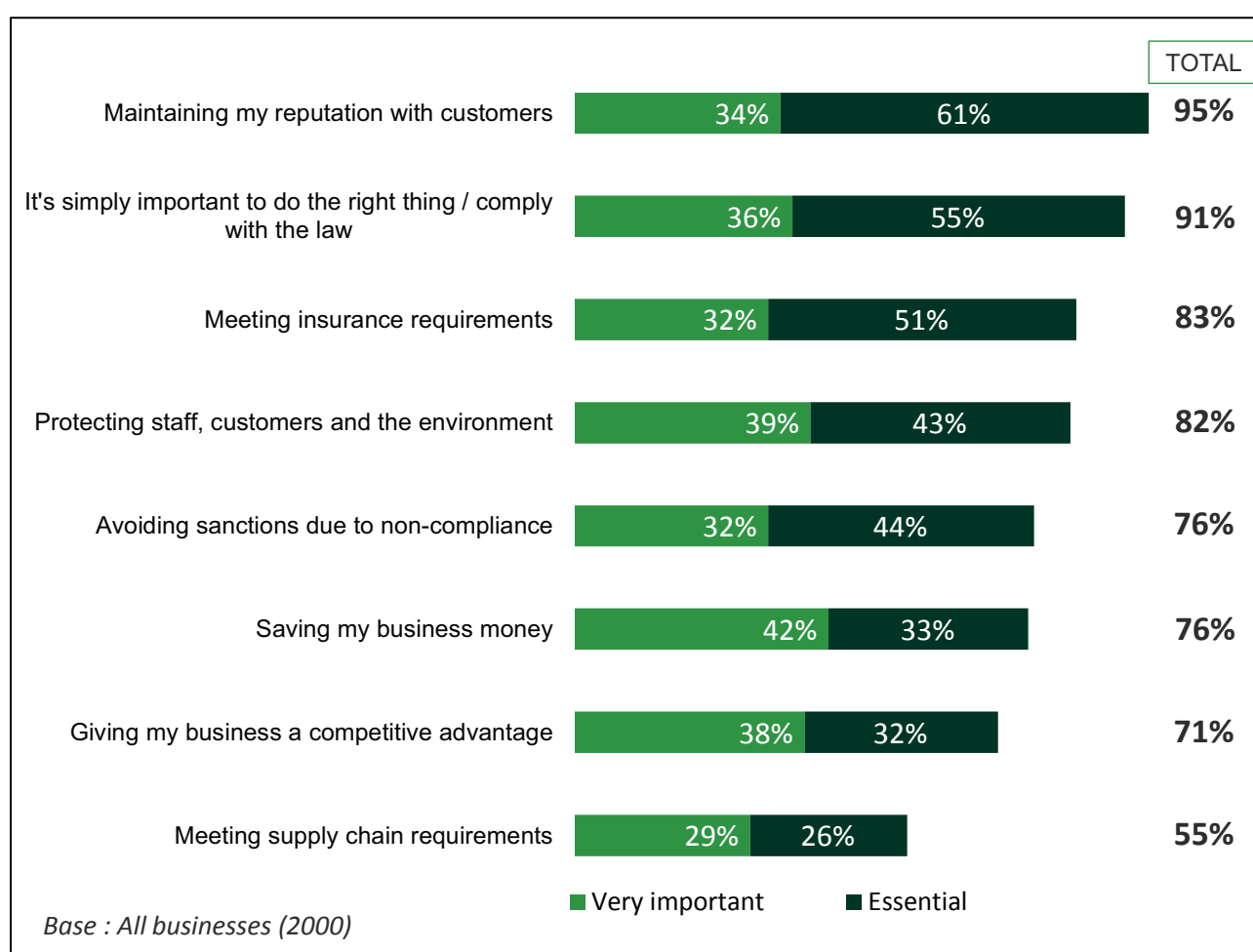
**Figure 3.2: Reasons why businesses think the regulatory burden on their business will increase in the next 12 months**



## Important factors in compliance

As Figure 3.3 illustrates the most important factor in encouraging businesses to comply with regulation is maintaining their reputation with customers (95%), with three-fifths (61%) deeming this essential and a further third (34%) considering it very important. This was closely followed by it simply being important to do the right thing (91%) with 55% considering this essential and 36% very important.

**Figure 3.3: Importance of factors in encouraging businesses to comply with regulation**



Seven in ten or more businesses felt meeting insurance requirements (83%), protecting staff, customers and the environment (82%), avoiding sanctions due to non-compliance (76%), saving their business money (76%) and giving the business a competitive advantage (71%) were very important or essential factors in encouraging them to comply with regulation.

Businesses were least likely to say supply chain requirements were a factor which encouraged them to comply with regulation, although perceived importance increased with business size (68% reported it being essential or very important amongst large employers) and was taken into consideration more amongst the Retail / Distribution (68%), Agriculture / Mining / Energy (67%) and Manufacturing (62%) sectors. Other sector differences are shown in Table 3.2.

**Table 3.2: Factors considered very important / essential in encouraging businesses to comply with regulation, by sector.**

Business performance and behaviour measures	Sectors									
	Total	Agriculture / Mining / Energy	Construction	Finance	Hotel / Catering	Manufacturing	Property / Management / Business Services	Public administration	Retail / Distribution	Transport and Storage
<i>Base: All businesses</i>	2000	166	179	169	183	216	348	201	335	203
	%	%	%	%	%	%	%	%	%	%
Maintaining my reputation with customers	95	88*	96	92	95	97	92*	97	97	96
It's simply important to do the right thing / comply with the law	91	82*	88	97♦	94	88	92	95♦	88*	95
Meeting insurance requirements	83	82	88	72*	87	83	76*	87	84	84
Protecting staff, customers and the environment	82	83	86	75*	*89	82	71*	90♦	80	87
Avoiding sanctions due to non-compliance	76	80	80	93♦	76	70*	73	79	73	79
Saving my business money	76	74	70	64*	86♦	77	66*	80	81♦	80
Giving my business a competitive advantage	71	61*	65	59*	73	76	60*	77♦	80♦	71
Meeting supply chain requirements	55	67♦	58	46*	55	62♦	41*	53	68♦	55

## 4 Effort of dealing with regulation

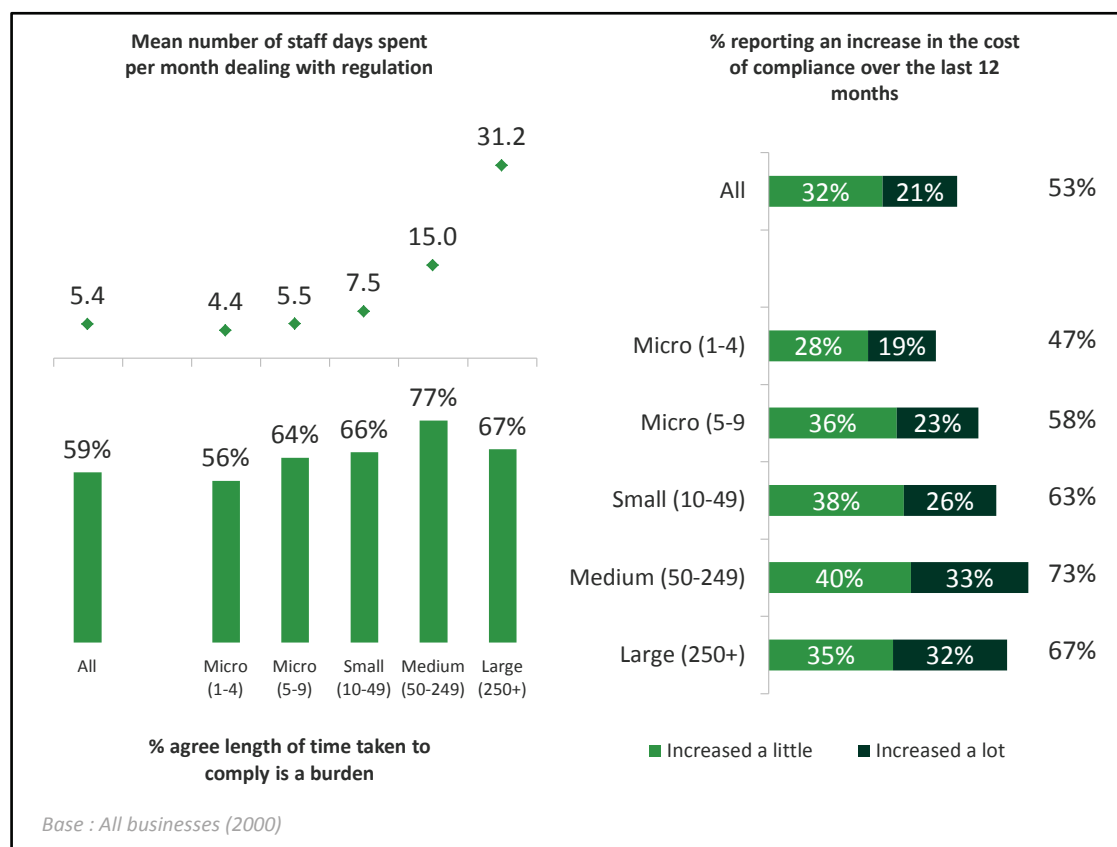
**This chapter explores the effort of dealing with regulation, considering the cost of regulation to businesses in terms of staff time and the extent to which the total cost of complying with regulation has increased over the last 12 months. In addition, it explores which particular aspects of dealing with regulation businesses find most burdensome.**

### Cost of complying with regulations

While the proportion of businesses citing regulation as an obstacle to business success has been in steady decline (see Figure 3.1), more than half (53%) of businesses felt that the total cost of complying with regulation had actually increased over the last 12 months; a third (32%) felt that it had increased a little while one in five businesses (21%) said it had increased a lot. Only 3% of businesses said that the total cost of complying with regulation had decreased, while two in five businesses (42%) experienced no change.

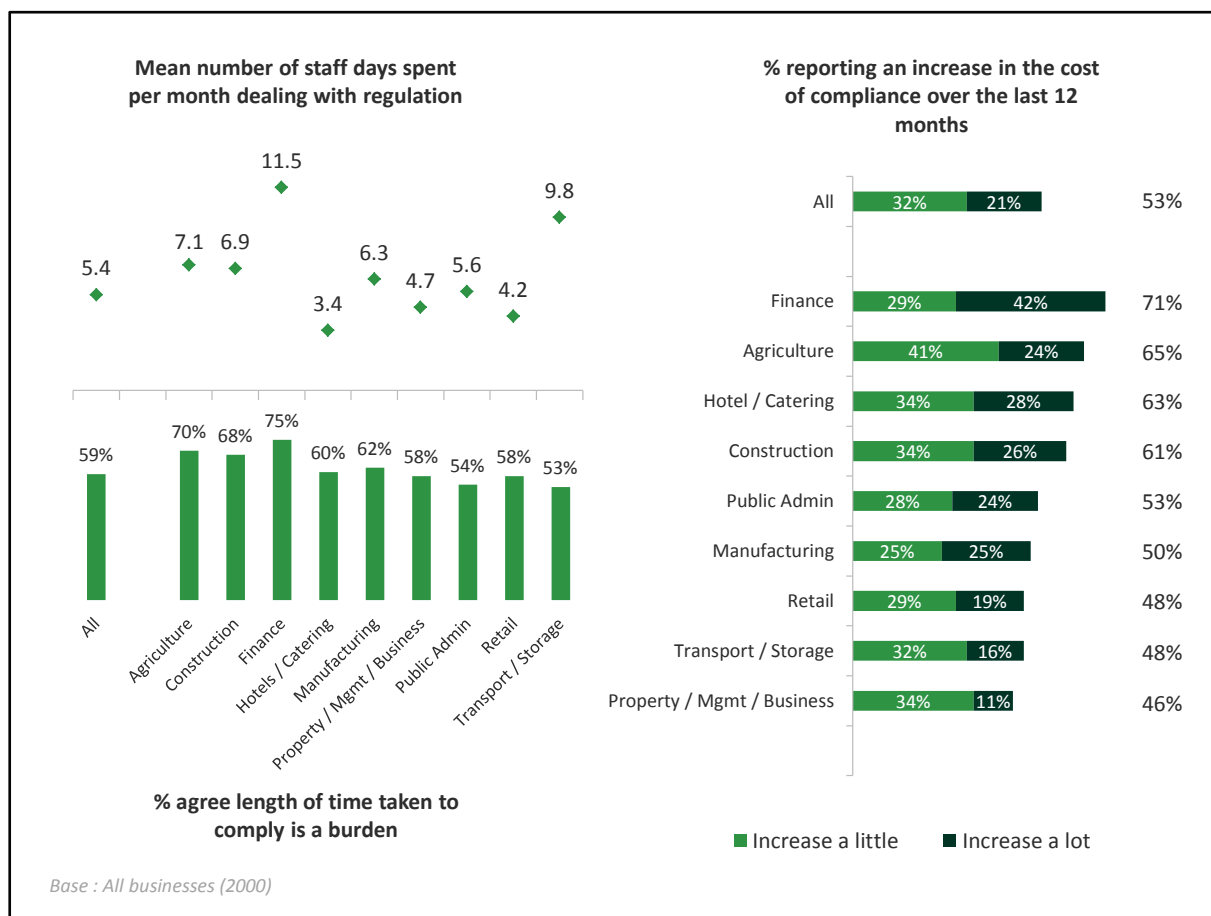
Medium-sized businesses with 50 to 249 employees were most likely to report an increase in the cost of regulation (73%), though small businesses with 10-49 employees (63%) and large businesses with 250 or more employees (67%) were also more likely to report that this had increased, as shown in Figure 4.1. In terms of region, businesses in Northern Ireland were far more likely to report an increase (77%); in contrast fewer than half (46%) of businesses in London reported an increase.

Businesses were asked to what extent they agreed or disagreed that the length of time it takes to go through the process to comply with regulations is a burden to their business, with three-fifths (59%) agreeing at an overall level. Similar size patterns were evident again, with medium-sized businesses with 50-249 employees most likely to agree (77%), though perhaps unsurprisingly large businesses spent the most number of staff days per month on dealing with regulation (a mean of 31.2 days compared with an average of 5.4 days across all businesses).

**Figure 4.1: The cost of complying with regulation by size**

Considering sectoral differences, businesses in the Finance sector were most likely (71%) to report an increase in the cost of regulation in the last 12 months, while those in the Agriculture / Mining / Energy (65%), Hotel and Catering (63%) and Construction (61%) sectors were also more likely to report this. As Figure 4.2 shows, the Finance sector was also most likely to agree that the length of time it takes to go through the process of complying with regulation is a burden (75%), reinforced by the fact that it spends the most staff days (a mean of 11.5 staff days per month) dealing with regulation. The proportion agreeing that the length of time taken to comply is a burden was also relatively high amongst the Agriculture / Mining / Energy (70%) and Construction (68%) sectors.



**Figure 4.2: The cost of complying with regulation by sector**

There were also notable differences by country in relation to the cost of complying with regulation; businesses in Northern Ireland were far more likely to feel that the cost of complying with regulation had increased over the last 12 months; three-quarters (77%) reported this, compared with around half of those in England (52%), Wales (53%) and Scotland (50%). The same proportion (77%) of businesses in Northern Ireland also agreed that the length of time taken complying with regulation was a burden, compared fewer than three in five businesses in England (59%), Wales (58%) and Scotland (56%).

## Aspects of regulation businesses find burdensome

Businesses were prompted with a set of aspects of dealing with regulations and were asked to what extent they agreed or disagreed that these were a burden to their business.

Completing paperwork, filling out forms and keeping records on facts and figures was considered the most burdensome of the prompted activities (65%), closely followed by keeping up to date with information about regulations the business needs to comply with (64%) and having to provide the same information more than once (62%). The least burdensome aspect was understanding differences in regulation between England, Scotland and Northern Ireland (24%, rising to 31% amongst those who export their products or services domestically to these nations).

As Table 4.1 shows, the Agriculture / Mining / Energy and Construction sectors were more likely than average to find a range of different aspects of complying with regulation burdensome. For the Agriculture / Mining / Energy sector, keeping up to date with information about regulations was the most burdensome area (77%), whereas for the Construction sector it was having to provide the same information more than once (74%), although this was also most burdensome of the prompted activities amongst the Manufacturing (72%) and Transport and Storage (69%) sectors.

**Table 4.1: Activities considered a burden by businesses when complying with regulation**

Showing row percentages Base: All businesses			% agreeing						
			Completing paperwork	Keeping up to date	Having to provide the same information more than once	The length of time it takes to comply	Being ready for / dealing with inspections	Obtaining licenses or permits	Understanding the differences in national regulation
<b>Total</b>	<b>2,000</b>	<b>%</b>	<b>65</b>	<b>64</b>	<b>62</b>	<b>59</b>	<b>48</b>	<b>40</b>	<b>24</b>
Micro (1-4)	478	%	63	61*	60*	56*	48	39	25
Micro (5-9)	430	%	67	67	64	64♦	44	42	23
Small (10-49)	674	%	66	67	66	66♦	50	41	24
Medium (50-249)	231	%	71	68	71♦	77♦	59♦	48♦	24
Large (250+)	187	%	65	67	70♦	67♦	43	41	26
Agriculture /Mining /Energy	166	%	75♦	77♦	69	70♦	63♦	60♦	27
Construction	179	%	68	64	74♦	68♦	51	49♦	30♦
Finance	169	%	66	68	63	75♦	49	45	16*
Hotel/Catering	183	%	67	68	61	60	58♦	47♦	30
Manufacturing	216	%	68	67	72♦	62	49	38	19
Property /Management /Business Services	348	%	65	66	58*	58	40*	36	25
Public administration /Other	201	%	58*	54*	55*	54*	43	29*	18*
Retail /Distribution	335	%	69	66	62	58	51	43	26
Transport and Storage	203	%	52*	53*	69♦	53	43	48♦	24
England	1712	%	65	63	62	59	47	40	22*
Wales	95	%	59	65	59	58	47	32	28
Scotland	141	%	62	66	60	56	45	40	36♦
Northern Ireland	52	%	88♦	82♦	74	77♦	70♦	63♦	47♦

Considering differences by country, businesses in Northern Ireland were more likely to agree that almost all of the prompted aspects of regulation were burdensome to their business. Northern Ireland and Scotland were both more likely to feel that understanding the differences in regulation across domestic borders was burdensome (47% and 36% respectively).

## 5 External support

**This chapter explores what external support businesses required to help comply with regulation. It assesses in particular detail the types of external agents businesses used, the annual cost of these agents, and the types of websites businesses used as well.**

### Types of external support used

In order to help administer their regulatory requirements, UK businesses harnessed a substantial level of external support. This ranged from more formal arrangements where businesses could garner expert, professional advice to more informal practices such as going online or conferring with friends and family. Most commonly, businesses used external business advisers / agents (71%), government websites (65%), friends, family and other personal contacts (54%) or trade associations / business organisations (53%) to help their business in complying with regulation. In total, nearly all (95%) businesses had used external support to help them comply with regulation.

The size of the business was strongly linked with the type of support used. Larger businesses were far more likely to make use of external business advisers / agents (81%), while for medium sized businesses, official Government websites were the most common form of support (82%). Among small businesses the hierarchy of support used followed the overall pattern, but far lower proportions made use of external business advisers and official Government websites than large companies, as Table 5.1 illustrates.

There was also a degree of variation by sector. Agriculture / Mining / Energy businesses were for example much more likely to use external business advisers / agents (81%), while businesses in this sector and Hotel / Catering were most likely to use official Government websites (both 73%), as well as friends, family and other personal contacts (66% and 68% respectively). A high proportion of Hotel / Catering businesses also appeared to rely on the inspection itself to help with their regulation requirements, with 68 per cent using this support, compared with 31 per cent overall. This contrasted heavily with the Finance sector where only 9% used inspectors to support their compliance. At an overall level, businesses in the Transport and Storage were least likely to use *any* external support (89% compared with 95% overall).

**Table 5.1: External support used, by size and sector**

Showing row percentages Base: All businesses			External support					
			External business advisers / agents	Official Government websites	Friends, family and other personal contacts	Trade Association / Business Organisation	Inspectors from Local Council or Regulators	ANY
<b>Total</b>	<b>2,000</b>	<b>%</b>	<b>71</b>	<b>65</b>	<b>54</b>	<b>53</b>	<b>31</b>	<b>95</b>
Micro (1-4)	478	%	68*	64	54	51	30	94
Micro (5-9)	430	%	75	63	57	54	32	94
Small (10-49)	674	%	79♦	71♦	49*	54	35♦	96
Medium (50-249)	231	%	80♦	82♦	50	57	36	98♦
Large (250+)	187	%	81♦	73♦	38*	67♦	39♦	98
Agriculture /Mining /Energy	166	%	81♦	73♦	66♦	60	27	98♦
Construction	179	%	73	68	51	69♦	38♦	94
Finance	169	%	76	56*	40*	54	9*	93
Hotel/Catering	183	%	67	73♦	68♦	34*	68♦	99♦
Manufacturing	216	%	76	66	44*	50	22*	96
Property /Management /Business Services	348	%	74	70♦	57	49	19*	96
Public administration /Other	201	%	70	64	48	53	28	93
Retail /Distribution	335	%	67	55*	52	54	33	93
Transport and Storage	203	%	65	55*	48	52	22*	89*

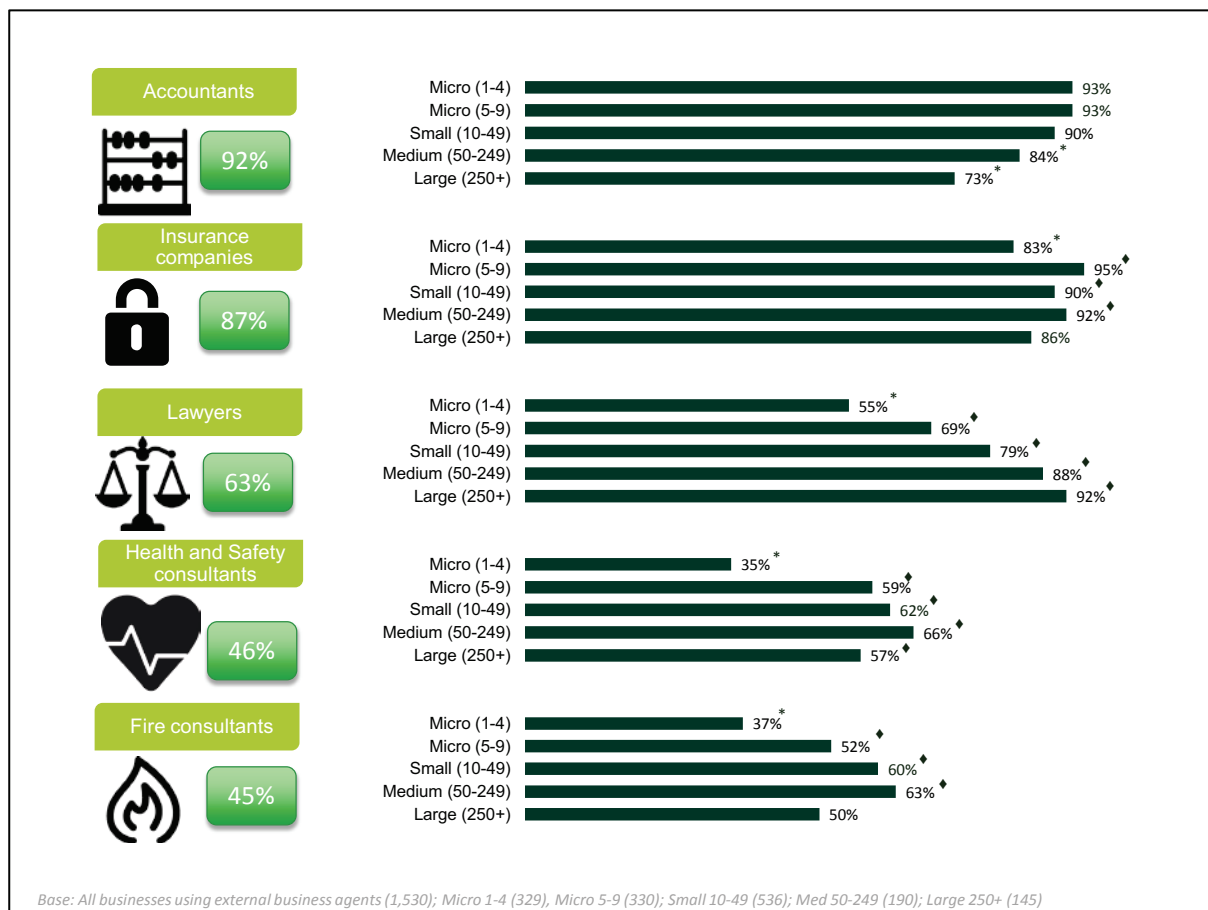
At a regional level, businesses in the East Midlands were least likely to use external business advisers / agents (62%), and indeed made more use of Government websites (71%). In Wales, businesses were far more likely to make use of Government websites (78%), friends, family and other personal contacts (68%) and Trade Associations / Business Organisations (65%). Businesses in Northern Ireland exhibited a slightly different pattern to the norm, with greater use of both friends, family and other personal contacts (70%) and inspectors from Local Council or Regulators (62%).

### External business agents used (plus spend)

Companies that used external business agents to help them comply with regulation sought advice from a wide range of experts. Around nine in ten (92%) used an external accountant or insurance company (87%). Lower proportions (63%) used an external lawyer for these purposes, while around half made use of specialists in particular fields such as Health and Safety (46%) and Fire (45%).

The choice of agent varied considerably by size of employer, with large companies with 250 plus staff more likely to use lawyers (92%) than any other type of agent. SMEs conversely tended to make more use of insurance companies, as Figure 5.1 illustrates.

**Figure 5.1: Use of external business agents, by size (amongst those using)**



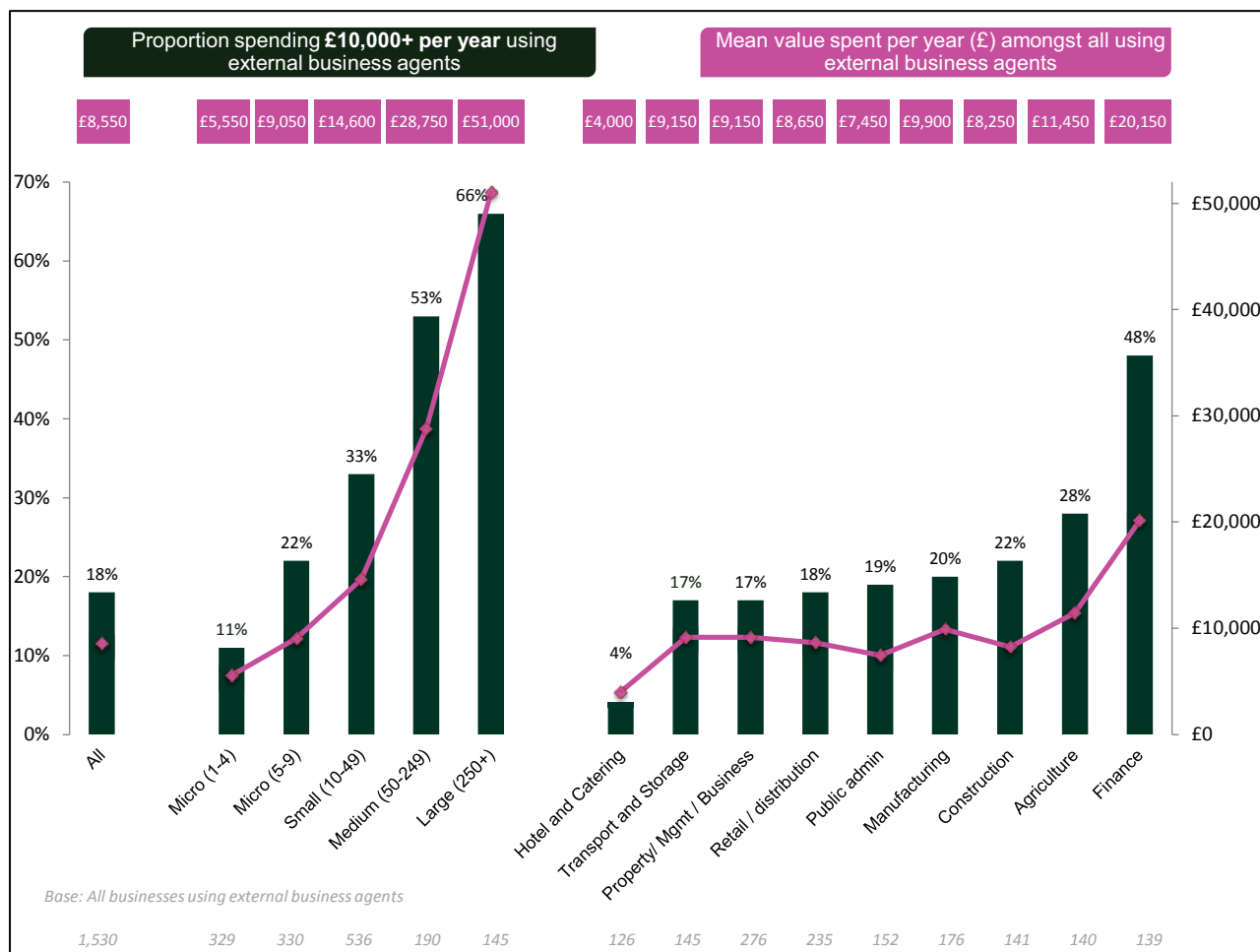
There was also some variation by sector and region. For example, the use of external lawyers was greater in the North East (85%) and Scotland (80%), while relatively uncommon in the East Midlands (51%) and the East of England (49%). As one might expect, those in the Construction (69%) and Manufacturing (63%) industries were far more likely to use external Health and Safety consultants, as Table 5.2 shows.

**Table 5.2: External business agents used, by sector**

Showing row percentages Base: All business using external business agents			External business agents				
			Accountants	Insurance companies	Lawyers	Health and Safety consultants	Fire consultants
<b>Total</b>	<b>1,530</b>	<b>%</b>	<b>92</b>	<b>87</b>	<b>63</b>	<b>46</b>	<b>45</b>
Agriculture /Mining /Energy	140	%	93	85	65	59♦	36*
Construction	141	%	91	95♦	56*	69♦	47
Finance	139	%	85*	60*	62	16*	32*
Hotel/Catering	126	%	95	90	64	43	69♦
Manufacturing	176	%	95	95♦	55*	63♦	48
Property /Management /Business Services	276	%	91	79*	66	32*	31*
Public administration /Other	152	%	94	83	61	41	38*
Retail /Distribution	235	%	90	92♦	71♦	47	61♦
Transport and Storage	145	%	96	94♦	63	42	35*

Companies were also asked how much per year they spent on using external business agents to help them complying with regulation. On average, among those who used external agents, businesses spent £8,550, with this rising to £51,000 among large companies.

By sector there was less variation of spend, with a few exceptions. For all but three sectors, mean spend ranged from £7,450 to £9,990. The lowest mean spend was among businesses in the Hotel / Catering sector (£4,000), which reflects the fact that employers in this sector were one of the least likely to use external business agents at all. At the other end of the scale, businesses in the Agriculture sector (£11,450) and especially Finance (£20,150) were most likely to spend more on their external business agents, as shown in Figure 5.2. It was employers in these sectors who were both more likely to find that the total cost of complying with regulation had increased in the last 12 months, and who were more likely to report that complying with regulation was their greatest challenge.

**Figure 5.2: Cost of using external business agents, by size and sector**

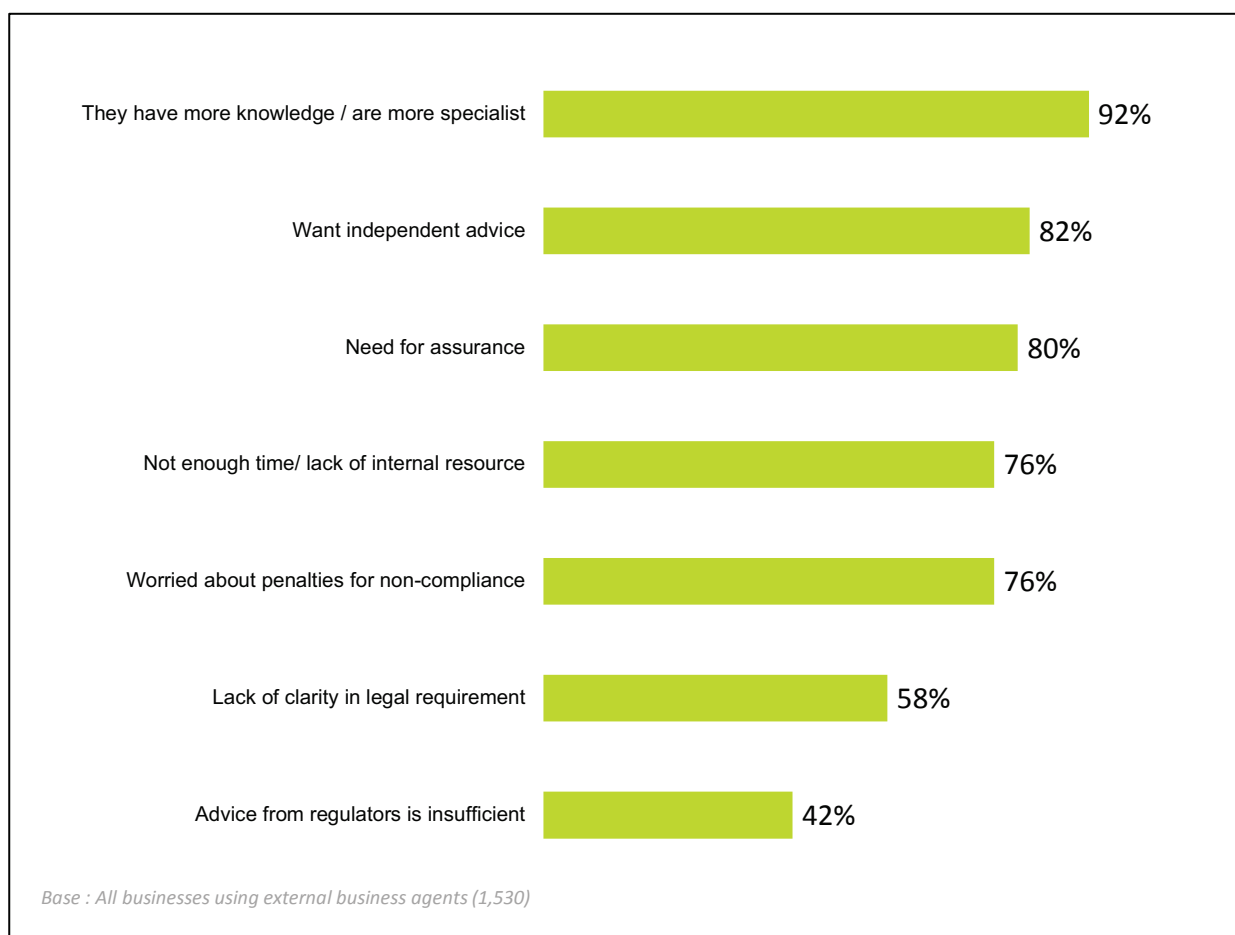
Businesses in London spent more on average on external businesses agents than businesses in other regions (£13,100 mean), perhaps indicative of the greater proportion of Finance business surveyed which operated in London (34% of all Finance businesses were based in London). Spend was lowest in Wales (£5,150) and the North West (£5,900). The extent to which businesses exported goods and services was strongly linked to the amount spent on external business agents, indicating that more help is required when conducting business outside of companies' own country. Those who sold products and services across borders, either within the UK or internationally, spent an average of £9,850 per year on external business agents. By contrast, those who did not export spent an average of £6,750 per year.

Businesses used external business agents for a variety of reasons, although the most common tended to relate to uncertainty in-house over the particular regulation in question. Over nine in ten (92%) used external business agents because of their more specialist knowledge, and this requirement was particularly common among medium-sized businesses (98% of businesses with 50-249 staff) and those in the Transport and Storage sector (98%). The need for independent advice (82%) and assurance (80%, rising to 89% among the largest employers) were also common reasons to access external support from business agents.



Around three-quarters (76%) of businesses were constrained not so much by a lack of knowledge, but by a lack of internal resource to dedicate to complying with regulation, hence the use of an external business agent. This reason was most common among micro employers with 5-9 staff (81%). Around three-quarters (76%) of businesses also had concerns with penalties for non-compliance. Figure 5.3 illustrates the reasons for using external business agents.

**Figure 5.3: Reasons for using external business agents (prompted)**



## Use of Government websites

As we have seen, approaching two-thirds (65%) of businesses used official Government websites to help with complying with regulation. The most popular website used among this group was Gov.uk, (94%, equating to 61% of all employers). Local Council websites (52%) and specific regulator websites (47%) were less common, while European Union websites were used only by a minority (15%, rising to 30% of businesses using websites and selling goods or providing services in the EU).

Nearly all business of all sizes that visited a website to access support visited Gov.uk. However, in contrast to smaller businesses, medium and large businesses were more likely to use regulator websites than those of the local council: 82 per cent of businesses with 250+ staff and 67 per cent of businesses with 50-249 staff used regulator websites compared with 46 per cent and 57 per cent respectively that used Local Council websites.

Large business with 250+ staff were also more likely to visit European Union websites, linked to the fact that over half (54%) of all large businesses provided goods and services to countries outside the UK but within the EU.

By sector, Hotel / Catering businesses had been more likely than most to make use of official government websites. Among these businesses, while Gov.uk was visited most often (90%), there was a much higher volume of users visiting Local Council websites than average (88% compared with 58% overall). The Finance industry also displayed patterns that contrasted with most other sectors. Use of regulator websites was nearly as common as visiting Gov.uk (85% and 90% respectively) while very few made use of Local Council websites (16%). Table 5.2 illustrates use of websites by size and sector.

**Table 5.2: Government websites used to help comply with regulation, by size and sector**

Showing row percentages Base: All business using government websites to help comply with regulation			Websites			
			GOV.UK website	Local Council websites	Regulator websites	EU websites
	Base					
<b>Total</b>	<b>1,361</b>	<b>%</b>	<b>94</b>	<b>58</b>	<b>47</b>	<b>15</b>
Micro (1-4)	302	%	94	58	46	15
Micro (5-9)	268	%	93	58	41*	12
Small (10-49)	472	%	94	59	54♦	14
Medium (50-249)	182	%	93	57	67♦	20♦
Large (250+)	137	%	95	46*	82♦	34♦
Agriculture /Mining /Energy	121	%	92	56	49	14
Construction	119	%	88*	68♦	43	7*
Finance	111	%	89	16*	85♦	14
Hotel/Catering	134	%	90	88♦	48	11
Manufacturing	153	%	95	36*	43	21♦
Property /Management /Business Services	249	%	97♦	52*	52	20♦
Public administration /Other	142	%	94	62	48	12
Retail /Distribution	204	%	96	47*	41*	13
Transport and Storage	128	%	94	51	47	22♦

Businesses in Wales and Scotland were both more likely than businesses elsewhere in the UK to use Local Council websites (71% and 69% respectively) and regulator websites (62% and 61%), although still nine in ten made use of the Gov.uk website. Local Council websites were least commonly visited in the South East: here, less than half (45%) of businesses had used these websites to help comply with regulation, compared with 58 per cent overall.

## 6 Attitudes towards Government

**This chapter addresses businesses' attitudes towards the Government's overall policy approach to regulation, with a particular focus on communication, fairness and ease of compliance. It then covers particular areas of law that businesses found burdensome.**

### General policy approach

Businesses were presented with a series of six statements relating to the Government's overall policy approach to regulation and asked the extent to which they agreed with each one. In previous surveys these questions focussed on a particular area of law, but in 2016 this focus was removed to reflect changing policy priorities. Hence there are no time series comparisons possible<sup>2</sup>.

As Figure 6.1 shows, employers were most positive about the clarity of the Government's approach to regulation, with around half (49%) agreeing that they found the purpose of regulation clear. Nevertheless, only a third (35%) found most regulation to be fair and proportionate, indicating that while a portion of employers appreciate the need of regulation, they do not feel this is administered in an equitable manner.

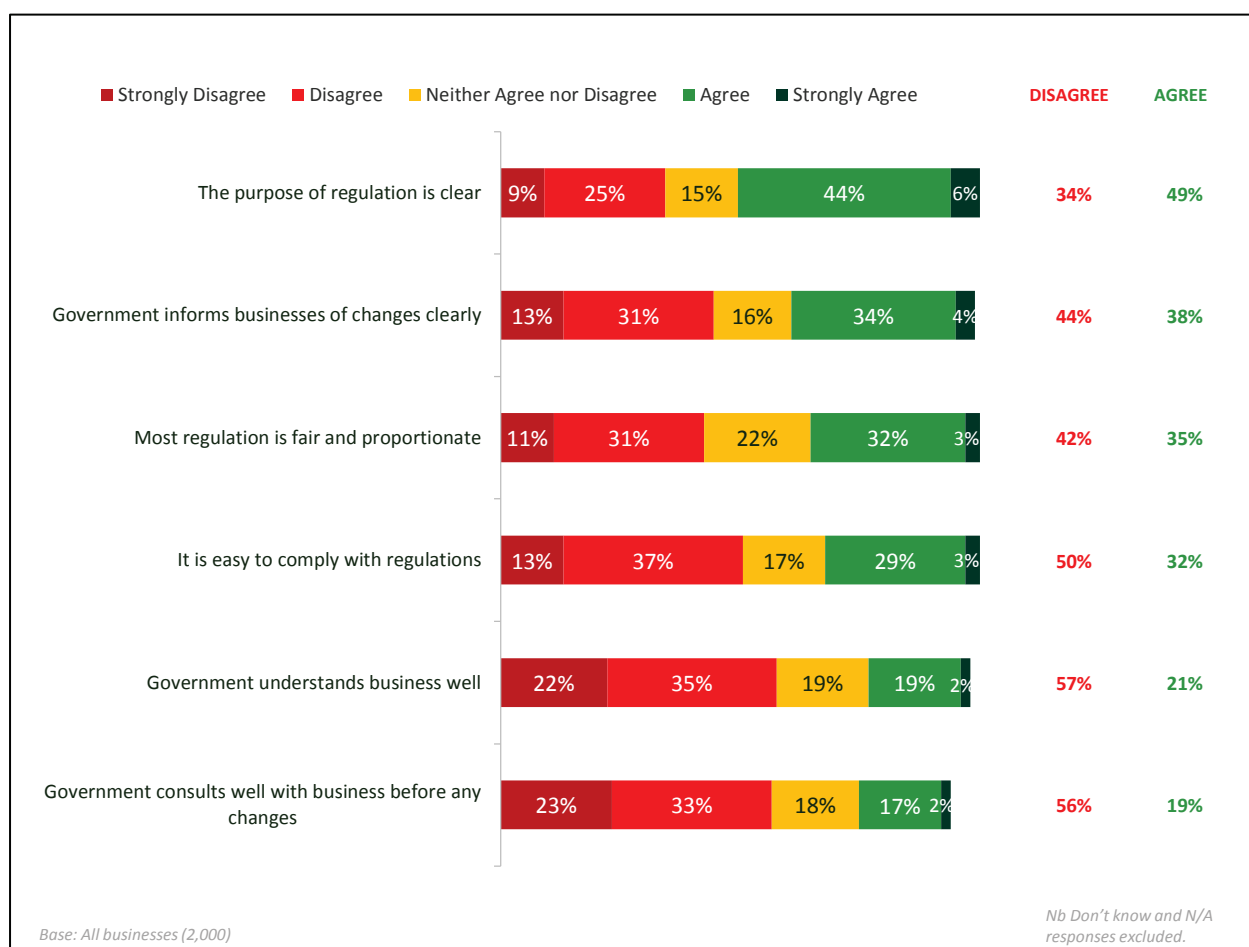
While around two-fifths (38%) agreed that the Government informs businesses of any regulatory changes clearly, only half this number (19%) felt that the Government consults well with business before introducing new regulation or changing existing regulation. Indeed more than half (56%) disagreed with this statement.

Finally, approaching one-third (32%) found it easy to comply with regulations, with one in five (21%) considering that the Government understands business well (57% disagreed). Across all statements only a small minority of businesses agreed strongly.

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<sup>2</sup> The 2016 findings for these measures were generally less positive than in 2014. For example, 70 per cent of businesses reported that the purpose of regulation was clear in 2014; in 2016 this figure was 49 per cent (see Figure 6.1). Such a downward trend was consistent across all measures in this question with the exception of changes being informed clearly (40% in 2014 and 38% in 2016).

**Figure 6.1: Proportion of employers agreeing with statements on the Government's approach to regulation**



By size of company, the larger businesses were typically more positive regarding the Government's approach to regulation. For example, two-thirds (66%) of businesses with 250+ staff felt the purpose of regulation was clear, compared with 49 per cent overall, while 32 per cent agreed that the Government understood them well, compared with 21 per cent overall. There was one exception to this pattern, with large (and medium) businesses much less likely to agree that it was easy to comply with regulations (24% and 21% respectively).

As Table 6.1 shows, businesses in the Hotel and Catering, Public Administration and Transport and Storage sectors tended to be more positive towards the Government's approach to regulation. Those in the Manufacturing sector were considerably less likely to agree to each statement. Levels of agreement were similarly low among employers in the Property / Management / Business Services sector. While businesses in Finance and Agriculture were more likely than most to perceive regulation as their greatest business challenge, this did not appear to affect their view of the Government's general approach to regulation. In fact, Finance businesses were most likely to agree that Government understood businesses well enough to regulate, albeit this still represented a minority of businesses in the sector (28% compared with 21% overall).

**Table 6.1: Proportion of employers stating 'agree' or 'strongly agree' to statements on the Government's approach to regulation, by size and sector**

Showing row percentages Base: All businesses			% agreeing					
			Purpose is clear	Changes informed clearly	Fair and proportionate	Easy to comply	Understands businesses	Consults well before changes
<b>Total</b>	<b>2,000</b>	<b>%</b>	<b>49</b>	<b>38</b>	<b>35</b>	<b>32</b>	<b>21</b>	<b>19</b>
Micro (1-4)	478	%	48	38	33	33	19*	17
Micro (5-9)	430	%	51	38	37	35	25♦	20
Small (10-49)	674	%	51	36	37	29	23	20
Medium (50-249)	231	%	59♦	37	41♦	21*	25	23
Large (250+)	187	%	66♦	48♦	45♦	24*	32♦	28♦
Agriculture /Mining /Energy	166	%	56	36	34	27	19	26♦
Construction	179	%	50	39	39	30	16	19
Finance	169	%	52	38	36	27	28♦	21
Hotel/Catering	183	%	57♦	44	37	41♦	18	16
Manufacturing	216	%	42*	31*	26*	23*	14*	10*
Property /Management /Business Services	348	%	44*	30*	33	27*	20	15*
Public administration /Other	201	%	53	41	33	38♦	26♦	24♦
Retail /Distribution	335	%	48	41	37	31	23	18
Transport and Storage	203	%	48	43	37	44	26	22

There was some variation by region, in particular regarding businesses' perception of the Government's clarity of information and the ease of complying with regulation. Businesses in Yorkshire and the Humber (28%) and the South West (31%) were both considerably less likely than average to agree that the Government informs them of regulation clearly (38% overall). Businesses in Yorkshire and the Humber were also least likely to agree that the Government consults well with them (10%), indicating a need to strengthen communication channels with businesses in this region. The same proportion agreed with the statement in the North West (10%). It is also worth noting that businesses in Wales were least likely to agree that the Government understands their business well enough to regulate (13% compared with 21% overall).

Employers in London and the South East tended to be more positive towards the Government's approach to regulation. The former were more likely than average to agree both that the purpose of regulation was clear and that the Government understands businesses well enough to regulate (54% and 25% respectively). The latter were more likely than average to agree that Government informs them of regulation clearly and that regulation is fair and proportionate (44% and 40% respectively).

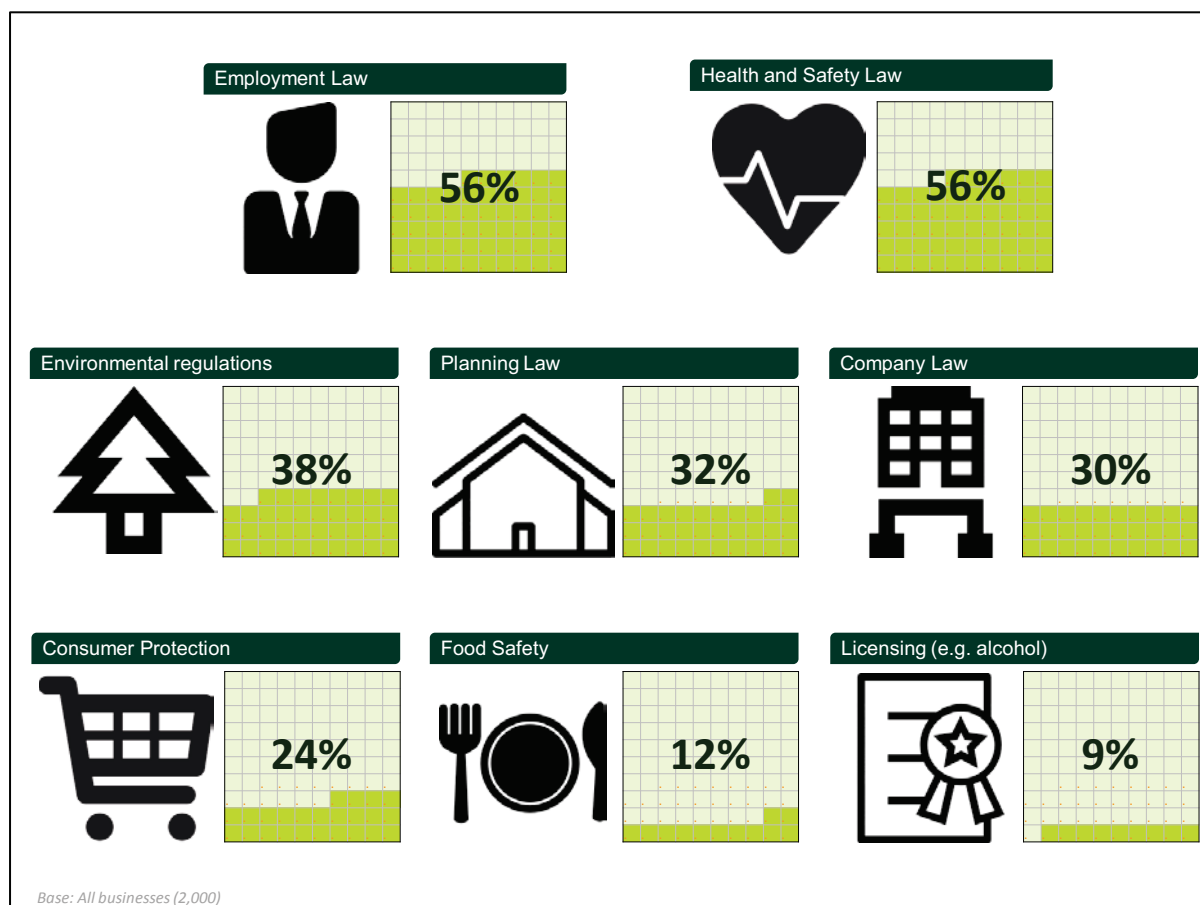
Attitudes towards the Government's approach were strongly linked to businesses' perceptions of regulation as being an obstacle to business success. Business that agreed that regulation was an obstacle had a more negative outlook across all aspects of the Government's approach to regulation. There was a similar, if less extreme, correlation towards an increase in the cost in compliance over time. This indicates that some businesses' perceptions of the Government's approach to regulation might be coloured by the extent to which their business has been negatively affected by it.

### Specific areas of law found burdensome

Businesses were presented with a list of eight different areas of law and asked to identify which they found burdensome. Over half (56%) found Employment Law burdensome, rising to 63 per cent of small businesses with 10-49 employees. The same proportion (56%) also cited Health and Safety Law, which was most common among Construction and Retail / Distribution businesses (both 63%).

Between three and four in ten found Environmental regulations (38%), Planning Law (32%) and Company Law (30%) burdensome, with Figure 6.2 illustrating the proportion of all businesses noting a particular area of law being burdensome. Approximately one in ten businesses found Food Safety or Licensing burdensome, although such regulations often applied to a subset of businesses (such as Hotel/Catering companies). One in six businesses expressed that they found no area of law particularly burdensome.

**Figure 6.2: Specific areas of law found burdensome**



As alluded to above, the area of law businesses found most burdensome was often confined to a few specific sectors. For example the Retail / Distribution sector was most affected by both Employment Law and Health and Safety Law (64% and 63% respectively), while Construction and Agriculture businesses both found Environmental Regulations and Planning Law more burdensome than businesses in other sectors. Over two-fifths (44%) of Finance businesses cited Consumer Protection, nearly double the average, while 17 per cent also gave an unprompted answer relating to specific finance regulations. Table 6.2 documents the eight areas of law found most burdensome by size and sector.

**Table 6.2: Specific areas of law found burdensome, by size and sector**

Showing row percentages Base: All businesses			Employment Law	Health and Safety Law	Environment Regulations	Planning Law	Company Law	Consumer Protection	Food Safety	Licensing	No area burdensome
	Base										
<b>Total</b>	<b>2,000</b>	<b>%</b>	<b>56</b>	<b>56</b>	<b>38</b>	<b>32</b>	<b>30</b>	<b>24</b>	<b>12</b>	<b>9</b>	<b>17</b>
Micro (1-4)	478	%	54	54	39	33	30	23	11	9	18
Micro (5-9)	430	%	56	57	38	31	30	28♦	13	8	16
Small (10-49)	674	%	63♦	58	36	28	28	20*	11	10	14*
Medium (50-249)	231	%	63	58	43	29	26	23	14	8	13
Large (250+)	187	%	56	48	36	34	28	20	9	6	19
Agriculture /Mining /Energy	166	%	51	54	68♦	46♦	17*	20	24♦	3*	11*
Construction	179	%	56	63♦	51♦	*39	32	20	5*	7	8*
Finance	169	%	45*	29*	18*	14*	13*	44♦	6*	<1*	20
Hotel/Catering	183	%	59	58	41	*39	32	33♦	40♦	27♦	13
Manufacturing	216	%	51	61	39	24*	31	20	14	6	18
Property /Management /Business Services	348	%	60	54	33*	27*	34	18*	7*	8	18
Public administration /Other	201	%	50*	48*	32*	28	22*	17*	6*	6	26♦
Retail /Distribution	335	%	64♦	63♦	36	34	38♦	36♦	10	8	16
Transport and Storage	203	%	51	45*	41	29	23*	16*	13	15♦	18

Exploring the most common burdensome areas of law by region, businesses in Northern Ireland (73%) and the North East (72%) were much more likely to cite Employment Law, while businesses in the North East were also more likely to cite Health and Safety Law as a burden (69%).



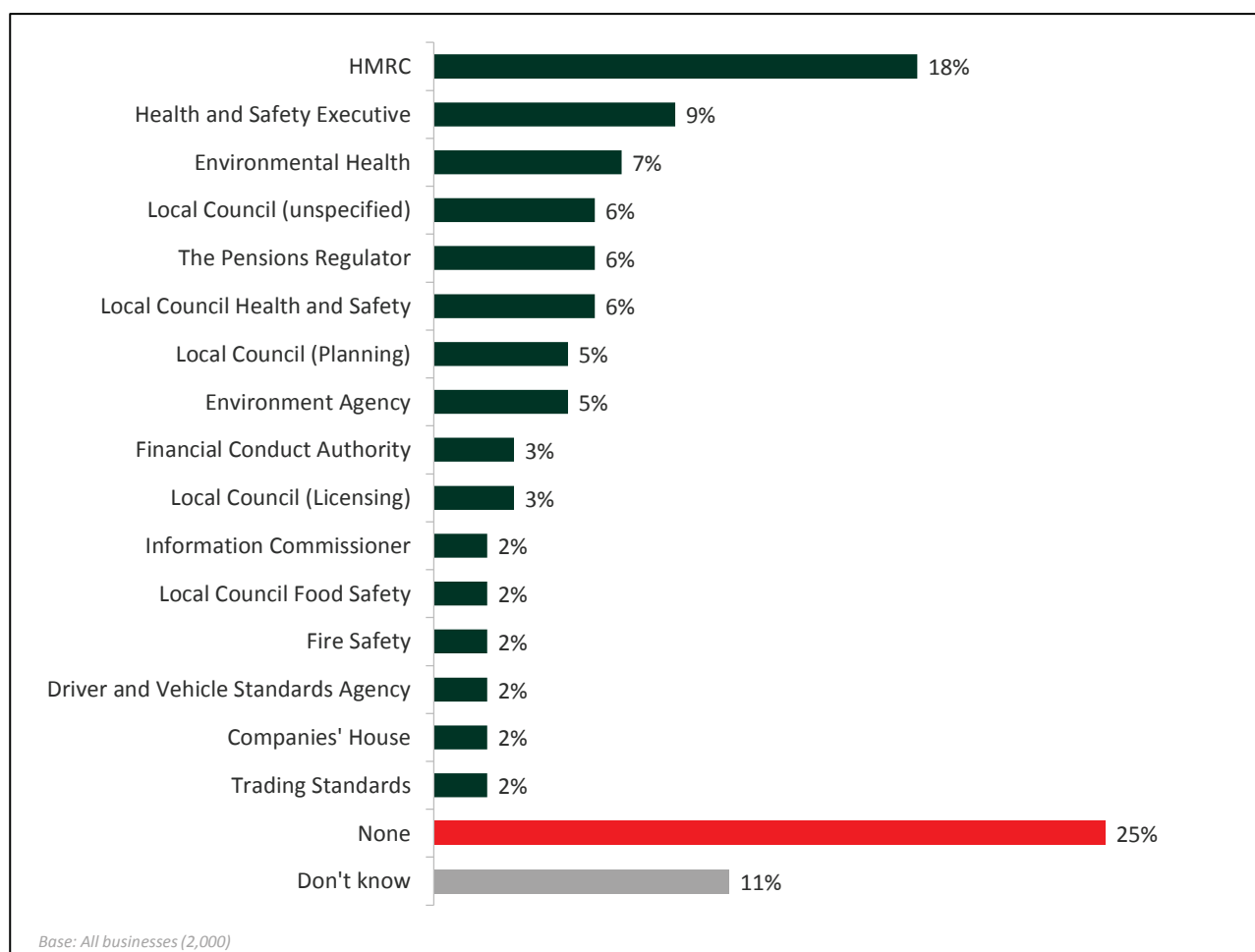
## 7 Experiences of dealing with specific regulators

**The final chapter explores the regulators with whom businesses have had most contact over the last 12 months. It then dissects businesses' views of these specific regulators, covering any burden they experience and their views on aspects such the guidance they receive.**

### Contact with regulators

Businesses were asked which three regulators – both local and national – they had had the most contact with in the last 12 months. Illustrating the range of regulators in the UK, businesses mentioned over 250 regulators, although one in nine (11%) were not sure. A quarter (25%) reported that they had had no contact with a regulator in the last 12 months, dropping to nine per cent among businesses with 250+ staff. A small minority of businesses mentioned organisations such as private companies which illustrates a certain lack of comprehension as to what a regulator entails.

Figure 7.1 illustrates the regulators that businesses had most contact with. Her Majesty's Revenue and Customs (HMRC) was most frequently cited (18%), although for the follow-up questions businesses that cited HMRC were asked to focus on another regulator. The national Health and Safety Executive was cited by nine per cent of businesses (rising to 22% of large employers), although it is possible that businesses conflated this with Health and Safety officers working in the Local Council (6%). Environmental Health (7%), The Pensions Regulator (6%), Local Council (Planning) (5%) and the Environment Agency (5%) were all reported by at least one in 20 businesses.

**Figure 7.1: Regulators with whom businesses had most contact in last 12 months**

### Most burdensome areas of regulation with a specific regulator

Businesses were then asked which of the regulators they had named they had had most contact with and subsequently what area they had found most burdensome when dealing with this 'main regulator'. Owing to the number of regulators cited by businesses, the potential for analysis by specific regulator was somewhat limited due to the low base sizes this entailed. Hence, aside from a few local regulators, we grouped regulators into relevant categories to allow us to conduct statistically reliable analysis. The categories used for this analysis are listed below.

- National
- Government department
- Local Council (Planning)
- Environmental Health (Local)
- Health and Safety (Local)

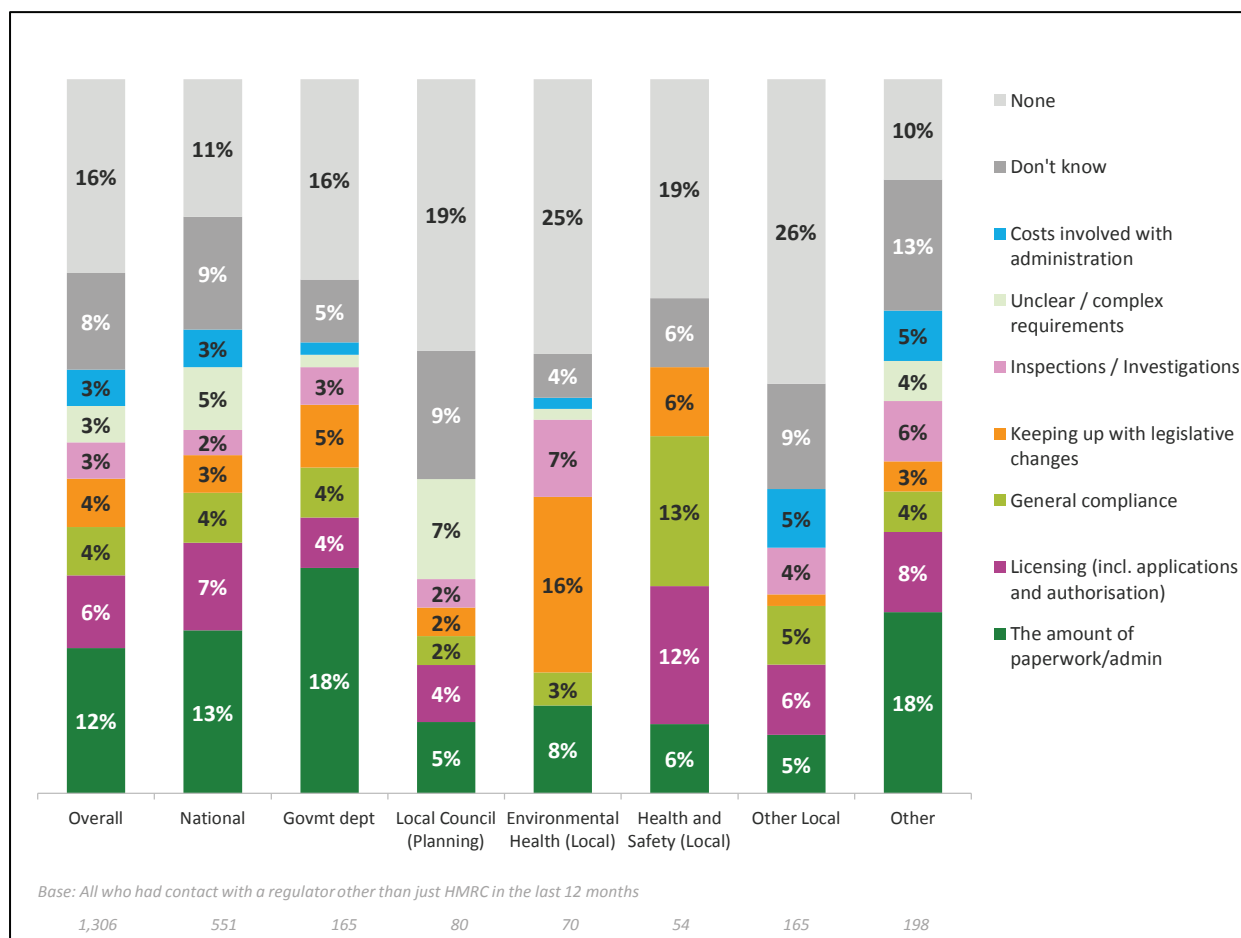
- Other Local
- Other: this includes professional/trade body or associations, NGOs, private companies etc.

Some businesses tended to report the specific type of regulation that the regulator was responsible for as the most burdensome area they had to contend with. For this report we have excluded such answers and focussed more on the impacts to the business that working with their main regulator entailed.

For those businesses whose main regulator was national, their greatest burden lay with the amount of paperwork or administration involved and the impact this had on their workloads (13%). Licensing, including creating applications and acquiring authorisation, was the next most common burden (7%). The amount of paperwork or administration was also the most common burden among those whose main regulator was a Government department as well as 'Other' regulators (both 18%).

At a local level, the burden of regulation varied widely by regulator. For businesses whose main regulator was Local Council (Planning) the most common pertained to unclear or complex requirements from the Council (7%). Where the main regulator was Environmental Health (Local), one in eight (16%) struggled to keep up with legislative changes, while the amount of paperwork or administration (8%) and the inspections they underwent (7%) were also common burdens faced. For businesses whose main regulator was Local Council Health and Safety general compliance (13%) and licensing (12%) were the most frequently cited burdens.

Figure 7.2 illustrates the seven most common burdens, split by each grouped regulator.

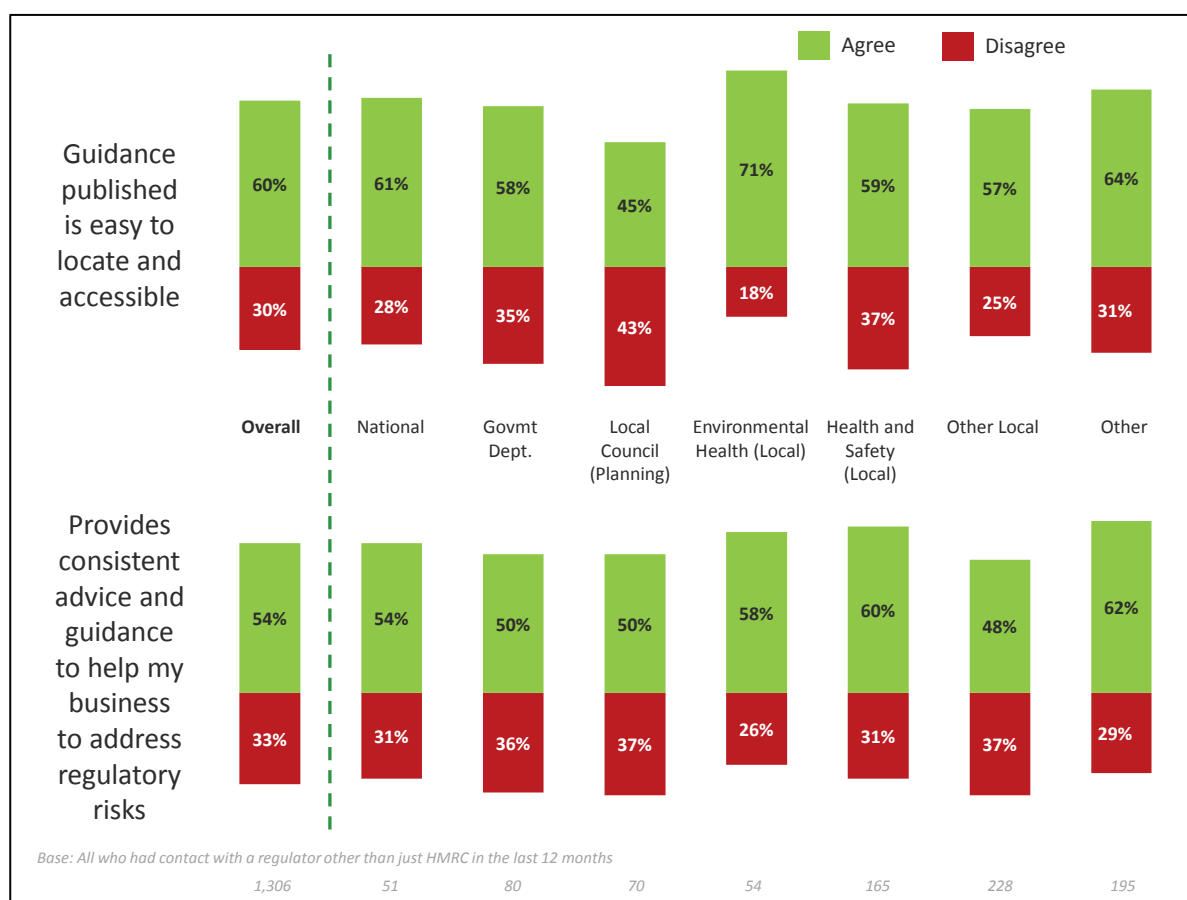
**Figure 7.2: Seven most burdensome areas of regulation, by grouped regulator**

## Views on contact with regulators

Businesses were asked to what extent they agreed with a series of statements regarding their contact with main regulators. The vast majority of businesses agreed that they were aware that their main regulator should adhere to a set of regulatory standards (87% on average).

As Figure 7.3 shows, business views varied more on the advice and guidance provided by regulators. Businesses whose main regulator was their Local Council Planning department were more likely to disagree that the guidance published was easy to locate and accessible (43%). In contrast, businesses who mainly had contact with their local Environmental Health office were most likely to agree with this, with seven in ten (71%) doing so.

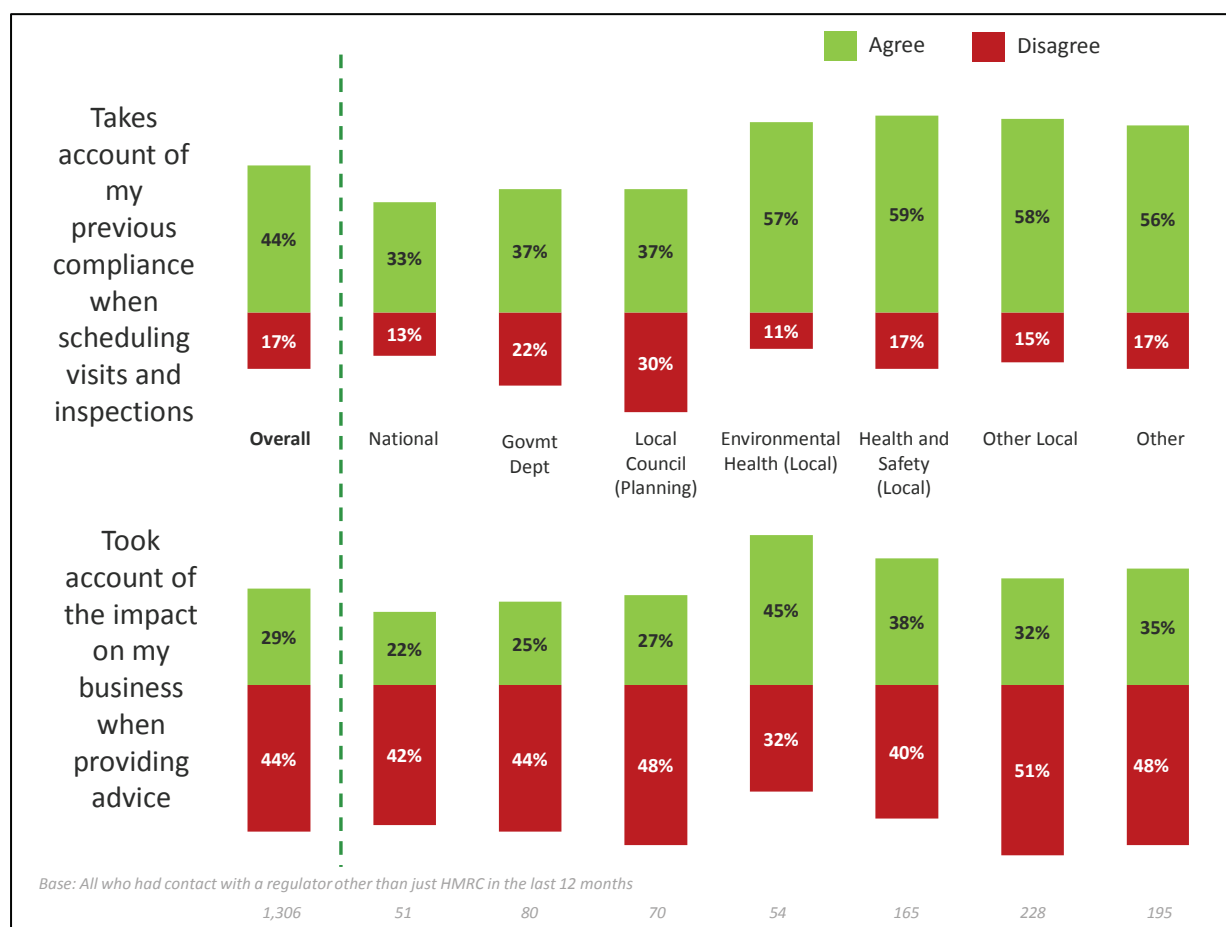
**Figure 7.3: Extent to which businesses agree with main regulator statements: advice and guidance**



Another aspect covered was the extent to which businesses take individual business circumstances into account, both when scheduling visits and inspections and when providing some advice.

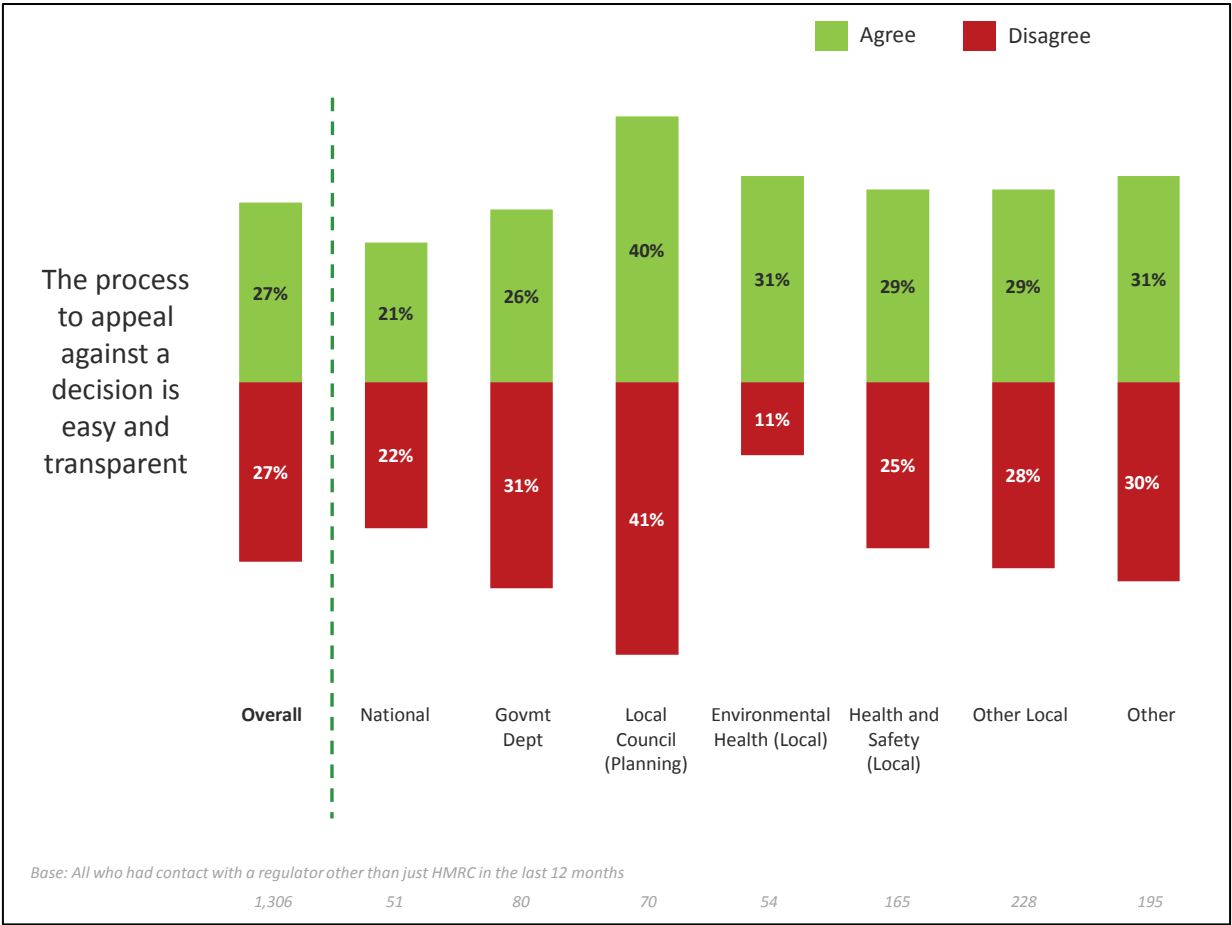
As shown in Figure 7.4, businesses for whom the main regulator was a Local Council Planning department (30%) or a Government department (22%) were more likely to disagree that these regulator took their previous compliance into account when scheduling visits and inspections. Those whose main regulators were local Health and Safety (59%) or Environmental Health offices (57%) were more likely to agree with this statement overall. Businesses found that Local Environmental Health offices were also more likely to take into account the impact on business, for example in terms of growth and sales, when providing advice (45% agreeing).

**Figure 7.4: Extent to which businesses agree with main regulator statements: taking business circumstances into consideration**



Businesses were also asked the extent to which they agreed that the process to appeal a decision made by their main regulator was easy and transparent. As shown in Figure 7.5, on average, as many respondents agreed this was the case as disagreed, although a high proportion were unable to provide a certain answer. This was true across almost all of the regulator groupings, with the exception of local Environmental Health offices, where far more businesses agreed with this statement (31%) than disagreed (11%).

**Figure 7.5: Extent to which businesses agree with main regulator statements: the process to appeal a decision is easy and transparent**





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