



Department for
Business & Trade

Business Perceptions Survey 2022

Research Report

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Foreword

Britain is already a great place to start and grow a business, ranking 4th in the Global Innovation Index.

As we set out in “Smarter Regulation to Grow the Economy”, the productivity of British businesses is the fundamental driver of our economic performance and, in turn, the prosperity of every household. Leaving the EU has given us the opportunity to take a sovereign approach to how we regulate and ensure we are not tying our businesses up in unnecessary red tape, which could hinder their innovation and growth.

Our business-friendly regulatory regime is already one of the least burdensome – and most pro-innovation – in the world. It has received international recognition, with the UK ranked top globally for regulatory impact assessments and second for ex-post evaluation of regulations.

But we can, and must, do better. In 2022, over two-fifths of businesses agreed that regulation is an obstacle to success (45%). This is significantly higher than the proportion of businesses saying this in 2020 (37%).

In part, this reflects the enormous challenge which the coronavirus pandemic has posed to British businesses, with a range of regulatory measures introduced to safeguard the most vulnerable and support our health service. But, as we emerge into a post-pandemic world, we have a plan to enable our businesses to return quickly to growth.

That is why, using our Brexit freedoms, we are building a bold new Better Regulation Framework. By modernising our approach, we can ensure regulation is a last resort - not a first choice - and that where regulation is rightly necessary, we do it in a way that minimises the burdens on business.

This is why we are reviewing retained EU law to make the most of the opportunities offered by our post-Brexit freedom, stripping out old, outdated or inappropriate red tape and ensuring our regulatory regime is understandable, navigable and transparent.

As we do so, we know that it is critical that we listen to businesses, to ensure that we understand and respond to their needs. That is why I welcome this Business Perception Survey. The robust evidence it provides on the impact of regulation on business will be vital in informing our future policy development.

It is only by working together that we can create the right market and regulatory framework to unlock even more investment in the UK innovation and enterprise economy, and firmly establish the UK as a global hub for investment in the technologies and businesses of tomorrow.

Timothy Minto

The Earl of Minto, Minister of State (Minister for Regulatory Reform)

Executive summary

About this survey

The Government is committed to ensuring the UK maintains a world class regulatory system which enables better outcomes for the economy, society, and the environment, at least cost to business. Since 2007, the Business Perception Survey (BPS) has provided evidence of businesses' views on regulation in the UK. The survey gives valuable insight into the impact that regulation has on businesses and helps to guide Government policy on ways in which this impact could be reduced.

This year's survey took place during the COVID-19 pandemic, which brought with it new regulations for both businesses and their employees. The survey also took place after the transition period for the UK leaving the European Union (EU) had ended.¹ The 2022 survey therefore provides an opportunity to explore how these two events have affected businesses and their experience of regulation and regulators.

The survey covers several topics. These include the businesses' performance and challenges over the last 12 months, their attitudes towards regulation and the effort and cost of dealing with regulation. Businesses were also asked about their use of external support to comply with regulation, their experiences of dealing with regulators, and their views on the Government's approach to regulation.

The 2022 survey was commissioned by the Department for Business and Trade and conducted by IFF Research, an independent research company. The survey consisted of 2,000 25-minute telephone interviews with the person responsible for legal and compliance issues at each business. The interviews were with a random sample of private sector UK businesses, with selection based on size, sector and country, which was then weighted to Business Population Estimates such that the data is representative by these criteria.² Fieldwork was conducted between 5th January and 10th March 2022, and 2,000 interviews were completed using Computer Assisted Telephone Interviewing (CATI) software. A Key Driver Analysis was also conducted to investigate the drivers of businesses' perception of regulation as an obstacle to success.

For the 2022 survey, questions were added to explore the extent to which businesses found EU Exit and COVID-19 regulations/regulatory changes challenging to comply with, and why/why not. In order to reflect the current landscape, the COVID-19 pandemic, the UK's exit from the EU and supply chain issues were also added to the list that was read out to businesses to ascertain whether they presented a challenge to their business.

¹ The transition period for the UK leaving the EU came to an end on 31st December 2020.

² <https://www.gov.uk/government/collections/business-population-estimates>

Key findings

Business performance and challenges

More businesses reported that their sales turnover had increased (41%) than decreased (34%) in the last 12 months, however, slightly more had reduced their staff headcount (20%) than increased (18%). Compared to 2020, businesses were more likely to have experienced a decrease in turnover and staff headcount.

The current economic environment appears to have had an impact on businesses. The COVID-19 pandemic, supply chain issues and the UK's exit from the EU were the most commonly cited challenges among businesses this year and the COVID-19 pandemic was the one most commonly considered to be the greatest challenge. These challenges were new to this year's survey, which meant the proportion selecting other challenges decreased compared to previous surveys.

Overall attitudes towards regulation

The two most important motivations for complying with regulation were complying with the law (93% considered this essential or very important) and the need to maintain their reputation with customers (93%).

Over two-fifths of businesses agreed that regulation is an obstacle to success (45%). This is significantly higher than the proportion of businesses who agreed in 2020 (37%).

The proportion of firms expecting the burden of regulation to increase is consistent with 2020 (45%).

Businesses in 2022 were asked the extent to which they found complying with COVID-19 and EU Exit regulation challenging. Six in ten businesses (61%) found complying with COVID-19 regulation challenging, compared to 38% who said it was not challenging. Meanwhile, just over a quarter (28%) found complying with EU Exit regulation challenging, compared to 48% who said it was not challenging.

Key Driver Analysis

A linear regression model was used to investigate what drives businesses to agree with the statement "the overall level of regulation in the UK is an obstacle to your businesses' success". The three most important drivers are summarised below. For more detail on other drivers and the methodology see the Key Driver Analysis chapter and accompanying technical report.

- Businesses that said the length of time taken to comply with regulation is a burden were more likely to agree that regulation is an obstacle to their success.
- Businesses that agreed regulation is fair and proportionate were more likely to disagree that regulation is an obstacle to their success.

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- Businesses that agreed it is easy to comply with regulation were more likely to disagree that regulation is an obstacle to their success.

Effort of dealing with regulation

Compared to 2020 the average amount of time spent dealing with, or learning to comply with, regulations each month has fallen slightly. Businesses are spending an average of 6.6 days per month dealing with regulation, spanning from 5.1 days for micro businesses (1-4 employees) up to 22.3 days for large businesses.

Despite the small fall in time spent on regulations, more businesses reported an increase in the total cost of compliance compared to 2020 (up from 54% to 58%) and more businesses agreed that the time taken to go through the process of complying is a burden (up from 53% to 58%).

It was small businesses with 10-49 employees (66%) and businesses in the Agriculture/Mining/Energy sector, the Finance sector, the Manufacturing sector and the Retail/Distribution sector (78%, 74%, 65% and 64% respectively) who were most likely to feel that the time taken to go through the whole process of complying is a burden.

External support

As in 2020, almost all businesses (94%) used at least one source of external support to help them comply with regulation.

The average annual cost of external support has decreased from £7,750 in 2020 to £6,100. Larger businesses and those in the Finance, Agriculture, and Manufacturing industries were more likely to spend a greater amount.

Of those using external business advisers, the most common reasons given were wanting assurance and specialist knowledge (both 87%).

Perception of the Government's approach to regulation

Compared to 2020, perceptions about the Government's approach to regulation were less positive. Businesses were less likely to agree with eight out of the ten measures included in this research, the sharpest decrease being in relation to the purpose of regulation being clear and that it is easy to comply with regulations. Generally perceptions fell back to the 2018 levels, but in some cases they were lower than recorded in both 2020 and 2018.

Just over a half (54%) of businesses were generally clear about the purpose of regulation, whilst just under a half (45%) agreed that it was fair and proportionate.

Dealing with regulators

Around half of businesses agreed that regulators helped them to comply with regulations (49%), that they had confidence in the advice and guidance their regulators provided (48%), and that the guidance published by regulators is easy to locate (47%).

However opinion on other aspects of regulators were more mixed, with some relatively high levels of disagreement, particularly for regulators understanding businesses well enough to provide tailored advice (44% disagreed, and only 26% agreed).

Attitudes towards regulators have become more negative in the past 12 months, with a fall in agreement levels for six out of the eight measures included in the research. The greatest fall was for regulators being easily accessible, which fell from 40% agreement in 2020 to 32% in 2022 (a drop of 8 percentage points).

When asked which regulator businesses had the most contact with over the last 12 months, Her Majesty's Revenue & Customs (HMRC) was mentioned most often (16%). Next most commonly mentioned were Local Authorities (9%) and general trade bodies/professional associations (8%). A fifth (18%) of businesses said they had not had any contact with a regulator in the last 12 months.

Businesses that worked in sectors associated with the OPSS (defined by SIC code)³ were asked whether they had interacted with them in the past 12 months. Four out of five (83%) of these businesses claimed to have had no interaction at all with the OPSS, and a further one in ten (12%) had never heard of them. These findings were comparable to the 2020 results, when 80% had had no interaction and 12% had never heard of them. Just two percent (2%) of businesses recalled having interacted with the OPSS which was lower than the estimated 15% based on sample criteria (but on a par with 2020, 2%).

Innovative Businesses

Innovative businesses were defined as those that had implemented a new or significantly improved product, process or business model in the last 12 months, or those that started working in new business markets in the last 12 months. A quarter (26%) of the businesses surveyed fell within this definition.

Innovative businesses were more likely than non-innovative businesses to say that a range of issues were presenting a challenge to their business. For example, over twice as many said that access to finance was a challenge for their business compared to non-innovative businesses (21% vs. 9%), and nearly twice as many said that regulations that prevented or

³ The SIC codes, provided by OPSS, were defined from Office for National Statistics' website under the Number of VAT and/or PAYE based enterprises by Standard Industrial Classification (UK SIC2007) class and region. The codes ranged between 4624 (wholesale of software/hardware equipment/furniture/other household goods) and 4799 (retail sale of automotive/chemicals/clothes, cosmetics and new goods in specialised stores).

hindered the implementation of a new or significantly improved product was a challenge to their business (33% vs. 18%).

In line with innovative businesses citing a greater number of business challenges, they were also more likely to agree that the overall level of regulation in the UK was an obstacle to their business success – around a half (49%) felt that this was the case compared to 44% of non-innovative businesses. The most common reason for this was because they felt they had to spend too much time on compliance.

High Growth Businesses

High growth businesses were defined as those that had increased their staff headcount or sales turnover in the last 12 months. Slightly under a half (46%) of the businesses surveyed fell within this definition.

High growth businesses were more likely than non-high growth businesses to say that supply chain issues (66% vs. 59%), staff recruitment / retention (41% vs. 30%) and regulation preventing/hindering the implementation of new/improved products (25% vs. 19%) were a challenge for their business.

High growth businesses were slightly more likely to agree that keeping up to date about which regulations to comply with, having to provide the same information more than once, completing paperwork, forms and records, and the length of time the whole process of complying took were a burden when complying with regulations.

Introduction

About this survey

The Government is committed to ensuring the UK maintains a world class regulatory system which enables better outcomes for the economy, society, and the environment, at least cost to business. Since 2007, the Business Perception Survey (BPS) has provided evidence of businesses' views on the extent of regulation in the UK. The survey gives valuable insight into the impact that regulation has on businesses and helps to guide Government policy on ways in which this impact could be reduced.

This year's survey took place during the COVID-19 pandemic, which brought with it new regulations for both businesses and their employees. The survey also took place after the transition period for the UK leaving the European Union (EU) had ended.⁴ The 2022 survey therefore provides an opportunity to explore how these two events have affected businesses and their experience of regulation and regulators.

Research Objectives

The Business Perceptions Survey (BPS) provides the Government with one source of information to assess how far measures to reduce the burden of regulation have been felt by businesses and where there is a need to focus effort.

The specific objectives of the 2022 BPS were to:

- Assess the impact that regulation has on businesses;
- Explore what aspects of regulation and regulatory delivery are most burdensome to businesses;
- Measure the impact of the UK's exit from the EU and the impact of the Coronavirus pandemic;
- Explore businesses' views on regulators in general.

Methodology

For the main stage of the survey, a total of 2,000 telephone interviews were conducted using Computer Assisted Telephone Interviewing (CATI), which lasted an average of 25 minutes. Interviews were carried out between 5th January and 10th March 2022. As in previous waves, all interviews were conducted with the person responsible for legal and compliance issues.

⁴ The transition period for the UK leaving the EU came to an end on 31st December 2020.

As there were some changes to the questionnaire for this wave, the survey was cognitively tested. This was followed by pilot testing, with monitoring and evaluation of the questionnaire flow and respondent understanding, carried out by the IFF research team. Data was then sense-checked, and pilot findings collated. Changes made post cognitive and pilot testing were minor.

The interviews were with a random stratified sample of private sector UK businesses, with selection based on size, sector and country.⁵ This was sourced from the Market Location database, with an expected completion ratio of 1:8 (one interview completed for every 8 sample records).

The breakdown of completed interviews is shown in Table 1 by business size and sector. By country, 1,693 interviews were conducted with businesses in England, 54 in Northern Ireland, 152 in Scotland and 101 in Wales. Findings for Northern Ireland should therefore be treated with caution due to a low base size.

Table 1: Completed interviews - by size and sector

Sector	Size of business					Total
	1-4	5-9	10-49	50-249	250+	
Agriculture/Mining/Energy	75	35	47	26	13	196
Construction	63	42	58	17	9	189
Finance	40	32	63	12	13	160
Hotel/Catering	41	36	82	18	14	191
Manufacturing	38	30	82	58	55	263
Property/Management/Business Services	97	59	93	31	20	300
Public administration/Other	65	29	69	25	22	210
Retail/Distribution	77	54	120	32	24	307
Transport and Storage	44	29	52	37	22	184
Total	540	346	666	256	192	2,000

⁵ The sample covered all industries, apart from some public administration and defence sector exclusions (SIC O, T, U). Sampling was random and no effort was made to target innovative businesses.

As in previous waves, interviews were weighted to the profile of UK private sector businesses by size and sector as shown in the Business Population Estimates 2021. This is further covered in the accompanying technical report.

As longitudinal comparison is critical to the aims of this survey, much of the methodology remains the same as in previous waves: sampling, questionnaire design, fieldwork and weighting process.

Where there were additional questions, time-series comparisons with previous surveys are not valid and are therefore not included in the report.

Changes to the questionnaire for 2022

The following questions and statements were added or amended (question numbers in brackets):

- When businesses were asked if they had experienced a list of challenges, new statements were added for the COVID-19 pandemic, UK exit from the EU, and supply chain issues (A7).
- Businesses were asked the extent to which they found complying with regulation surrounding COVID-19 challenging, and why/why not (C4-C6).
- Businesses were asked the extent to which they found complying with regulation surrounding EU Exit challenging, and why/why not (C7-C9).
- Businesses were asked whether the regulators that they had most contact with actively support the introduction of new or significantly improved products, processes or business models (D2)
- Businesses were asked which regulator their company has had the most contact with in the last 12 months (D3a)

The following questions were removed (question numbers in brackets):

- Asking businesses to explain why complying with regulation is the greatest challenge to their business, if applicable (A10)
- Asking businesses to explain why the implementation of a new or improved product, process or business model is the greatest challenge to their business, if applicable (A11)
- Asking businesses whether the way a regulator behaves can affect various aspects, such as how easy it is for their business to comply and how much it costs them to comply (D1)
- Where a business said the way a regulator behaves can affect the implementation of a new or significantly improved product, process or business model, asking them to explain how (D1A)

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- Where a business said the way a regulator behaves can affect implementation of a new or significantly improved product, process or business model, asking them why that is (D1B)
 - Where businesses use external business advisers or consultants for multiple reasons, asking them which is the main reason (E6)
 - Asking businesses why they think the regulatory burden on their business will increase/decrease, or why they are unsure (F2-F4)

Reporting Conventions

When percentages are provided in the text for sub-groups such as by size, sector or region, this proportion of this sub-group that gave an answer is significantly different to the average of those not in this sub-group, at the 95% confidence level. The phrasing “most likely”, “more likely than average” or “particularly likely” etc. is used as a shorthand for this. This also applies when comparing between different survey years.

For example, “Large businesses were more likely than average to expect the burden of regulation to increase in the next 12 months” means that the proportion of large businesses that expected this was greater than the average of the micro, small and medium sized businesses that expected this; and that this difference was statistically significant at the 95% level.

Within data tables that are presented in this report, * indicates a statistically significant difference at the 95% confidence level, between that percentage and the total minus the sub-group in question.

Unless explicitly noted, all findings are based on weighted data. Unweighted bases (the number of responses from which the findings are derived) are displayed on tables and charts as appropriate to give an indication of the robustness of results.

Please note that results may not sum to 100% due to rounding and/or due to businesses being able to select more than one answer to a question.

For brevity, sometimes the full name of the Standard Industrial Classification (SIC) business sector is not written out.⁶ The following are the full names of the sectors:

- Agriculture/Mining/Energy (A B D E)
- Construction (F)
- Finance (K)
- Hotel/Catering (I)

⁶ For more information, please see:

<https://www.ons.gov.uk/methodology/classificationsandstandards/ukstandardindustrialclassificationofeconomicactivities/uksic2007>

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- Manufacturing (C)
 - Property/Management/Business Services (J L M)
 - Public administration/Other (N P Q R S)
 - Retail/Distribution (G)
 - Transport and Storage (H)

For the purposes of the case studies towards the end of the report, innovative businesses were defined as those that had implemented a new or significantly improved product, process or business model in the last 12 months, or those that started working in new business markets in the last 12 months.

High growth businesses were defined as those that had increased their staff headcount or sales turnover in the last 12 months.

Business Performance and challenges

Key findings

- More businesses reported that their sales turnover had increased (41%) than decreased (34%) in the last 12 months, however, slightly more had reduced their staff headcount (20%) than increased (18%). Compared to 2020, businesses were more likely to have experienced a decrease in turnover and staff headcount.
- The current landscape appears to have had an impact on businesses. The COVID-19 pandemic, supply chain issues and the UK's exit from the EU were the most commonly cited challenges among businesses this year and the COVID-19 pandemic was the one most commonly considered to be the greatest challenge. These challenges were an addition to the 2022 survey, meaning that the proportion selecting other challenges had decreased compared to previous surveys.

Business performance

Businesses were asked whether a series of business performance indicators applied to their business. Two-fifths of businesses had increased their sales turnover over the last 12 months (41%, significantly lower than the 57% in 2020), compared to a third that had reported a decrease (34%, significantly higher than the 22% in 2020). Only 18% of businesses had increased their staff headcount (down from 32% in 2020), while 20% had seen a decrease.

In terms of other business behaviours, a quarter had increased their capital investment over the last 12 months (26%, down from 39% in 2020), while a fifth had implemented a new or significantly improved product, process or business model (20%, down from 34% in 2020). Just over one in ten had started working in new business markets (12%, down from 24% in 2020). Just 3% had increased the amount they export to other countries (down from 8% in 2020).

As shown in

Table 2, small, medium and large businesses were more likely to report an increase in sales turnover (47%, 54% and 61% respectively). Businesses with at least five employees were more likely to have increased their staff headcount, capital investment, and implemented a new or significantly improved product, process or business model. Meanwhile, micro businesses with 1-4 employees were more likely to report a decrease in their sales turnover (38%), less likely to have increased their capital investment (22%) and less likely to have implemented a new or significantly improved product, process or business model (17%). Medium and large businesses were more likely to have started working in new business markets (24% and 21% respectively) and more likely to have increased the amount they export (11% and 10% respectively).

Table 2: Business performance and behaviour – by size

	Total	Micro (1-4)	Micro (5-9)	Small (10-49)	Med (50-249)	Large (250+)
Base: All respondents	2,000	540	346	666	256	192
Increased sales turnover	41%	*38%	45%	*47%	*54%	*61%
Decreased sales turnover	34%	*38%	*28%	*27%	*20%	*10%
Increased staff headcount	18%	*10%	*26%	*36%	*47%	*54%
Reduced staff headcount	20%	19%	21%	22%	17%	*13%
Increased capital investment	26%	*22%	*32%	*31%	*42%	*50%
Implemented a new or significantly improved product, process or business model	20%	*17%	*25%	*25%	*33%	*37%
Started working in new business markets	12%	11%	13%	12%	*24%	*21%
Increased the amount they export	3%	*2%	4%	3%	*11%	*10%

In terms of sector variation, as shown in Table 3, sales turnover was more likely to have increased in the Construction sector (51%), but more likely to have decreased in Hotel/Catering (47%) and Transport and Storage (41%). Those in the Agriculture/Mining/Energy sector were more likely to have increased their capital investment (33%). Public administration/Other sectors were more likely to have increased their staff headcount (22%), while those in Hotel/Catering (31%), Manufacturing (26%) and Retail/Distribution (25%) sectors were more likely to have reduced their staff headcount. Those in Construction (27%) and Hotel/Catering (28%) were more likely to have implemented a new or significantly improved product, process or business model. Those in Construction were also more likely to have started working in new business markets (19%). Those in Manufacturing (9%) and Property/Management/Business Services (5%) were more likely to have increased the amount they export to other countries.

Table 3: Business performance and behaviour – by sector

Business performance and behaviour	Total	↑ More likely than average	↓ Less likely than average
Increased sales turnover	41%	Construction (51%)	-
Decreased sales turnover	34%	Hotels/Catering (47%) Transport/Storage (41%)	-
Increased staff headcount	18%	Public administration/Other (22%)	-
Reduced staff headcount	20%	Hotel/Catering (31%) Manufacturing (26%) Retail/Distribution (25%)	-
Increased capital investment	26%	Agriculture/Mining/Energy (33%)	Finance (17%) Property/Management/Business Services (21%)
Implemented a new or significantly improved product, process or business model	20%	Construction (27%) Hotel/Catering (28%)	Agriculture/Mining/Energy (12%) Retail/Distribution (14%)
Started working in new business markets	12%	Construction (19%)	Finance (6%)
Increased the amount they export	3%	Manufacturing (9%) Property/Management/Business Services (5%)	-

Businesses who found regulation surrounding COVID-19 and EU Exit challenging were more likely to have seen a decrease in sales turnover (38% and 37% respectively) and reduced their staff headcount (22% and 24% respectively). However, they were more likely to have implemented a new or significantly improved product, process or business model (both 23%).

Businesses who found complying with regulation surrounding the UK's exit from the EU challenging were more likely to have started working in new business markets (16%) and increased the amount they export to other countries (6%).

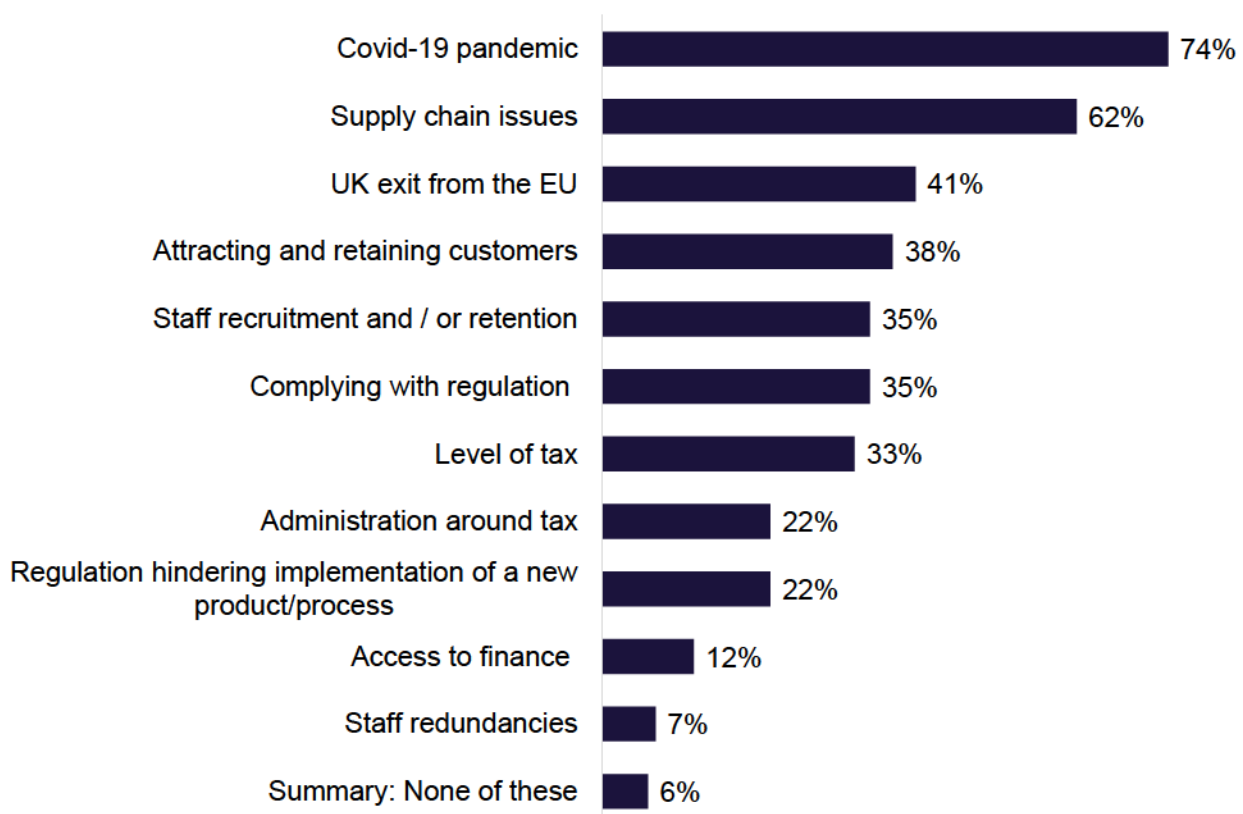
Business challenges

From a list that was read out to them, businesses were asked to state which presented a challenge to their business, before being asked which of these was the greatest challenge not including tax administration.

As shown in Figure 1, the COVID-19 pandemic was a challenge for three-quarters of businesses (74%), supply chain issues were cited by around six in ten businesses (62%) and two-fifths found the UK's exit from the EU challenging (41%). These top three challenges were new to the 2022 survey, to reflect the current landscape.

Attracting and retaining customers was a challenge for 38% of businesses, which was the most common challenge cited by businesses in 2020 (46%) – comparisons to 2020 are shown in Table 4. Just over a third reported that staff recruitment and/or retention (35%) and complying with regulation (35%) was a challenge. A third of businesses found the level of tax to be a challenge (33%), while around a fifth found the administration around tax (22%) and regulation hindering implementation of a new product/process (22%) to be a challenge.

Figure 1: All business challenges



A7: Which of the following present a challenge to your business? Base: All businesses (2,000)

Table 4: Business challenges

	2022	2020
Base: All respondents	2,000	2,014
Coronavirus (COVID-19) pandemic	74%	-
Supply chain issues	62%	-
UK exit from the EU	41%	-
Attracting and retaining customers	38%*	46%
Complying with regulation (excluding tax administration)	35%	33%
Staff recruitment and / or retention	35%*	31%
Level of tax	33%*	36%
Administration around tax	22%*	25%
Regulation preventing or hindering implementation of a new or significantly improved product	22%	21%
Access to finance	12%*	27%
Staff redundancies	7%*	9%

*2022 figure significantly different from 2020.

The COVID-19 pandemic was more likely a challenge for businesses with five or more employees (79% for those with 5-9 employees, rising to 86% among large businesses), those in the Hotel/Catering (90%), Retail/Distribution (80%) and Public Admin/Other sectors (83%).

Supply chain issues was more likely to be cited as a challenge among businesses with 5-9 employees (67%), small businesses with 10-49 employees (70%) or large businesses with 250+ employees (74%). It was also more likely among those in Construction (86%), Hotel/Catering (78%), Manufacturing (84%) and Retail/Distribution (83%).

The UK's exit from the EU was more likely to be reported as a challenge for businesses with 10 or more employees (52% among small and medium businesses and 65% among large businesses) and those in Hotel/Catering (49%), Manufacturing (57%) and Retail/Distribution (60%).

Attracting and retaining customers was more likely to be cited as a challenge by those in Hotel/Catering (57%) and Retail/Distribution (47%).

Staff recruitment and/or retention was more likely to be reported as a challenge by those with five or more employees (42% among businesses with 5-9 employees, rising to 76% among large businesses). It was also more likely to be a challenge for those in Hotel/Catering (55%) and Manufacturing (43%).

Complying with regulation was more likely to be a challenge among micro businesses with 5-9 employees (39%) and large businesses (45%), those in Agriculture/Mining/Energy (51%) and Retail/Distribution (42%). This was also more likely to be cited as a challenge by businesses based in Scotland (44%) but less likely among those in England (33%).

The level of tax was more likely to be considered a challenge among those with 5-9 employees (38%), those in Hotel/Catering (47%) and Retail/Distribution (41%).

Administration around tax was more likely to be cited as a challenge among those in Retail/Distribution (29%) and those that found COVID-19 and EU Exit compliance challenging (27% and 26% respectively).

Regulation preventing or hindering implementation of a new or significantly improved product was more likely to be a challenge for small businesses with 10-49 employees (25%) and those in the Finance sector (30%).

Access to finance was more likely to be a challenge for those in Construction (17%) and Hotel/Catering (25%). Staff redundancies was more likely to be reported as a challenge by medium and large businesses (15% and 12%).

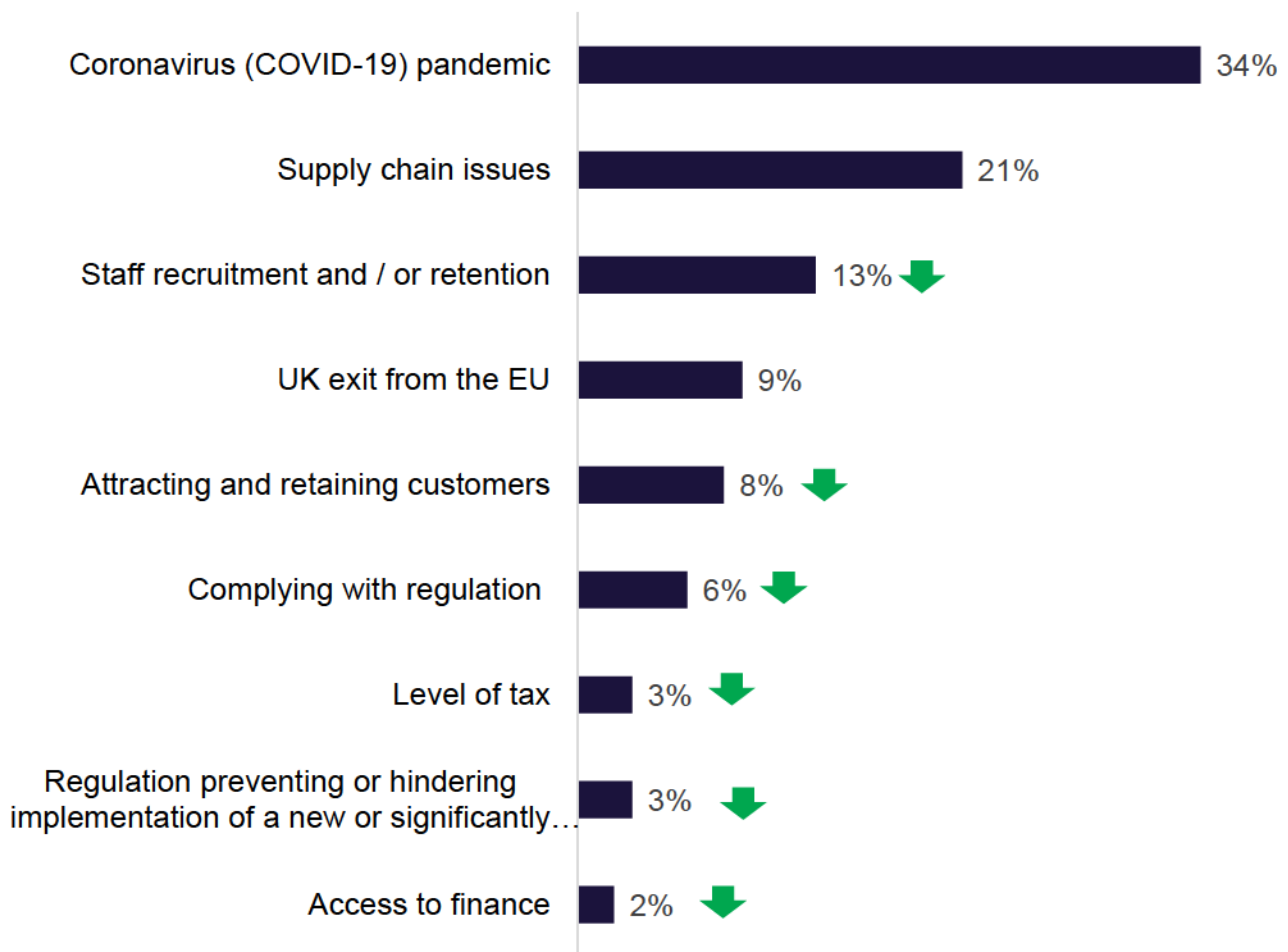
Micro businesses with 1-4 employees (7%), those in the Finance (17%) and Property/Management/Business Services sectors (10%) were more likely to have none of the challenges listed.

Greatest challenge

Businesses that identified at least one of the listed challenges excluding tax administration were asked what they consider to be their greatest challenge.

Figure 2 shows the greatest challenge for businesses. A third of businesses identified the COVID-19 pandemic (34%) as their greatest challenge, followed by supply chain issues (21%) and staff recruitment/retention (13%). The prevalence of the new challenges regarding COVID-19, supply chain issues and the UK's exit from the EU meant that businesses were significantly less likely to consider other challenges as their greatest challenge compared to previous years (denoted by a downward arrow in the chart).

Figure 2: Greatest business challenges



A9: Which one of the following presents the greatest challenge to your business? Base: All excluding those with no challenges to business or those tax admin solely as a challenge (1,900)

The COVID-19 pandemic was more likely to be reported as the greatest challenge by micro businesses with 1-4 employees (35%) and those in the Hotel/Catering sector (44%) or Public administration/Other sectors (53%).

Supply chain issues was more likely to be cited as the greatest challenge among those in Construction (44%), Manufacturing (34%) and Retail/Distribution (30%).

Staff recruitment and/or retention was more likely to be the greatest challenge for businesses in Hotel/Catering (18%) and those with five or more employees (16% among businesses with 5-9 employees, rising to 34% among large businesses with 250 or more employees).

UK exit from the EU was more likely to be the greatest challenge for businesses in Agriculture/Mining/Energy (15%), Manufacturing (13%), Retail/Distribution (14%) and Transport and Storage (16%).

Attracting and retaining customers was more likely to be the greatest challenge for micro businesses with 1-4 employees (10%) and those in Property/Management/Business Services (15%).

Complying with regulation was more likely to be the greatest challenge for businesses in Agriculture/Mining/Energy (17%), Finance (31%) and Property/Management/Business Services (10%). It was also more likely among businesses located in Yorkshire and the Humber (10%) and Scotland (12%).

The level of tax was more likely to be the greatest challenge for those in the Transport and Storage sector (8%).

Regulation preventing or hindering implementation of a new or significantly improved product process or business model was more likely cited as the greatest challenge by micro businesses with 5-9 employees (5%) and those in Agriculture/Mining/Energy (9%) and Finance (10%).

Table 5 below shows data for 2022, 2020 and 2018.

Table 5: Greatest business challenge – over time

	2022	2020	2018
Base: All respondents	1,900	1,638	2,001
Staff recruitment and / or retention	13%*	16%	17%
Attracting and retaining customers	8%*	31%	32%
Complying with regulation (excluding tax administration)	6%*	11%	17%
Level of tax	3%*	14%	17%
Regulation preventing or hindering implementation of a new or significantly improved product or service	3%*	7%	-
Access to finance	2%*	12%	8%

Additional statements were added in 2022 which have likely impacted the results for other statements. Therefore, the changes across years should be viewed with caution. *2022 figure significantly different from 2020.

Overall attitudes towards regulation

Key findings

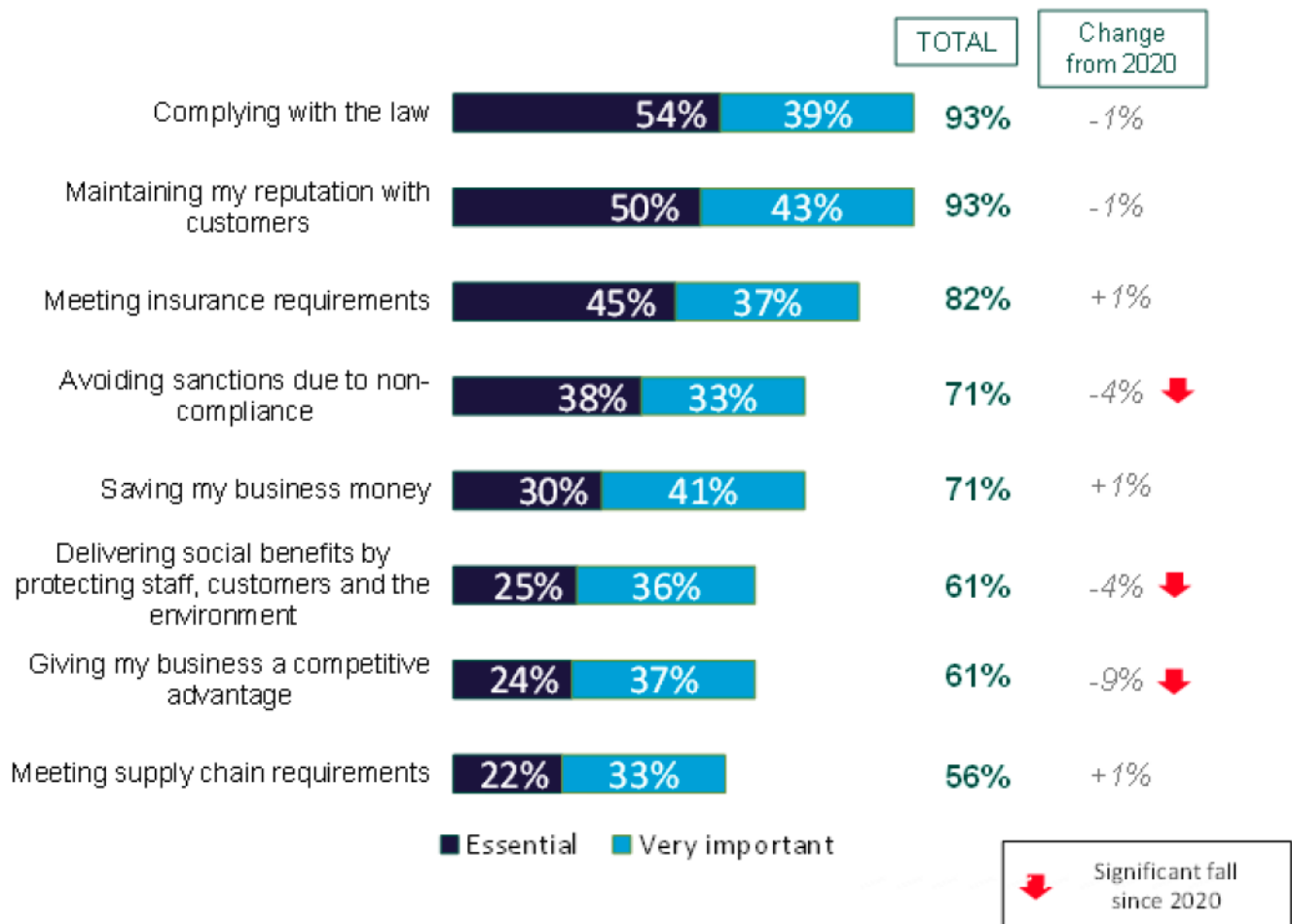
- The two most important motivations for complying with regulation were complying with the law (93% considered this essential or very important) and the need to maintain their reputation with customers (93%).
- Compliance with regulation was cited as the greatest challenge facing 6% of businesses. This is a significant reduction in comparison to 2020 (11%) and 2018 (17%).
- Over two-fifths of businesses agreed that regulation is an obstacle to success (45%). This is significantly higher than the proportion of businesses who agreed in 2020 (37%).
- The key factors driving businesses to view regulation as an obstacle were whether the length of time taken to comply is a burden, and their views on whether regulation is fair and proportionate.
- The proportion of firms expecting the burden of regulation to increase is consistent with 2020 (45%).

Factors encouraging compliance

Respondents were asked how important several factors were in encouraging their business to comply with regulation. As shown in Figure 3, the most important reasons, as in 2020, were to comply with the law and maintain their reputation with customers (both 93%). The least important factor in compliance was meeting supply chain requirements, with just over half of businesses (56%) saying this.

Compared to 2020, there were a few significant differences. The importance of avoiding sanctions due to non-compliance; delivering social benefits by protecting staff, customers and the environment; and giving their business a competitive advantage had significantly decreased. The most notable decrease was in businesses feeling that giving their business a competitive advantage is an important factor in encouraging their business to comply with regulation (-9%). This could be impacted by the more challenging environment some businesses find themselves operating in.

Figure 3: Importance given to factors encouraging compliance with regulation



B1: How important are the following factors in encouraging your business to comply with regulation? Base: All businesses (2,000)

As shown in Table 6, the importance given to each factor in compliance varied greatly by sector. Those in Hotels/catering rated most of the factors more important than businesses in general. Conversely, the Property, Management and Business Services sector rated most of the factors less important than the average.

Notable sector variations, where importance was higher were:

- Construction and Hotels/catering gave more importance than other sectors to 'meeting insurance requirements'.
- Finance and Hotels/catering gave more importance than other sectors to 'avoiding sanctions due to non-compliance'.
- Hotels/catering, Manufacturing and Retail/distribution put more importance than other sectors on 'saving my business money'.
- Hotels/catering also gave more importance than other sectors to 'gaining competitive advantage' and 'delivering social benefits'.
- Construction, Manufacturing and Retail/distribution gave more weight than other sectors to 'meeting supply chain requirements'.

Table 6: Proportion of business saying each factor was very important or essential - by sector

	Agriculture	Construction	Finance	Hotel/Catering	Manufacturing	Property/ Mgmt / Bus.	Public admin	Retail/Distrib.	Transport and Storage
Base: All respondents	196	189	160	191	263	300	210	307	184
Complying with the law	92%	94%	95%	98%*	92%	92%	94%	91%	90%
Maintaining my reputation with customers	77%*	95%	89%	97%*	97%*	90%*	93%	97%*	89%
Meeting insurance requirements	71%*	92%*	83%	88%*	82%	76%*	84%	81%	84%
Avoiding sanctions due to non-compliance	72%	63%*	86%*	82%*	74%	68%	69%	73%	72%
Saving my business money	65%	73%	52%*	82%*	85%*	64%*	67%	78%*	67%
Delivering social benefits by protecting staff, customers and the environment	56%	59%	50%*	76%*	62%	55%*	61%	63%	50%*
Giving my business a competitive advantage	45%*	63%	49%*	81%*	59%	51%*	66%	62%	60%

Meeting supply chain requirements	62%	68%*	27%*	59%	74%*	42%*	46%*	70%*	53%
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* Indicates a significantly higher percentage compared to the total.

As shown in Table 7, size of business also affected how important the factors of compliance were considered, with larger businesses tending to give factors higher importance. Small, medium and large businesses gave five of the eight factors a higher than average importance.

- Medium (97%) and large (99%) businesses were more likely to say that complying with the law was essential or very important than the average of other business sizes.
- Small businesses were more likely to say that meeting insurance requirements was important (86%).
- Small (76%), medium (84%) and large (88%) businesses were more likely to say avoiding sanctions due to non-compliance was important.
- Small (65%), medium (75%) and large (75%) businesses were more likely to say delivering social benefits by protecting staff, customers and the environment was important.
- Small (69%), medium (75%) and large (78%) businesses were more likely to say giving their business a competitive advantage was important.
- Small (68%), medium (71%) and large (65%) businesses were more likely to say meeting supply chain requirements was important.

Table 7: Proportion of business saying each factor was very important or essential - by size

	Micro (1-4)	Micro (5-9)	Small (10-49)	Medium (50-249)	Large (250+)
Base: All respondents	540	346	666	256	192
Complying with the law	93%	92%	94%	*97%	*99%
Maintaining my reputation with customers	93%	92%	95%	95%	97%
Meeting insurance requirements	*81%	85%	*86%	85%	84%
Avoiding sanctions due to non-compliance	*69%	73%	*76%	*84%	*88%
Saving my business money	71%	72%	72%	69%	73%
Delivering social benefits by protecting staff, customers and the environment	*59%	61%	*65%	*75%	*75%
Giving my business a competitive advantage	*57%	*67%	*69%	*75%	*78%
Meeting supply chain requirements	*52%	57%	*68%	*71%	*65%

* Indicates a significantly higher percentage compared to the total.

Key measures of regulatory burden

As shown in Figure 4, three questions around the burden of regulation have been tracked over time to create the following key measures:

- The proportion that perceive that complying with regulation is the greatest challenge to their business
- The proportion expecting the burden of regulation to increase in the next 12 months
- The proportion agreeing that the overall level of regulation in the UK is an obstacle to business success

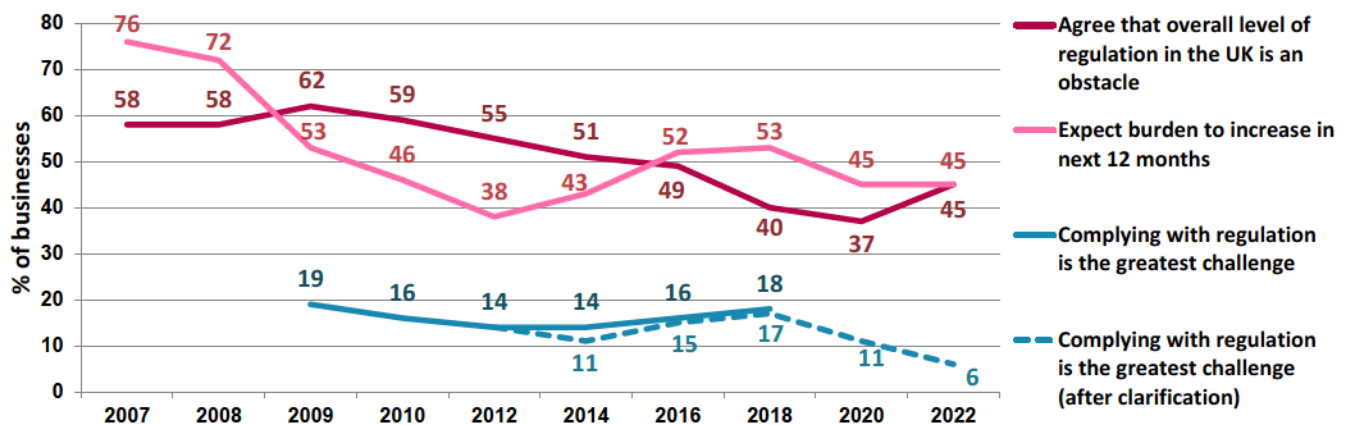
The proportion who felt complying with regulation is their greatest challenge continues to decline, with a significant fall from 11% in 2020 to 6%. Additional statements were added in

2022 which have likely impacted the results for other statements. Therefore, the changes across years should be viewed with caution.

Those expecting the burden of regulation to increase in the next 12 months is consistent with 2020 at 45%.

The downward trend in the proportion who agree that the level of regulation in the UK is an obstacle to their business' success has reversed in 2022, with a significant increase from 37% in 2020 to 45%.

Figure 4: Key measures of regulatory burden from 2007 to 2022



C2: To what extent do you agree or disagree that the overall level of regulation in the UK is an obstacle to your business's success? F1: In the next 12 months, do you think that the burdens resulting from regulation will decrease, stay the same, or increase? A9: Excluding tax administration, which ONE would you say presents the greatest challenge to your business? Base: All businesses. 2007 (1,000), 2008 (1,000), 2009 (1,000), 2010 (2,000), 2012 (2,294), 2014 (2,203), 2016 (2,000), 2018 (2,001), 2020 (2,014), 2022 (2,000). A9 Base 2022: All businesses that identified a listed challenge other than tax administration (1,630)

Complying with regulation as the greatest challenge

Those in Agriculture/Mining/Energy (17%), Finance (31%) and Property/Management/Business Services (10%) were more likely than average to say that compliance with regulation was their greatest challenge. Businesses that spend a day or more on compliance per month (7%) and those that said the cost of compliance increased a lot in the last 12 months (10%) were also more likely to cite this as their greatest challenge.

Expected change in burden of regulation

Those in Agriculture/Mining/Energy (61%) and Finance (62%) were more likely than average to say that they expected the burden of regulation to increase in the next 12 months, as were businesses who found COVID-19 compliance challenging (54%).

Businesses where the cost of compliance had increased in the past 12 months (62% where it had increased a lot and 50% where it had increased a little) and/or spent a day or more on compliance per month (50%) were more likely than average to say that the burden would increase in the next 12 months.

Businesses located in the East Midlands (54%) and Scotland (54%) were most likely to expect the burden of regulation to increase in the next 12 months.

Regulation as an obstacle to success

Those in Agriculture/Mining/Energy (58%), Finance (62%) and Hotel/Catering (56%) were more likely to agree that regulation is an obstacle to success, whereas those in Property/Management/Business Services and Public administration/Other more likely to disagree at 30%. Businesses located in England were slightly less likely than average to agree that the level of regulation is an obstacle to success at 44%; those in London were more likely to disagree (34%).

Businesses were more likely to agree regulation is an obstacle if they spent a day or more on compliance per month (51%) and the cost of compliance increased a lot in the last 12 months (68%).

Businesses that had introduced new products or services (51%), increased exports (59%) and increased capital investment (55%) were more likely to agree that regulation is an obstacle to success. Those who found COVID-19 (51%) and EU Exit (58%) challenging were also more likely to agree.

Key driver analysis

Key Findings

- The key driver analysis showed that the most important driver of the view that 'regulation is an obstacle to success' was businesses' level of agreement on whether 'the length of time it takes to go through the whole process of complying is a burden'.
- Other key drivers included whether businesses agree that 'regulation is fair and proportionate'; the perception as to whether it is 'easy to comply with regulations'; the level of agreement on whether 'completing paperwork, filling out forms and keeping records on facts and figures is a burden'; and whether 'having to provide the same information more than once' is a burden.

Methodology

IFF Research conducted a key driver analysis to ascertain the factors which drive businesses to perceive regulation as an obstacle to their success. The answers to this question, on a five-point 'agree' to 'disagree' scale⁷, were used as the dependent variable in the model. This statement was chosen as the dependent variable in collaboration with researchers at Department for Business and Trade, because it was felt that it would most closely reflect the overall survey aims in a single variable. A linear regression model was used, which has the advantage of modelling movement of opinion across the whole scale rather than a simple

⁷ The response scale consisted of 'strongly agree', 'tend to agree', 'neither agree nor disagree', 'tend to disagree' and 'strongly disagree'.

binary outcome. Responses to a range of other potentially relevant questions were modelled using an iterative regression method to provide a ranking of which responses to these other questions had the strongest correlation to agreement with the dependent variable.

The R squared value of the model was 0.26, meaning it explained 26% of the variance in attitudes towards regulation. While this means that a lot of variance remains unexplained, statistical models are a simplified representation of a very complex world and consequently R-squared values tend to be quite moderate. In this context a value of 0.26 can be regarded as acceptable. The models are of value in helping to understand which of the factors observed are driving the dependent variable and of those that are which have a larger and which a smaller effect.

Key drivers

The modelling showed that agreement with the statement “the length of time it takes to go through the whole process of complying is a burden” was the strongest driver of views on whether regulation is an obstacle to business success; i.e. businesses that agreed that the length of time spent on regulation is a burden were more likely to agree that it was an obstacle to success.

Of the 53 variables initially included in the model, the variables that were significant at the 95% confidence interval are shown in Table 8. Further details about the key driver analysis methodology can be found in the accompanying technical report.

The column “positive/negative correlation” indicates how each variable impacts the dependent variable. A negative correlation means that if respondents were more likely to agree with the statement, they were less likely to agree that regulation was an obstacle. Conversely, a positive correlation means that if respondents were more likely to agree with the statement, they were more likely to agree that regulation is an obstacle.

The importance score shows how much variance in the model can be explained by that particular variable.

Table 8: Importance of key drivers

Question/Statement text	Importance	Positive/Negative correlation
The length of time it takes to go through the whole process of complying is a burden (Agree/Disagree)	12%	Positive
Most regulation is fair and proportionate (Agree/Disagree)	11%	Negative
It is easy to comply with regulations (Agree/Disagree)	10%	Negative
Completing paperwork, filling out forms and keeping records on facts and figures is a burden (Agree/Disagree)	7%	Positive
Having to provide the same information more than once is a burden (Agree/Disagree)	7%	Positive
Establishing whether a new product, process or business model are compliant with regulation is a burden (Agree/Disagree)	7%	Positive
I have confidence that I can rely on the advice and guidance regulators provide (Agree/Disagree)	7%	Negative
COVID-19 regulations/regulatory changes are challenging to comply with (Agree/Disagree)	6%	Positive
Regulation preventing or hindering implementation of a new or significantly improved product, process or business model (is a challenge)	5%	Positive
Saving my business money (importance in compliance)	5%	Negative
Access to finance (is a challenge)	4%	Positive

The variable that had the highest impact on whether businesses perceived the level of regulation as an obstacle to business success was the length of time it takes to go through the whole process of complying. Just over three-quarters (77%) of those who agreed regulation is an obstacle, agreed the length of time to go through the process of complying is a burden.

Looking at differences by subgroups, the following were more likely to agree that the length of time it takes to go through the whole process of complying is a burden:

- If the cost of compliance had increased a lot in the last 12 months (77%)
- If they spent a day or more per month on compliance (65%)
- Small businesses (66%)
- Those in Agriculture/Mining/Energy (78%), Finance (74%), Manufacturing (65%) and Retail/Distribution (64%)
- Those who found COVID-19 and EU Exit regulation challenging (63% and 73% respectively)

The second most important driver of views on regulation as an obstacle to success was agreement that most regulation is fair and proportionate. Two-fifths (65%) of those who disagreed regulation is an obstacle, agreed regulation is fair and proportionate.

Looking at differences by subgroups, the following were more likely to agree that most regulation is fair and proportionate:

- If the cost of compliance had increased a lot in the last 12 months (49%)
- If they spent a day or more per month on compliance (33%)
- Micro businesses with 5-9 employees (38%)
- Those in Agriculture/Mining/Energy (54%), Finance (47%), Retail/Distribution (35%)
- Those who found COVID-19 and EU Exit regulation challenging (35% and 37% respectively)

Reasons for changes in regulatory burden

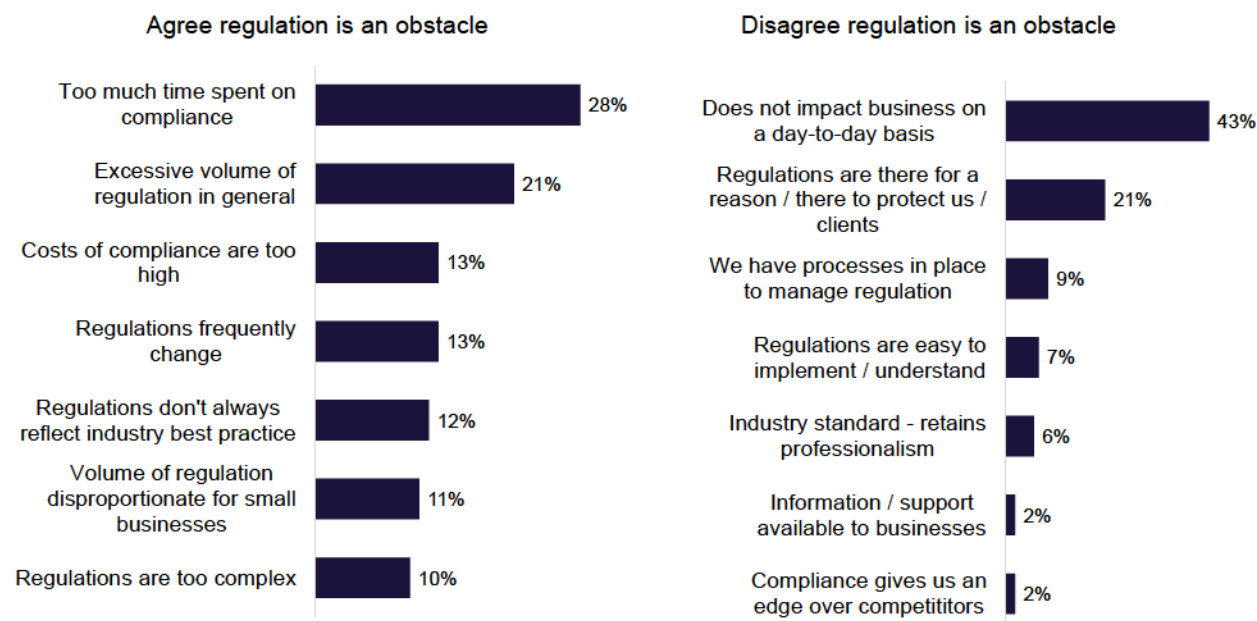
The survey asked the reason why businesses gave their answer to whether regulation is an obstacle to their success. Open text responses were coded into thematic answers. As shown in Figure 5, businesses most commonly felt that regulation was an obstacle to success because too much time is spent on compliance (28%), rising to 44% in the Finance sector and 36% in Retail/Distribution. One in five (21%) agreed that regulation is an obstacle to success due to the excessive volume of regulation in general.

“So much red tape at the moment, we want to follow the regulations, but they are so complicated and time consuming.” **Micro (5-9), Retail/distribution, West Midlands**

For those that disagreed that regulation was an obstacle to success, two-fifths (43%) said this was because regulation did not impact their business day-to-day, rising to 59% in Property/Management/Business Services. One in five (21%) acknowledged that regulation is there for a reason - to protect them or their clients.

“There has to be regulation so people work by the same guidelines, so businesses don't get bullied or pushed out by other people being unfair. We have to protect the environment so we can't just take and not consider the consequences.” **Medium (50-99), Hotel/catering, South West**

Figure 5: Reasons for agreeing or disagreeing that regulation is an obstacle to success



C3: Why do you agree/disagree that the overall level of regulation in the UK is an obstacle to your business's success? Base: All who agree regulation is an obstacle (949) Base: All who disagree regulation is an obstacle (465)

COVID-19 regulatory impacts

Businesses were asked the extent to which they found complying with COVID-19 regulation challenging. Six in ten businesses (61%) found it challenging, compared to 38% who said it was not challenging.

The challenge of compliance increased with business size. Small (71%), medium (73%) and large (75%) businesses were more likely to report complying with COVID-19 regulation as a challenge. In terms of sector, those in Hotel/Catering (75%) and Public administration/Other (70%) were more likely to perceive it as a challenge. Businesses that had introduced new products or services also perceived a greater challenge (69%), as did those located in Scotland (72%).

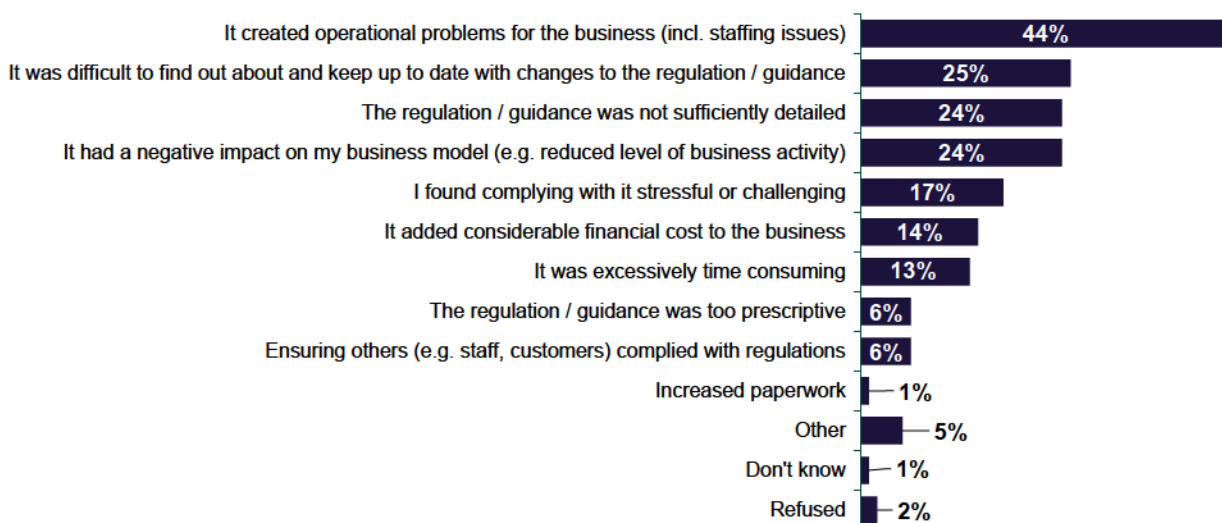
The survey subsequently asked why businesses found complying with COVID-19 regulation challenging or not. As shown in Figure 6, over four in ten (44%) of those who found it challenging said this was because it created operational problems for the business. This was more likely to be felt among large businesses (59%).

A quarter said it was difficult to find out about and keep up to date with changes to the regulation/guidance (25%). This was higher among those in Property/Management/Business

Services (32%); micro businesses with 5-9 employees (31%), medium (38%) and large businesses (33%).

A similar proportion said the regulation/guidance was not sufficiently detailed (24%) and that the regulation had a negative impact on their business model, for example it reduced the level of business activity (24%). The latter was more likely among Construction (32%), Hotels/catering (31%), Admin/Other sectors (31%).

Figure 6: Reasons why businesses found complying with COVID-19 regulation challenging



C5: Why did you find it challenging? Base: All who found COVID-19 compliance challenging (1,264)

As shown in Figure 7, one in five of those who did not find COVID-19 regulations challenging said this was because the regulation/guidance was sufficiently detailed (20%) and it had a minimal impact on business operations (19%).

Figure 7: Reasons why businesses did not find complying with COVID-19 regulation challenging



C6: Why did you All who did not find COVID-19 compliance challenging? Base: All who did not find COVID-19 compliance challenging (708)

EU Exit regulatory impacts

Businesses were asked the extent to which they found complying with EU Exit regulation challenging. Just over a quarter (28%) found it challenging, compared to 48% who said it was not challenging. One in five (22%) said it was not applicable to them.

The challenge of compliance increased with business size. Small (35%), medium (38%) and large (49%) businesses were more likely to report EU Exit regulation as challenging. By sector, those in Manufacturing (45%), Retail/distribution (40%) and Hotels/catering (35%) were more likely to say it was challenging.

Unsurprisingly, those who export to other countries (60%) and businesses that had increased exports in the last 12 months (57%) were more likely to say that EU Exit regulation was challenging.

Businesses who had introduced new products/services (33%) or had entered new markets (36%) were more likely to say it was a challenge. In terms of regional differences, businesses in London (38%) or Northern Ireland (49%) were more likely to say they found complying with EU Exit regulation challenging.

The survey subsequently asked why businesses found complying with EU Exit regulation challenging or not. As shown in Figure 8, half of those who found it challenging (51%) said this was because it created operational problems for the business. This was more likely among those in Construction (67%) and Hotels/Catering (63%), and among medium (62%) and large (66%) businesses.

The second most common reason was that complying with EU Exit regulation added considerable financial cost to the business (29%). This was higher for Retail/Distribution businesses (37%).

One in five businesses said It was excessively time consuming (19%). This was more prevalent among Manufacturing (30%) and Property/Management/Business Services (28%) sectors, micro businesses with 5-9 employees (26%) and medium sized businesses (28%).

Around one in six (17%) said the regulation and guidance was not sufficiently detailed. This was more likely to be felt among Manufacturing businesses (30%), small and large businesses (28% and 26% respectively).

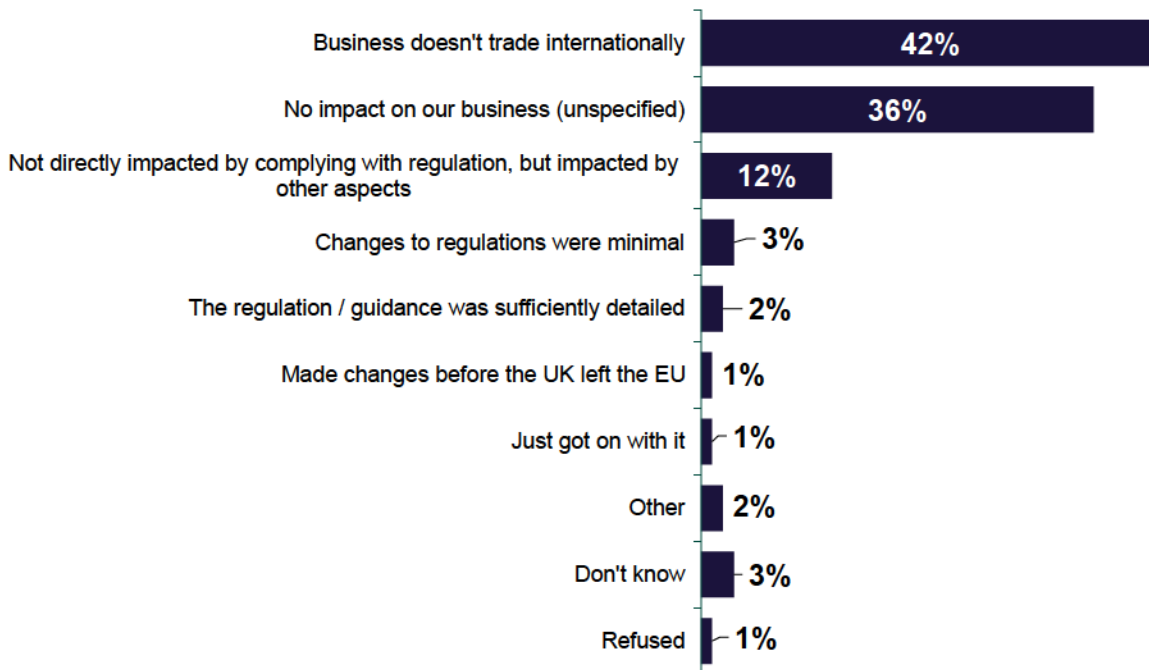
Figure 8: Reasons why businesses found complying with EU Exit regulation challenging



C8: Why did you find it challenging? Base: All who found EU Exit compliance challenging (696)

As shown in Figure 9, the main reason businesses gave for not finding EU Exit regulation challenging was because they do not trade internationally (42%) or that it just did not impact on their business (36%).

Figure 9: Reasons why businesses did not find complying with EU Exit regulation challenging



C9: Why did you not find complying with regulations or regulatory changes as a result of the UK leaving the EU to be challenging? Base: All who did not find EU Exit compliance challenging (880)

Effort of dealing with regulation

Key findings

- Compared to 2020 the average amount of time spent dealing with, or learning to comply with, regulations each month has fallen slightly. Businesses are spending an average of 6.6 staff days per month dealing with regulation, spanning from 5.1 days for micro businesses (1-4 employees) up to 22.3 days for large businesses.
- Despite the small fall in time spent on regulations, more businesses reported an increase in the total cost of compliance compared to 2020 (up from 54% to 58%) and more businesses agreed that the time taken to go through the process of complying is a burden (up from 53% to 58%).
- It was small businesses with 10-49 employees (66%) and businesses in the Agriculture/Mining/Energy sector, the Finance sector, the Manufacturing sector and the Retail/Distribution sector (78%, 74%, 65% and 64% respectively) who were most likely to feel that the time taken to go through the whole process of complying is a burden.

Time and cost of complying with regulations

The number of staff days per month that businesses felt they spent dealing with, or learning to comply with, all regulation has decreased from 2020, down from 8.2 days per month in 2020 to 6.6 days per month in 2022.⁸ As shown in Figure 10, this fall was driven by the small to larger sized businesses who all recorded a fall in the mean number of days per month spent on regulation (in contrast, no change from the 2020 position was found for micro businesses). Overall there is a clear relationship between the number of days spent on regulation and the size of the business, with large businesses (250+ employees) saying they spend on average 22.3 days per month on regulation.

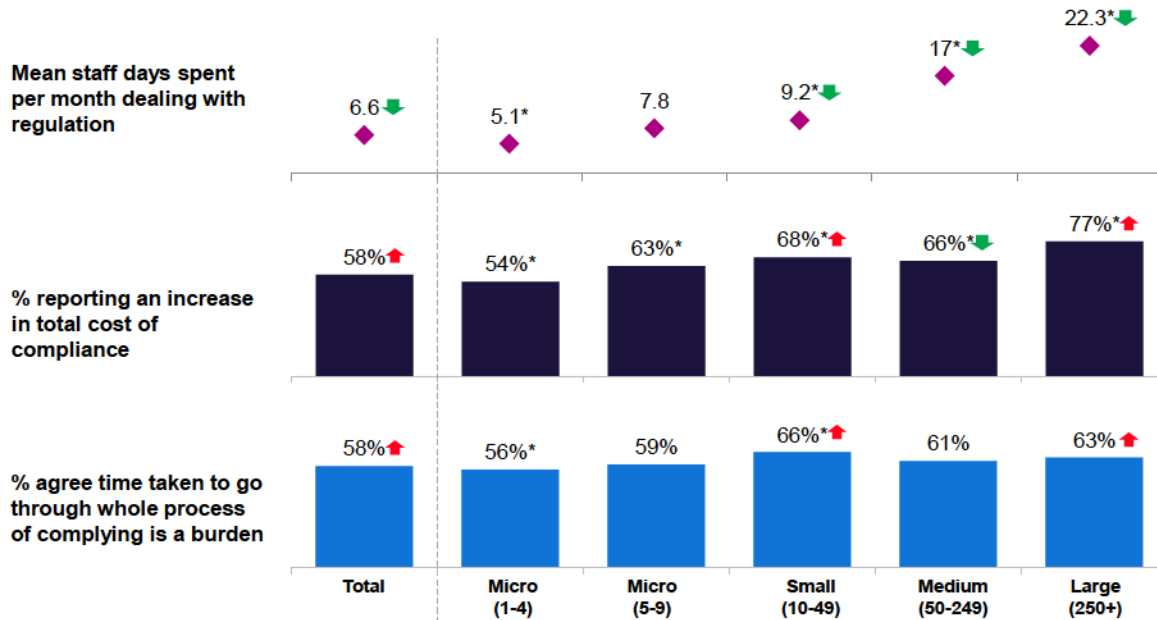
Despite the fall in the number of days spent on regulation compared to 2020, there was a small but statistically significant increase in the proportion of businesses who felt that the total cost of dealing with regulation had increased (up by 4 percentage points) and that the time taken to go through the whole process of complying was a burden (up by 5 percentage points). A reduction in time but an increase in cost is not intuitive. It could be that more senior staff members have taken on the responsibility of regulation compliance - perhaps due to an increase in volume or complexity of regulation, or due to a reduction in staff headcount, possibly due to COVID-19.

Overall, nearly three-fifths of businesses (58%) reported that the total cost of complying with regulation had increased – 33% felt the cost of compliance had increased ‘a little’ and 25% that it had increased ‘a lot’. The remaining businesses generally felt that the total cost had stayed the same (38%) with only 2% of businesses claiming it had decreased. The likelihood of

⁸ The mean number of days has been calculated using the mid-point of the banded responses provided at question B2, e.g. 1-2 days was calculated as 1.5 days.

reporting an increase in the cost of regulation was dependent on business size, ranging from just over a half (54%) of businesses with 1-4 employees to over three quarters (77%) of large businesses.

Figure 10: Cost of complying with regulation - by size

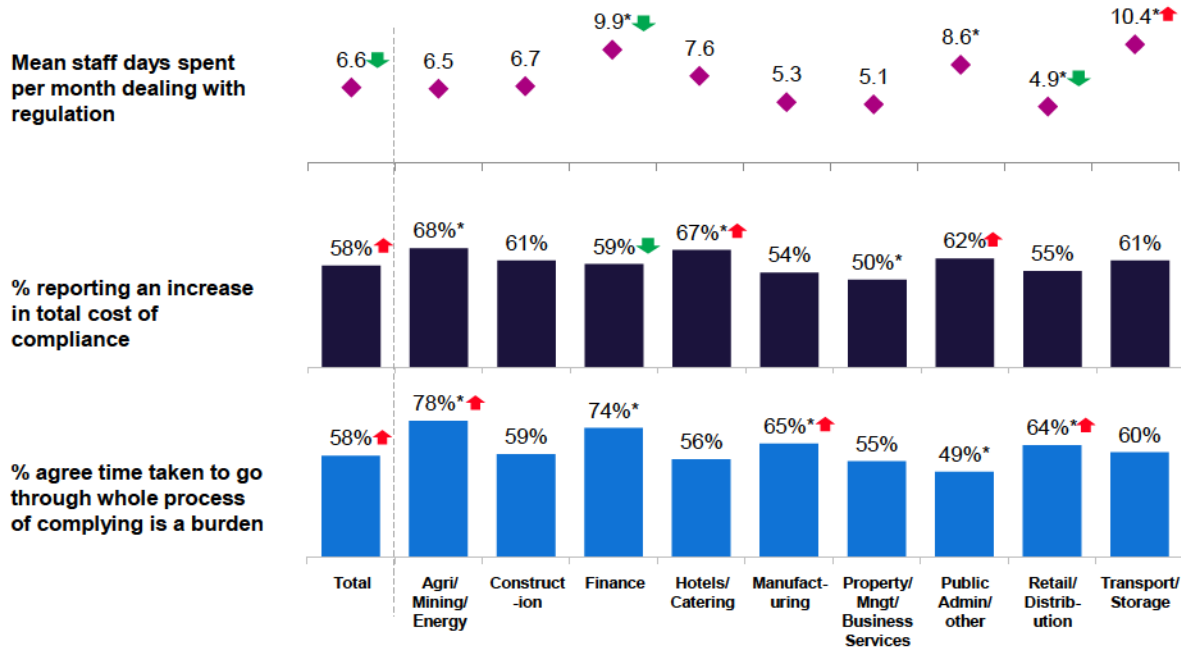


B2, B3, B4-1 On average, how many days in total does your staff spend per month dealing with, or learning to comply with, all regulation?/ Thinking about the last 12 months, would you say that the total cost of complying with regulation has...?/ Do you agree or disagree that the following is a burden when complying with regulation: The length of time it takes to go through the whole process of complying. Base: All businesses (2,000), Micro (1-4) (540), Micro (5-9) (346), Small (10-49) (666), Medium (50-249) (256), Large (250+) (192). Key: Arrows indicate a significant rise or fall from 2020 * Indicates a significant difference from the total in 2022

By sector, the average number of days spent per month on regulation varied, spanning from 5.1 days for the Property/Management/Business Services sector to 10.4 days for the Transport/Storage sector. Compared to 2020 the greatest decrease in average number of days was recorded for the Finance Sector (down from 16.3 days to 9.9 days) and the Retail sector (down from 6.9 days to 4.9 days). Bucking the trend, the Transport and Storage sector recorded an increase in the number of days spent on regulations (up from 6.4 days in 2020 to 10.4 days in 2022).

Overall, at least a half of businesses in each sector reported an increased total cost association with regulation, with this more commonly reported amongst businesses in the Agriculture/Mining/Energy sector and the Hotels and Catering sector (68% and 67% respectively).

Figure 11: Cost of complying with regulations - by sector



B2, B3, B4-1 On average, how many days in total does your staff spend per month dealing with, or learning to comply with, all regulation?/ Thinking about the last 12 months, would you say that the total cost of complying with regulation has...?/ Do you agree or disagree that the following is a burden when complying with regulation: The length of time it takes to go through the whole process of complying. Base: All businesses (2,000), Agri/Mining/Energy (196), Construction (189), Finance (160), Catering (191), Manufacturing (263), Property/Mntg/Business Services (300), Public Admin/Other (210), Retail/Distribution (307), Transport/Storage (184). . Key: Arrows indicate a significant rise or fall from 2020 * Indicates a significant difference from the total in 2022

Businesses who said they had found the COVID-19 regulations and the EU Exit regulations a challenge to comply with spent more days per month on dealing with compliance than those who did not find each of these aspects so challenging. They were also more likely to say that the total cost of dealing with regulations had increased and that they found the time taken to go through the process of complying a burden.

Table 9: Cost of complying with regulations - by COVID-19 and EU Exit regulation challenge

	COVID-19 regulations challenging	COVID-19 regulations not challenging	EU Exit regulations challenging	EU Exit regulations not challenging
Base: All Respondents	1,264	708	696	880
Mean staff days spent per month dealing with regulation	7.6	5.1	8.4	5.1
% reporting an increase in total cost of compliance	65%	47%	73%	50%
% agree time taken to go through process of complying in a burden	63%	51%	73%	53%

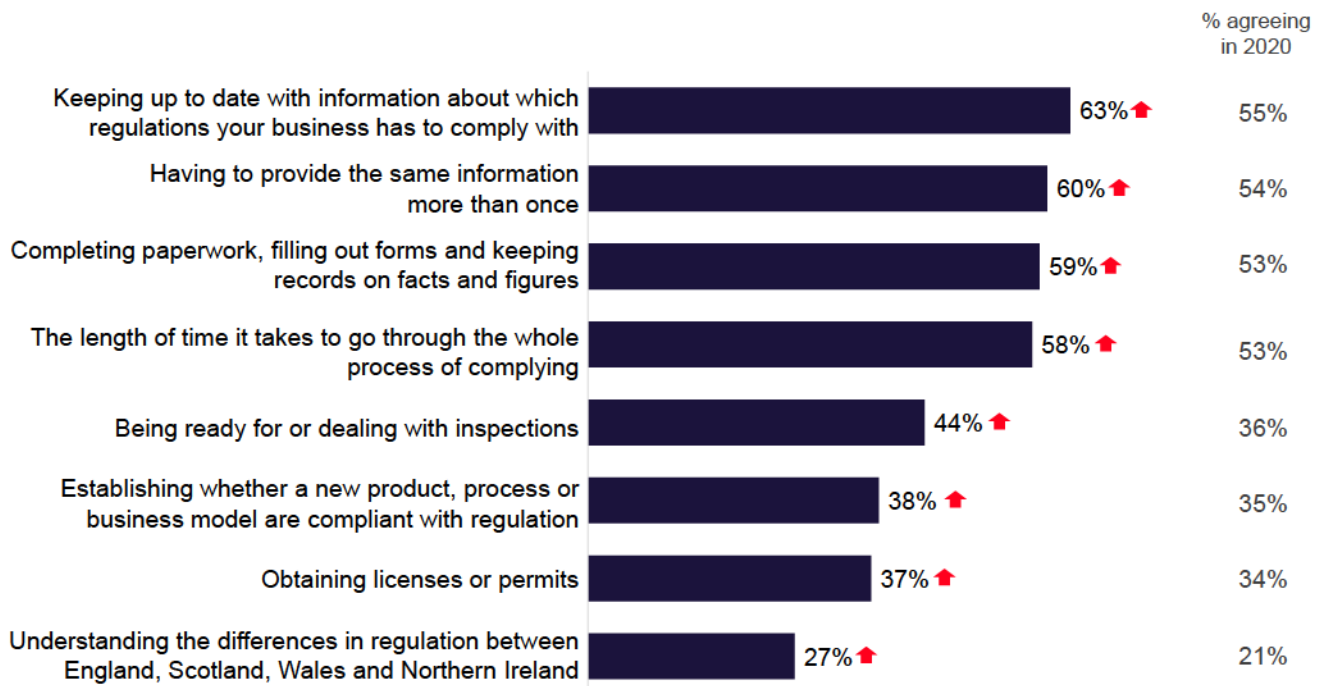
A couple of regional differences were also observed. Businesses in the South West and Scotland were more likely to spend more than 10 days on regulation per month (24% and 20% respectively). Those located in Northern Ireland (75%) or Scotland (66%) were more likely to report that the total cost of complying with regulation has increased in the last 12 months, while those in England were less likely (57%).

Burden of regulatory activities

Respondents were read a list of eight activities that their business might undertake while complying with regulation and asked to what extent each was a burden.

As shown in Figure 12 below, dealing with regulation appears to be an increasing burden for businesses, with more agreeing that each activity was a burden in comparison to 2020. The aspects of most burden were the same as in 2020, with around six in ten businesses saying the following were burdens: keeping up to date with regulation information (63%), having to provide the same information more than once (60%), completing paperwork, forms and keeping records (59%), and the length of time it takes to go through the whole process of complying (58%). The least burdensome activity was understanding the differences in regulation between England, Scotland, Wales and Northern Ireland (27%); however this was because one in five (20%) did not consider this activity applicable to their business.

Figure 12: Burden of regulatory activities



B4: Do you agree or disagree that the following is a burden when complying with regulation? Chart shows % who agree. Base: All businesses (2,000). Key: Arrows indicate a significant rise or fall from 2020

Small businesses (10-49 employees) were more likely to consider each of the activities a burden. This was in slight contrast to 2020 when it was medium sized businesses who selected more aspects as burden.

Table 10: Burden of regulatory activities - by size

% who agree that aspect is a burden when complying with regulation						
	Total	Micro (1-4)	Micro (5-9)	Small (10-49)	Medium (50-249)	Large (250+)
Base: All	2,000	540	346	666	256	192
Keeping up to date with information about which regulations your business has to comply with	63%	61%	64%	72%*	62%	69%
Having to provide the same information more than once	60%	58%	59%	66%*	62%	64%
Completing paperwork, filling out forms and keeping records on facts and figures	59%	56%	60%	66%*	61%	61%
The length of time it takes to go through the whole process of complying	58%	56%	59%	66%*	61%	63%
Being ready for or dealing with inspections	44%	40%	47%	55%*	44%	51%*
Establishing whether a new product, process or business model are compliant with regulation	38%	35%	40%	44%*	39%	47%*
Obtaining licenses or permits	37%	36%	38%	42%*	40%	38%
Understanding the differences in regulation between England, Scotland, Wales & N. Ireland	27%	24%	29%	33%*	28%	42%*

B4: Do you agree or disagree that the following is a burden when complying with regulation? Chart shows % who agree. Key: Bold and * indicate a significantly higher percentage compared to the total

The Agriculture/Mining/Energy sector was the most likely to consider the activities as burdensome. Businesses in this sector showed higher agreement for six out of the eight activities, being particularly more likely than average to rate the need to be ready for inspections, the length of time to go through the whole process and the obtaining of licenses or permits as burdensome. The Finance, Manufacturing, Transport/Storage, and Construction sectors also more likely to consider some of the activities as burdensome. Of particular note, three-quarters (74%) of businesses in the Finance sector rated the length of time it takes to go through the whole process of complying as burdensome (16 percentage points higher than the average).

Table 11: Burden of regulatory activities - by sector

% who agree that aspect is a burden when complying with regulation	Agri/Mining/Energy	Construction	Finance	Hotel/Catering	Manufacturing	Property/Mngt/Bus.	Public Amin/Other	Retail/Distribution	Transport/Storage
Base: All	196	189	160	191	263	300	210	307	184
Keeping up to date with regulations	75%	67%	67%	61%	65%	64%	58%	66%	55%
Having to provide same information more than once	77%*	60%	65%	60%	63%	59%	56%	59%	62%
Completing paperwork, forms, records	77%*	61%	71%*	57%	62%	54%	55%	63%	51%
Time it takes to go through the whole process	78%*	59%	74%*	56%	65%*	55%	49%	64%*	60%
Being ready for or dealing with inspections	67%*	48%	48%	35%	45%	41%	38%	47%	51%*
Establish if new process, product etc. compliant	40%	44%*	47%	36%	44%*	35%	33%	39%	35%
Obtaining licenses or permits	54%*	49%*	26%	44%	39%	27%	35%	34%	50%*
Understanding differences btw UK countries	27%	27%	22%	30%	36%*	20%	25%	32%*	29%

B4: Do you agree or disagree that the following is a burden when complying with regulation? Chart shows % who agree – please note that the statements have been summarised for presentation purposes. Key: Bold and * indicate a significantly higher percentage compared to the total.

External support

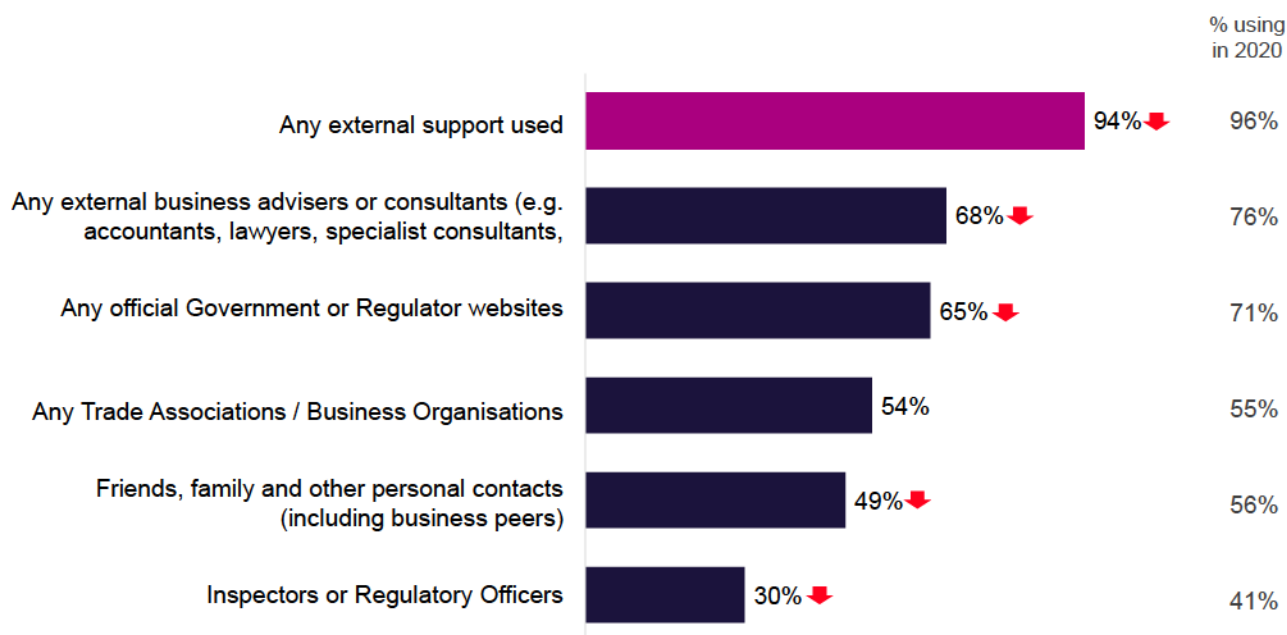
Key findings

- As in 2020, most (94%) of businesses used some form of external support to help them comply with regulation, with two-thirds (68%) using external business advisers or consultants.
- Just over one in ten businesses (14%) claimed they were spending more than £10,000 a year on external support, with a mean average spend of £6,100.
- Around a half of businesses in the Agriculture/Mining/Energy sector (49%) and the Finance sector (52%) who were using external support said they were doing so as the advice from the regulators was insufficient.

Use of external support

As in 2020, almost all businesses (94%) used at least one source of external support to help them comply with regulation, the most common sources being external business advisors/agents (68%) and official government websites (65%). Around a half of businesses used trade associations or business organisations (54%) and/or friends, family and other personal contacts (49%). Just three in ten (30%) of businesses had used Inspectors or Regulatory Officers, with this external support showing the largest fall in use compared to 2020 (down by 11 percentage points, from 41% in 2020).

Figure 13: External support used



E1: Which of the following do you use to help the business in complying with regulation? Base: All businesses (2,000). Mentions of 3%+ shown. Key: Arrows indicate a significant rise or fall from 2020

Micro businesses tended to make less use of the external support resources than larger sized businesses, although it still remained the case that over nine in ten used at least one external source to help them comply with legislation. Medium and large sized businesses were the most likely to use official government and regulator websites (80% and 78% respectively), and also to have used Inspectors or Regulatory Officers (55% and 54% respectively).

Table 12: External support used - by size

% who use the support/source						
	Total	Micro (1-4)	Micro (5-9)	Small (10-49)	Medium (50-249)	Large (250+)
Base: All	2,000	540	346	666	256	192
Any external support used	94%	93%	95%	95%	97%*	97%*
Any external business advisers or consultants	68%	64%	72%*	76%*	80%*	78%*
Any official Government or Regulator websites	65%	63%	63%	70%*	82%*	81%*
Any Trade Associations / Business Organisations	54%	50%	60%*	60%*	70%*	68%*
Friends, family and other personal contacts (including business peers)	49%	48%	50%	51%	53%	42%
Inspectors or Regulatory Officers	30%	25%	38%*	38%*	55%*	54%*

E1: Which of the following do you use to help the business in complying with regulations? Key: Bold and * indicate a significantly higher percentage compared to the total

There was some variation in the use of external support resources across the different industry sectors. Of note, businesses in the Transport/Storage sector were the least likely to have used any external source (89%), with these businesses less likely to have used official Government or Regulator websites (56%, compared to 65% on average), or any trade associations / business associations (41%, compared to 54% on average). In contrast, businesses in the Agriculture/Mining/Energy sector tended to make greater use than average of all the external sources, with just the exception of Government or Regulator websites and general online searches.

Businesses who had found the COVID-19 regulations challenging and the EU Exit regulation compliance challenging also showed higher usage rates of some of the external sources. In

particular, nearly three-quarters (72%) of the businesses who had found the EU Exit regulation compliance challenging had used an external business adviser or consultant (e.g. accountants, lawyers, specialist consultants).

Table 13: External support used - by sector

% who use the support/ source	Agri/Mining/Energy	Construction	Finance	Hotel/Catering	Manufacturing	Property/Mngt/Bus.	Public Amin/Other	Retail/Distribution	Transport/Storage
Base: All	196	189	160	191	263	300	210	307	184
Any external support used	96%	93%	95%	96%	94%	96%	92%	92%	89%
Any external bus. advisers or consultants	75%*	72%	77%*	60%	72%	68%	65%	67%	63%
Any official Govt / Regulator websites	66%	60%	70%	61%	59%	67%	70%*	64%	56%
Any Trade Associations/Bus. Organisation	63%*	63%*	50%	41%	54%	54%	56%	54%	41%
Friends, family, other contacts (incl. bus. peers)	67%*	51%	31%	57%*	47%	48%	44%	47%	56%*
Inspectors or Regulatory Officers	45%*	24%	23%	54%*	33%	25%	28%	26%	31%

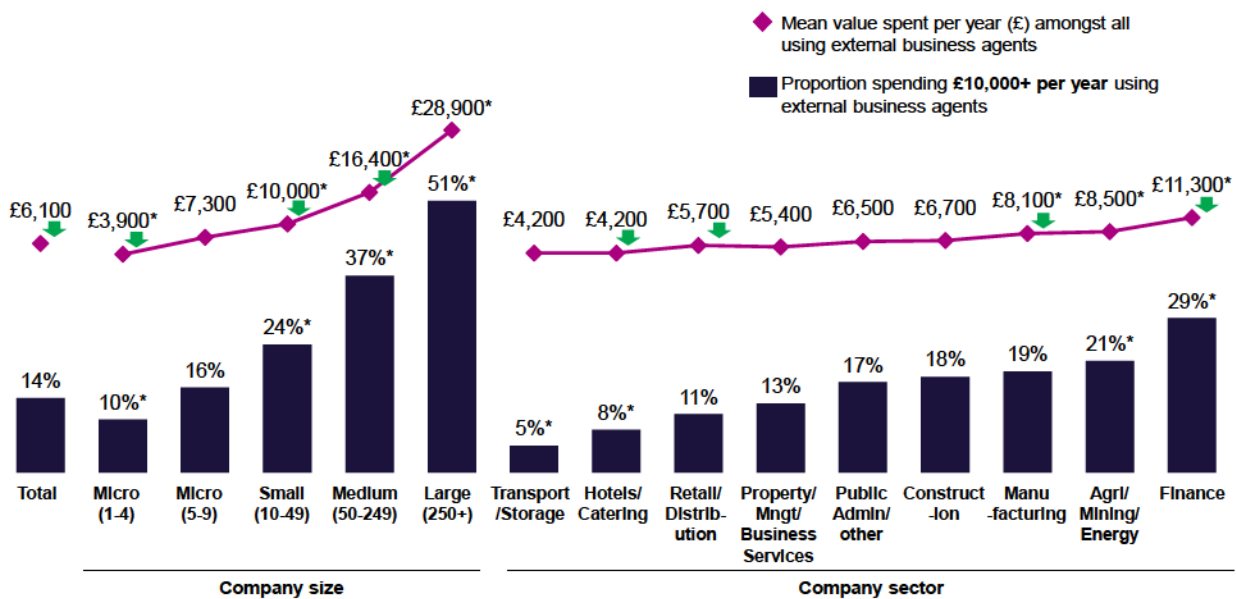
E1: Which of the following do you use to help the business in complying with regulations? Key: Bold and * indicate a significantly higher percentage compared to the total

Cost of using external business agents

Businesses who used external business agents to help with regulation compliance were asked to estimate how much they spent per year on this support. Compared to 2020, there was a slight decrease in the mean annual spend⁹ from £7,750 in 2020 to £6,100 in 2022. Most commonly, businesses spent between £1,000 and £4,999 on external business agents (39%), and the median spend was £3,000.

As shown in Figure 14 below, the mean spend increased with the size of the business, reaching £28,900 per annum among large employers (or a median of £15,000). The mean annual spend was also higher amongst businesses in the Manufacturing, Agriculture/Mining/Energy, and Manufacturing sectors, with a mean spend of £8,100, £8,500 and £11,300. In contrast, businesses in the Transport/Storage and the Hotels / Catering sector reported the lowest mean spend (£4,200 for each of these sectors).

Figure 14: Annual cost of external support



E4: Approximately how much per year do you spend using external business agents to help with complying with regulations? Base: All who use external business agents to help in complying with regulation (1,491). The lowest base size is for the Finance sector (129). Key: Arrows indicate a significant rise or fall from 2020. * Indicates a significant difference from the total in 2022

As in 2020, businesses that were exporting products and services were more likely to report a higher annual spend than domestic only businesses. A quarter (25%) of businesses who exported said they spent £10,000 or more each year (generating a mean average of £10,400), this was nearly twice the proportion recorded for domestic only businesses (13%, with a mean average of £5,400). A higher proportion of those who felt that the COVID-19 regulation compliance and the EU Exit regulation compliance had been challenging also spent £10,000 or

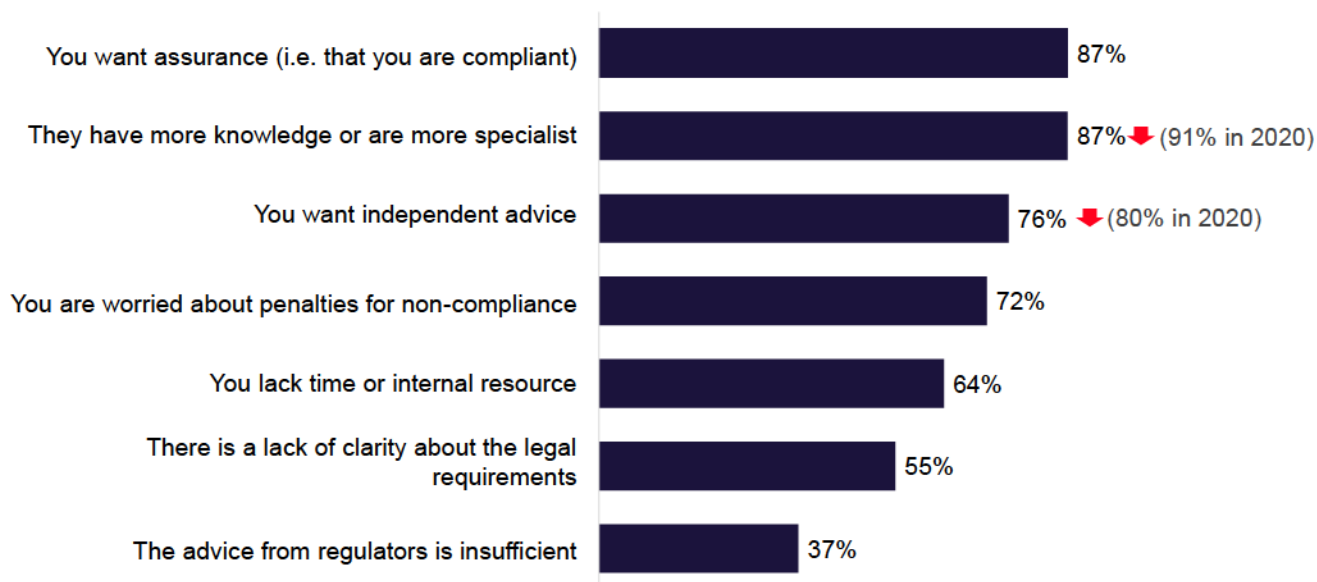
⁹ The mean annual spend has been calculated using the mid-point of the banded responses provided at question E4, e.g. £500-£999 was calculated as £750. Means are given to the nearest £50.

more on external support (17% and 20% respectively, compared with 11% of firms who had not found the COVID-19 compliance challenging and 14% who had not found the EU Exit compliance challenging).

Reasons for using external business agents

Businesses were asked why they used external business agents. As shown in Figure 15 the reasons for using external business agents generally remain consistent with 2020, with any changes being relatively small. The most common reasons given were wanting assurance and specialist knowledge, though many businesses were also using external business agents for independent advice and because they were worried about possible penalties.

Figure 15: Reasons for using external business agents



E5: Why does your business use external business advisers or consultants to help with complying with regulations? Is it because...? Base: All who use external business agents to help in complying with regulation (1,491). Key: Arrows indicate a significant rise or fall from 2020.

Employers from small businesses (10-49 employees) gave more reasons for using external business agents, and were more likely than average to say they wanted assurance that they were compliant (93%), external sources have more (specialist) knowledge (93%), they wanted independent advice (82%) and they lacked time and internal resource (73%).

Reasons were generally the same regardless of business sector, though businesses in the Agriculture/Mining/Energy sector were more likely to give more reasons. Of note, around a half of businesses from this sector and also from the Finance sector (49% and 52% respectively) said they sought external support because the advice from the regulators was insufficient.

Perception of the Government's approach to Regulation

Key findings

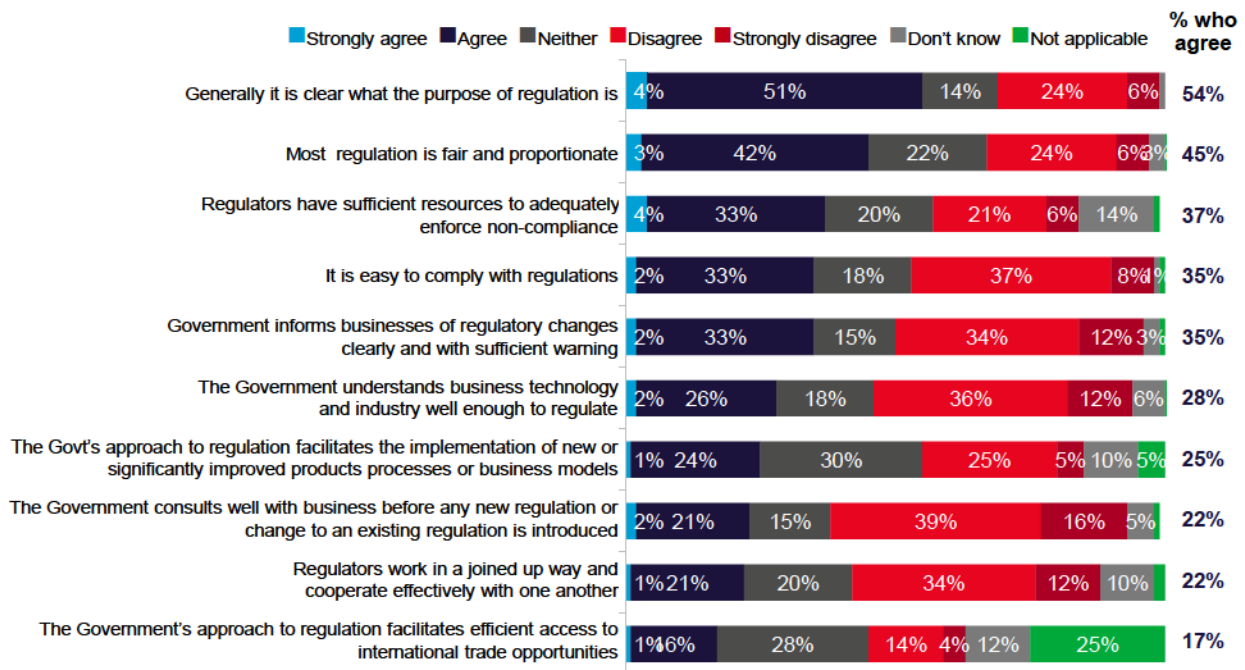
- Compared to 2020, perceptions about the Government's approach to regulation were less positive. Businesses were less likely to agree with eight out of the ten measures included in this research, the sharpest decrease being in relation to the purpose of regulation being clear and that it is easy to comply with regulations. Generally perceptions fell back to the 2018 levels, but in some cases they were lower than recorded in both 2020 and 2018.
- Just over a half (54%) of businesses were generally clear about the purpose of regulation, whilst just under a half (45%) agreed that it was fair and proportionate.
- Businesses in the Agriculture/Mining/Energy sector and in the Property/Management/Business Services sector generally had less positive views of the Government's approach to regulation, being lower than average for six out of the ten measures covered by the research.

General policy approach

Businesses were asked to rate the extent to which they agreed or disagreed with a series of statements about the Government's approach to regulation. As shown in Figure 16, perceptions were fairly mixed with highest agreement that they were generally clear about the purpose of regulation (54%) and that most regulation is fair and proportionate (45%). Just over a third agreed that regulators have sufficient resources to adequately enforce non-compliance (37%), it is easy to comply with regulations (35%) and Government informs businesses of regulatory changes clearly with sufficient warning (35%). Agreement with the other statements was lower. While less than a fifth agreed that the Government's approach facilitates access to international trade opportunities (17%), this was primarily because 25% rated this aspect 'not applicable' (i.e. their business did not require access to international trade opportunities) and a further 12% gave a 'don't know' response.

Across all ten statements, only a very small minority (1%-4%) agreed strongly.

Figure 16: Perceptions of Government’s approach to regulation



C1. To what extent do you agree or disagree with the following statements about the Government's approach to regulating? Base: All businesses (2,000).

Compared to 2020, perceptions of the Government’s approach to regulation were less positive, with a statistically significant fall for eight out of the ten measures included in the survey. In most instances agreement fell back to 2018 levels, though for three measures the level of agreement was lower than for both 2018 and 2020 (these measures were: the Government informs businesses of changes clearly & with sufficient warning, ease of complying with regulations, and the Government’s approach facilitates the implementation of new products /processes/business models).

Compared to 2020, agreement has declined the furthest for being clear what the purpose of regulation is and the ease of complying with regulations; both these statements recorded a fall of ten percentage points.

Table 14: Perceptions of Government's approach to regulation - over time

% who agree with the statement	2022	2020	2018
Generally, it is clear what the purpose of regulation is	54%↓	64%	57%
Most regulation is fair and proportionate	45%↓	51%	44%
Regulators have sufficient resources to adequately enforce non-compliance	37%	39%	37%
Government informs businesses of changes clearly & with sufficient warning	35%↓	44%	43%
It is easy to comply with regulations	35%↓	45%	40%
Government understands business well enough to regulate	28%↓	32%	26%
Government's approach facilitates the implementation of new products /processes/business models	25%↓	29%	29%
Government consults well with business before any changes	22%↓	25%	23%
Regulators work in a joined-up way	22%	23%	-
The Government's approach to regulation facilitates efficient access to international trade opportunities	17%↓	21%	19%

C1. To what extent do you agree or disagree with the following statements about the Government's approach to regulating? Base: All businesses (2,000). Key: Bold and ↓ indicate a statistically significant change between 2020 and 2022

Generally speaking, levels of agreement (and disagreement) for the statements in respect to the Government's approach to regulation were the same among businesses that took part in 2022. That said, a few differences were recorded. Micro businesses with 5-9 employees reported lower agreement for three of the ten statements, and businesses in the Agriculture/Mining/Energy sector and businesses in the Property/Management/Business Services sector reported lower agreement for six out of the ten statements.

Table 15: Business types with lower levels of agreement

% who agree with the statement	2022 Total	Lower agreement
Generally, it is clear what the purpose of regulation is	54%	Manufacturing sector (45%)
Most regulation is fair and proportionate	45%	Micro (1-5) businesses (40%) Finance sector (36%) Agriculture/Mining/Energy sector (28%)
Regulators have sufficient resources to adequately enforce non-compliance	37%	Property/Mngt/Business Services (31%)
Government informs businesses of changes clearly & with sufficient warning	35%	Property/Mngt/Business Services (30%) Manufacturing sector (25%)
It is easy to comply with regulations	35%	Micro (1-5) businesses (30%) Property/Mngt/Business Services (29%) Agriculture/Mining/Energy (27%)
Government understands business well enough to regulate	28%	Micro (1-5) businesses (21%) Manufacturing sector (21%) Agriculture/Mining/Energy sector (20%)
Government's approach facilitates the implementation of new products /processes/business models	25%	Property/Mngt/Business Services (20%) Finance sector (17%)
Government consults well with business before any changes	22%	Manufacturing sector (17%) Property/Mngt/Business Services (17%) Agriculture/Mining/Energy sector (12%)
Regulators work in a joined-up way	22%	Property/Mngt/Business Services (17%) Agriculture/Mining/Energy sector (14%)
Govt's approach to regulation facilitates efficient access to international trade opportunities	17%	Agriculture/Mining/Energy sector (10%)

Dealing with regulators

Key findings

- Attitudes towards regulators have become more negative in the past 12 months, with a fall in agreement levels for six out of the eight measures included in the research. The greatest fall was for regulators being easily accessible, which fell from 40% agreement in 2020 to 32% in 2022 (a drop of 8 percentage points).
- Around half of businesses agreed that regulators helped them to comply with regulations (49%), that they had confidence in the advice and guidance their regulators provided (48%), and that the guidance published by regulators is easy to locate (47%).
- However, opinion on other aspects of regulators were more mixed, with some relatively high levels of disagreement, particularly for regulators understanding businesses well enough to provide tailored advice (44% disagreed, and only 26% agreed).

Perceptions of regulators

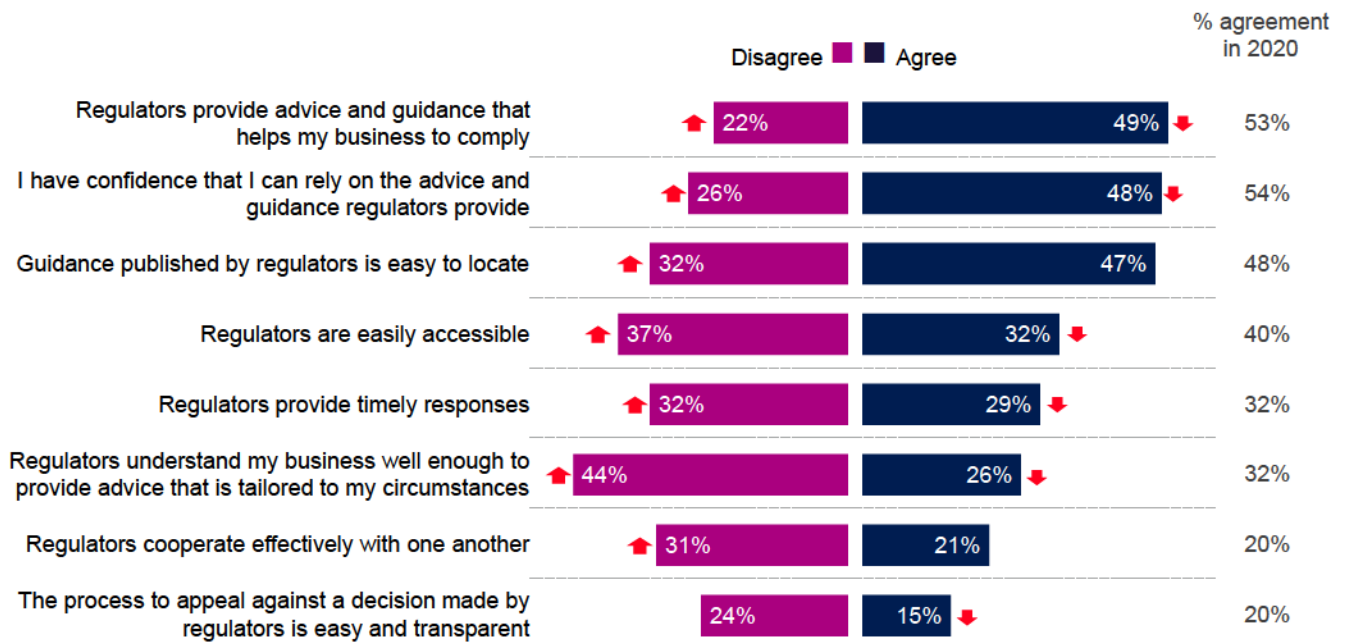
Businesses were asked a series of questions about the regulators they had dealt with over the last 12 months. As shown in Figure 17, around a half of businesses agreed regulators helped them to comply with regulation (49%), that they had confidence in advice and guidance their regulators provided (48%), and that the guidance published by regulators is easy to locate (47%).

Opinion, however, was more divided for other aspects of the regulators' remit and service. Levels of disagreement were higher than levels of agreement, with this particularly evident in terms of regulators having sufficient business understanding to provide tailored advice (44% disagreed, compared to only 26% who felt that regulators had this understanding).

While only 15% agreed that the process to appeal against a regulator's decision was easy and transparent and only 21% agreed that regulators cooperate effectively with one another, it is worth noting that both of these statements had high proportions of businesses who said 'don't know/not applicable' (35% and 24% respectively).

Attitudes towards regulators have become more negative in the past 12 months, with a fall in agreement levels for six of the statements, and a rise in disagreement for seven out of the eight statements. The largest decline was for regulators being easily accessible, which fell from 40% agreement in 2020 to 32% in 2022 (a fall of 8 percentage points).

Figure 17: Perception of regulators



D2. Thinking about the regulators you've dealt with in the past 12 months, I'd like you to tell me to what extent you agree or disagree with each of the following statements. Base: All businesses (2,000). Key: Arrows indicate a significant rise or fall from 2020.

Some differences in perceptions were reported by size of business, with medium and large firms tending to give higher agreement ratings.

Table 16: Perceptions of regulators – by size

% who agree with the statement						
	Total	Micro (1-4)	Micro (5-9)	Small (10-49)	Medium (50-249)	Large (250+)
Base: All	2,000	540	346	666	256	192
Regulators provide advice and guidance that helps my business to comply	49%	43%*	54%*	60%*	62%*	49%
I have confidence that I can rely on the advice and guidance regulators provide	48%	47%	45%	52%	58%*	65%*
Guidance published by regulators is easy to locate	47%	45%	48%	47%	54%*	61%*
Regulators are easily accessible	32%	30%*	34%	36%*	43%*	46%*
Regulators provide timely responses	29%	28%	29%	31%	39%*	41%*
Regulators understand my business well enough to provide advice that is tailored	26%	26%	23%	27%	33%*	44%*
Regulators cooperate effectively with one another	21%	23%*	19%	17%*	20%	31%*
The process to appeal decision made by regulators is easy and transparent	15%	15%	15%	16%	20%*	26%*

D2. Thinking about the regulators you've dealt with in the past 12 months, I'd like you to tell me to what extent you agree or disagree with each of the following statements. Base: All businesses (2,000). Key: Bold and * indicates a significant difference from the total.

By sector, businesses in the Finance and the Hotel/Catering sectors were generally more positive about their dealings with regulators. In contrast, businesses in the Manufacturing sector gave some of the lower ratings, with lower agreement than average for four out of the eight ratings.

Table 17: Perceptions of regulator - by sector

% who agree with the statement	↑ Higher agreement than average	↓ Lower agreement than average
Regulators provide advice and guidance that helps my business to comply	Transport/Storage (57%)	
I have confidence that I can rely on the advice and guidance regulators provide	Hotels/Catering (55%)	Agric/Energy (29%)
Guidance published by regulators is easy to locate		Manufacturing (36%) Retail/Distribution (41%)
Regulators are easily accessible	Finance (51%)	Manufacturing (23%)
Regulators provide timely responses	Finance (40%) Hotels/Catering (37%)	Property/Mngt/Bus (24%)
Regulators understand my business well enough to provide advice that is tailored	Finance (39%) Hotels/Catering (33%)	
Regulators cooperate effectively with one another	Hotels/Catering (31%) Finance (29%)	Manufacturing (14%) Property/Mngt/Bus (17%)
The process to appeal decision made by regulators is easy and transparent	Finance (28%) Transport/Storage (22%)	Manufacturing (10%) Retail/Distribution (11%)

D2. Thinking about the regulators you've dealt with in the past 12 months, I'd like you to tell me to what extent you agree or disagree with each of the following statements. Base: All businesses (2,000).

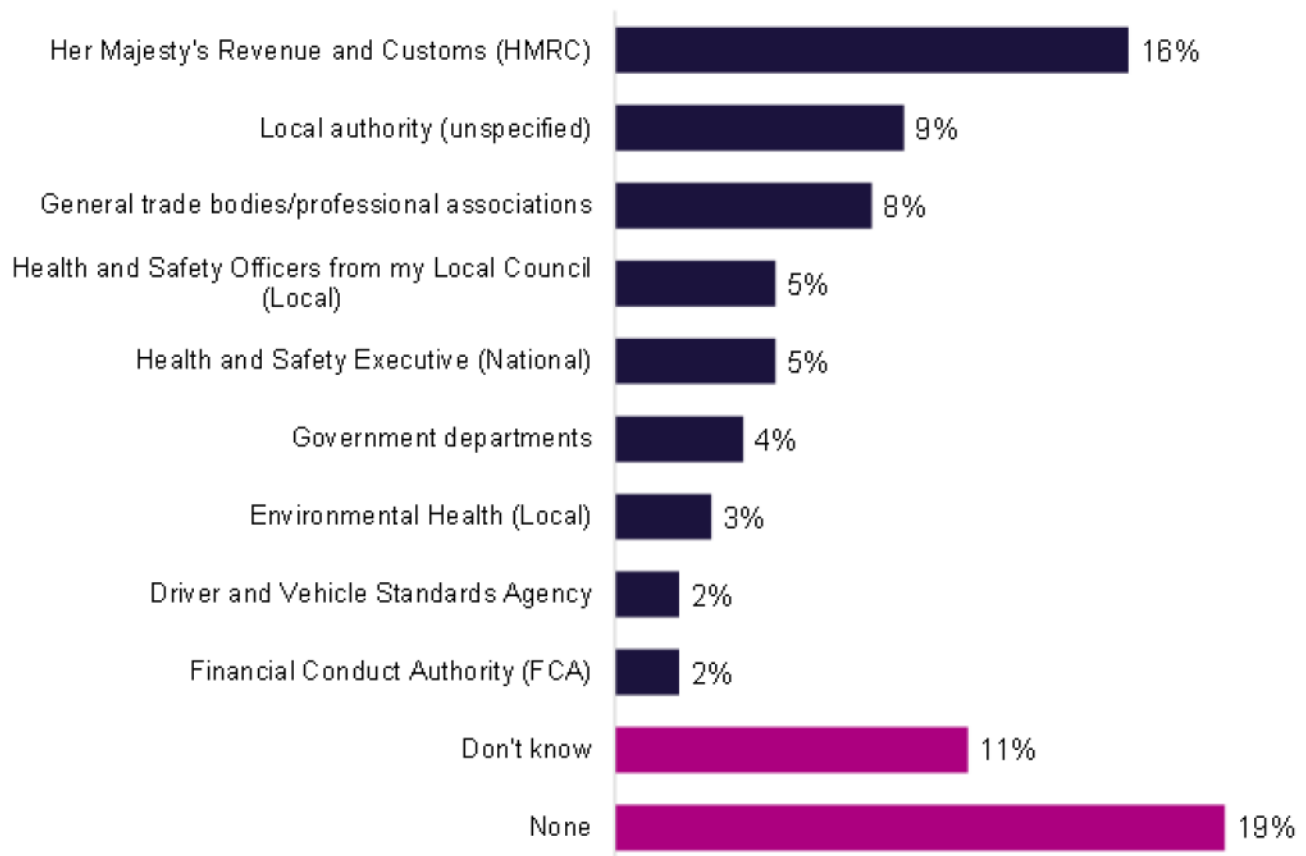
Regulators businesses had most contact with

A new question was introduced to the 2022 survey to see which regulator businesses had the most contact with over the last 12 months. As can be seen from Figure 18, a variety of regulators were mentioned and only a fifth (19%) of businesses said they had not had any contact with a regulator in the last 12 months (a further 11% were unsure of who they had most contact with and could not answer the question).

Her Majesty's Revenue & Customs (HMRC) was the regulator mentioned most often by businesses as the body they had most contact with (16%). Next most commonly mentioned were Local Authorities (9%) and general trade bodies/professional associations (8%).

Micro businesses with 1-4 employees were the most likely to say they had not had any contact with a regulator (21%) in the last 12 months, as were businesses in the Manufacturing sector (24%) and the Property/Management/Business sector (22%). As would be expected, there were some differences in the use of regulators by business sector that reflected the focus of the regulator. For example, 77% of Finance businesses said they dealt with the Financial Conduct Authority (FCA) the most, and 12% of Transport/Storage businesses said they dealt with the Driver and Vehicle Standards Agency (DVSA) the most.

Figure 18: The regulator businesses have had the most contact with in the last 12 months



D3a. Could you tell me the regulator with which your company has had the most contact in the last 12 months?
Base: All businesses (2,000). Mentions of 2%+ shown.

The Office for Product Safety and Standards (OPSS)

The Office for Product Safety and Standards was established in 2018 to deliver consumer protection and to support business confidence, productivity and growth. OPSS regulate a wide range of products with a focus on their safety and integrity.

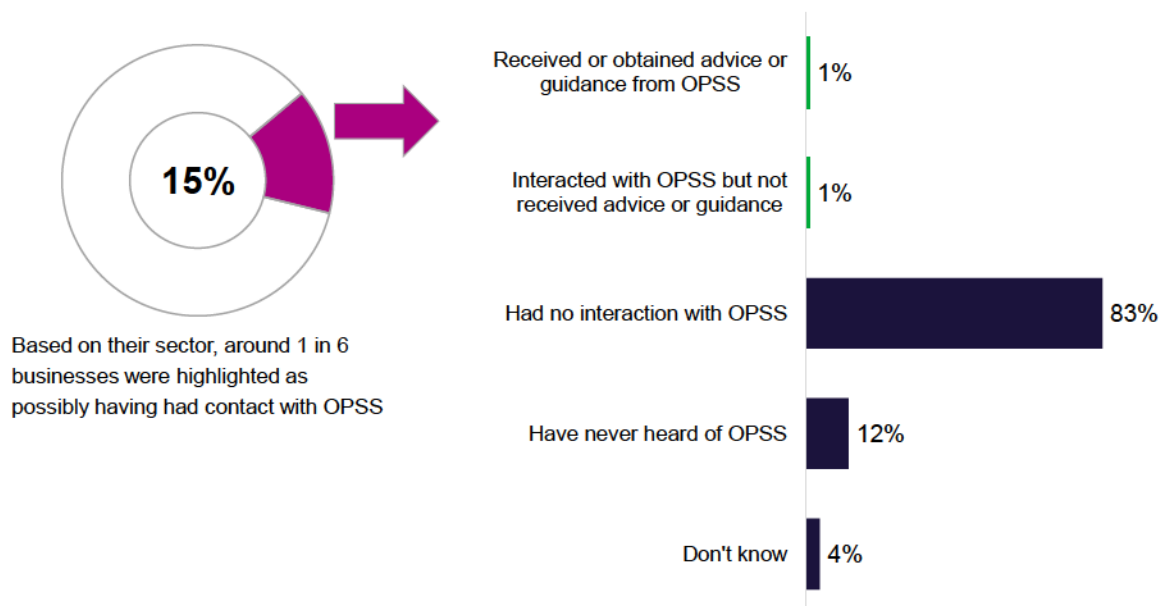
Businesses that worked in sectors associated with the OPSS (defined by SIC code)¹⁰ were asked whether they had interacted with them in the past 12 months. As shown in Figure 19,

¹⁰ The SIC codes, provided by OPSS, were defined from Office for National Statistics' website under the Number of VAT and/or PAYE based enterprises by Standard Industrial Classification (UK SIC2007) class and region. The

four out of five (83%) of these businesses claimed to have had no interaction at all with the OPSS, and a further one in ten (12%) had never heard of them. These findings were comparable to the 2020 results, when 80% had had no interaction and 12% had never heard of them.

Just two percent (2%) of businesses recalled having interacted with the OPSS which was on a par with 2020 (2%). Businesses that had interacted with the OPSS were asked about their views on the OPSS. However, the base size is too low to provide any reliable findings.

Figure 19: Interaction with OPSS



D3: Your business has a classification which may mean it is regulated by the Office for Product Safety and Standards (OPSS). In the last 12 months have you? Base: All who may have had contact with OPSS (293)

codes ranged between 4624 (wholesale of software/hardware equipment/furniture/other household goods) and 4799 (retail sale of automotive/chemicals/clothes, cosmetics and new goods in specialised stores).

Case studies

The case studies below review all of the areas where innovative and high growth businesses were significantly different from the rest of the business population. The definitions of innovative businesses and high growth businesses are included below.

Innovative businesses

Profile

Innovative businesses were defined as those that had implemented a new or significantly improved product, process or business model in the last 12 months, or those that started working in new business markets in the last 12 months. A quarter (26%) of the businesses surveyed fell within this definition.

There was no difference in the regional profile of innovative and non-innovative businesses, with 87% of innovative businesses based in England, 7% in Scotland, 4% in Wales and 2% in Northern Ireland. However, they were more likely than non-innovative businesses to:

- Have been operating for a shorter period of time; a quarter (26%) had been operational for five years or less, and a half (49%) for 20 years or less (vs. 11% and 70% of non-innovative businesses).
- Be larger sized businesses (45% had 5 or more employees vs. 34% of non-innovative businesses).
- Be working in the Construction sector (17% vs. 11% of non-innovative businesses), and less likely to be working in the Retail/Distribution sector (13% vs. 18% of non-innovative businesses).
- Be exporting to both the EU and outside of the EU (20% were exporting vs 12% of non-innovative businesses).

Main Findings

Business development and challenges

As found in 2020, innovative businesses were more likely to be high growth businesses and were more likely to have done each of the following in the last 12 months:

- Increased their sales turnover (61% vs. 34% of non-innovative businesses).
- Increased their capital investment (51% vs. 17% of non-innovative businesses).
- Increased their staff headcount (40% vs. 10% of non-innovative businesses).
- Increased the amount they export to other countries (7% vs. 1% of non-innovative businesses).

Innovative businesses were also more likely than non-innovative businesses to say that a range of issues were presenting a challenge to their business. For example, over twice as many said that access to finance was a challenge for their business compared to non-innovative businesses (21% vs. 9%), and nearly twice as many said that regulations that prevented or hindered the implementation of a new or significantly improved product was a challenge to their business (33% vs. 18%).

Table 18: Business challenges - by innovative and non-innovative businesses

% who indicated aspect presents a challenge to their business	Innovative	Not Innovative
Base: All	(618)	(1,382)
Coronavirus (COVID-19) pandemic	79%*	73%
Supply chain issues	70%*	60%
UK exit from the EU	50%*	38%
Staff recruitment and / or retention	45%*	32%
Complying with regulation (excluding tax administration)	41%*	33%
Level of tax	44%*	30%
Attracting and retaining customers	40%	37%
Regulation preventing/ hindering implementation of a new/sig. improved product	33%*	18%
Administration around tax	24%	21%
Access to finance	21%*	9%
Staff redundancies	6%	8%

A7. Which of the following present a challenge to your business? Key: Bold and * indicate a significantly higher percentage compared to the total.

Business challenges

In line with innovative businesses citing a greater number of business challenges, they were also more likely to agree that the overall level of regulation in the UK was an obstacle to their business success – around a half (49%) felt that this was the case compared to 44% of non-innovative businesses. The most common reason for this was because they felt they had to spend too much time on compliance.

Just under two-thirds (64%) of innovative businesses said they had found the COVID-19 regulations challenging to comply with, which was at a comparable level to non-innovative businesses (60%). Reasons for finding the COVID-19 compliance challenging were also broadly similar between innovative and non-innovative businesses, although innovative businesses were slightly more likely to say they had a negative impact on their business model (33% of innovative businesses who found them challenging vs. 21% of non-innovative businesses who found them challenging). Overall, however, the most common reason for both groups was that they had created operational problems for the business.

A third (32%) of innovative businesses had found the EU Exit regulations / regulatory changes challenging to comply with, which was slightly higher than the level found for non-innovative businesses (26%). The most common reasons given as to why innovative businesses had found the EU Exit compliance challenging was because they had created operational problems for the business (58%) and/or that they were excessively time consuming (27%). Both of these reasons were mentioned slightly more often by innovative than non-innovative businesses.

Importance of compliance and time spent on compliance

When asked the importance of various factors in encouraging their business to comply with regulation (Table 19), innovative businesses were more likely than non-innovative businesses to think all the factors were essential / very important, with just the one exception of 'avoiding sanctions due to non-compliance'. The biggest gap in views was in terms of giving their business a competitive advantage; 70% of innovative businesses thought this was an essential / very important factor in encouraging their business to comply with regulation compared to just 58% of non-innovative businesses (a gap of 12 percentage points).

Table 19: Importance of factors encouraging compliance - by innovative and non-innovative businesses

% who say factor is essential / very important in encouraging business to comply with regulation	Innovative	Not Innovative
Base: All	(618)	(1,382)
Maintaining my reputation with customers	96%*	92%
Complying with the law	96%*	92%
Meeting insurance requirements	86%*	81%
Saving my business money	76%*	69%
Avoiding sanctions due to non-compliance	72%	70%
Giving my business a competitive advantage	70%*	58%

Delivering social benefits by protecting staff, customers and the environment	66%*	59%
Meeting supply chain requirements	61%*	54%

B1. How important are the following factors in encouraging your business to comply with regulation? Key: Bold and * indicate a significantly higher percentage compared to the total.

As found in 2020, innovative businesses spent more time on compliance than non-innovative businesses (8.8 days per month compared to 6.9 days) and were more likely to feel that the total cost of complying with regulation had increased across the last 12 months (69% vs. 54% of non-innovative businesses). A third (34%) thought the total cost of compliance had increased 'a lot' across the last 12 months, and nearly a half (48%) felt that the burdens resulting from regulation would increase in the next 12 months.

Sources and channels used to help with compliance

Innovative businesses were more likely to use a variety of sources to help their business to comply with regulation. Nearly all (97%) innovative businesses had used at least one channel of support and they were more likely to have used:

- External business advisers or consultants (75% vs. 65% of non-innovative businesses)
- Any official Government or Regulator websites (72% vs. 62% of non-innovative businesses)
- Any Trade Association / Business Organisation (68% vs. 49% of non-innovative businesses)
- Friends, family and other personal contacts (60% vs. 45% of non-innovative businesses)

Not only were innovative businesses more likely to use external business agents to help comply with regulation, but they were also more likely to spend more on their services. A fifth (20%) of innovative businesses using external business agents said they spent £10,000 or more each year, with a mean annual spend of £8,300. This compared to a mean annual spend of £5,300 for non-innovative businesses using external agents.

Perceived burden of compliance

Generally, as found in 2020, innovative businesses were more likely than non-innovative businesses to feel that certain aspects of compliance were a burden. As shown in Table 20, this was the case for having to provide the same information more than once, the length of time it takes to go through the whole process of comply, establishing whether a new product, process or business model was compliant with regulations and the obtaining of licenses or permits.

Table 20: Burden of regulatory activities - by innovative and non-innovative businesses

% who agree that aspect is a burden when complying with regulation	Innovative	Not Innovative
Base: All	(618)	(1,382)
Keeping up to date about which regulations your business has to comply with	65%	63%
Having to provide the same information more than once	65%*	58%
Completing paperwork, filling out forms and keeping records on facts and figures	61%	58%
The length of time it takes to go through the whole process of complying	63%*	56%
Being ready for or dealing with inspections	40%	45%*
Establishing whether a new product, process etc. model are compliant with regulation	45%*	35%
Obtaining licenses or permits	44%*	35%
Understanding the differences in regulation btw England, Scotland, Wales & N. Ireland	28%	26%

B4: Do you agree or disagree that the following is a burden when complying with regulation? Chart shows % who agree. Key: Bold and * indicate a significantly higher percentage compared to the total.

Perceptions of the government’s approach to regulating and regulator behaviour

In terms of their views about the Government’s approach to regulation and the service provided by Regulators, innovative businesses tended to be less positive than non-innovative businesses; they recorded higher disagreement for five out of the ten statements about the Government, and for six out of the eight statements about Regulators. It should be noted, however, that non-innovative businesses were often more likely to say that they did not know what they thought about the service or that they felt the aspect was not applicable to their business.

As one exception, innovative businesses were more likely to both agree and to disagree that the Government’s approach to regulation facilitates efficient access to international trade. So, 20% of innovative businesses agreed with this statement compared to just 16% of non-innovative businesses. However, and as shown in Figure 18, equally 22% of innovative businesses disagreed with this statement compared to just 17% of non-innovative businesses.

Non-innovative businesses more likely to say they didn't know or that it was not applicable to them.

Table 21: Statements that high growth businesses showed a higher level of disagreement with compared to non-high growth businesses

% who disagreed with the statement	Innovative	Not Innovative
Base: All	(618)	(1,382)
C1. To what extent do you agree or disagree with the following statements about the Government's approach to regulating?		
The Government consults well with business before any new regulation or change to an existing regulation is introduced	59%	54%
The Govt understands business technology and industry well enough to regulate	53%	46%
Regulators work in a joined-up way and cooperate effectively with one another	56%	42%
The Govt informs businesses of regulatory changes clearly / with sufficient warning	50%	44%
The Govt's approach to regulation facilitates efficient access to international trade opportunities	22%	17%
D2. To what extent do you agree or disagree with the following statements regarding regulators?		
Regulators understand my business well enough to provide advice that is tailored	54%	41%
Regulators are easily accessible	43%	35%
Regulators cooperate effectively with one another	40%	28%
Regulators provide timely responses	39%	30%
Guidance published by regulators is easy to locate	35%	30%
I have confidence that I can rely on the advice and guidance regulators provide	30%	25%

High growth businesses

Profile

High growth businesses were defined as those that had increased their staff headcount or sales turnover in the last 12 months. Slightly under a half (46%) of the businesses surveyed fell within this definition.

As with innovative businesses, high growth businesses tended to be larger than average firms; just over two-fifths (43%) had 5 or more employees compared to just 30% of non-high growth businesses. They were also more likely than non-high growth businesses to:

- Be based in the South East (21% vs. 17%), the West Midlands (11% vs. 7%), Yorkshire / Humber (8% vs. 6%) or Scotland (8% vs. 6%)
- Be younger businesses, with twice as many operating for five years or less compared to non-high growth businesses (20% vs. 10%)
- Be working in the Construction Sector (16% vs. 10%), and less likely to be working in the Hotel/Catering Sector (8% vs. 11%)
- To be exporting to outside of the EU (11% vs 7%)

Main Findings

Business development and challenges

As found in 2020, there was a strong correlation between high growth businesses and innovative businesses, with high growth businesses more than twice as likely to be an innovative business (39%) than non-high growth businesses (only 14% of who were innovative businesses). High growth businesses were also much more likely to have increased their capital investment (41% vs. 13%) and to have increased exports (5% vs. 1%) over the prior 12-month period.

High growth and non-high growth businesses were broadly experiencing similar challenges to their business, with the COVID-19 pandemic mentioned most often by both groups of businesses. That said, the COVID-19 pandemic was mentioned to a slightly lesser extent by high growth businesses, who instead were more likely than non-high growth businesses to say that supply chain issues (66% vs. 59%), staff recruitment / retention (41% vs. 30%) and regulation preventing/hindering the implementation of new/improved products (25% vs. 19%) were a challenge for their business. In contrast (and as was the case in 2020), they were less likely to say that attracting and retaining customers (23% vs. 45%) or that staff redundancies (5% vs. 9%) was a challenge in comparison to non-high growth businesses.

Table 22: Business challenges - by high growth and non-high growth businesses

% who indicated aspect presents a challenge to their business	High growth	Non-high Growth
Base: All	(1,105)	(895)
Coronavirus (COVID-19) pandemic	70%	78%*
Supply chain issues	66%*	59%
UK exit from the EU	42%	41%
Staff recruitment and / or retention	41%*	30%
Complying with regulation (excluding tax administration)	36%	33%
Level of tax	34%	32%
Attracting and retaining customers	29%	45%*
Regulation preventing/ hindering implementation of a new/sig. improved product	25%*	19%
Administration around tax	20%	23%
Access to finance	12%	12%
Staff redundancies	5%	9%*

A7. Which of the following present a challenge to your business? Key: Bold and * indicate a significantly higher percentage compared to the total.

Regulation challenges

Although high growth businesses were more likely than non-high growth businesses to say that regulation preventing/hindering the implementation of a new or significantly improved product was a challenge for their business, in terms of whether they generally felt that the overall level of regulation in the UK was an obstacle to their success there was no difference in opinion. Forty six percent (46%) of high growth businesses agreed that the overall level of regulation was an obstacle for their business, whilst 27% disagreed. Amongst high growth businesses who felt that the overall level of regulation was an obstacle, the most common reasons given for this view was that too much time was spent on compliance (27%) and the excessive volume of regulation in general (21%). These were also the most common reasons given by non-high growth businesses.

Six in ten (61%) high growth businesses said that they had found the COVID-19 regulations challenging to comply with. This was the same for non-high growth businesses (61%), although non-high growth businesses were slightly more likely to opt for the strongest

response and say they had been ‘very’ challenging as opposed to just ‘quite’ challenging (27% said they had been ‘very’ challenging vs. 22% of high growth businesses). Reasons for finding the COVID-19 compliance challenging were broadly similar between high growth and non-high growth businesses, with the main reasons being that they had created operational problems (40% of high growth businesses), it was difficult to find out about and keep up-to-date with changes to the regulations (27%), the regulations were not sufficiently detailed (24%), and they had had a negative impact on the business model (23%).

Just over a quarter of both high growth businesses and non-high growth businesses (28% respectively) said the EU Exit regulations / regulatory changes had been challenging to comply with. A half (52%) of high growth businesses said they had not been challenging. This proportion was higher than for non-high growth businesses (45%), but non-high growth businesses were instead more likely to say that the EU Exit regulations / regulatory changes were not applicable to their business operation. The most common reason given for the EU Exit regulations being challenging were that they had created operational problems for the business (57%). Thereafter reasons were that they had added considerably to financial costs (29%), the regulations were not sufficiently detailed (23%) and that they were excessively time consuming (21%). The regulations creating operational problems for the business and not being sufficiently detailed were slightly more likely to be mentioned by high growth businesses than non-high growth businesses.

Importance of compliance and time spent on compliance

When asked the importance of various factors in encouraging their business to comply with regulation, opinion between high growth and non-high growth businesses was similar, with just one exception that high growth businesses were slightly more likely to say that giving their business a competitive advantage was an essential / very important factor in encouraging them to comply with regulation (64% vs. 59%).

Table 23: Importance of factors encouraging compliance - by high growth and non-high growth businesses

% who say factor is essential / very important in encouraging business to comply with regulation	High growth	Non-high Growth
Base: All	(1,105)	(895)
Maintaining my reputation with customers	93%	93%
Complying with the law	93%	92%
Meeting insurance requirements	81%	83%
Saving my business money	72%	71%

Avoiding sanctions due to non-compliance	69%	72%
Giving my business a competitive advantage	64%*	59%
Delivering social benefits by protecting staff, customers and the environment	62%	59%
Meeting supply chain requirements	57%	54%

B1. How important are the following factors in encouraging your business to comply with regulation? Key: Bold and * indicate a significantly higher percentage compared to the total.

The cost of compliance in terms of staff days per month was fractionally higher for high growth businesses (7.5 days per month) compared to non-high growth businesses (5.8 days). As recorded in 2020, high growth businesses were more likely to feel that the total cost of complying with regulations had increased over the last 12 months, with 62% believing this to be the case vs. 55% of non-high growth businesses. Looking to the next 12 months, however, their views were generally the same as those of non-high growth businesses, with two-fifths saying they thought the burdens will stay the same (40% vs. 42% of non-high growth businesses) and just over two-fifths saying they thought it would increase (47% vs. 44% of non-high growth businesses).

Sources and channels used to help with compliance

High growth businesses were more likely to use a variety of sources to help their business to comply with regulation. Nearly all (96%) had used at least one channel of support and, as in 2020, high growth businesses were more likely to report that they used:

- Any official Government or Regulator websites (68% vs. 62% of non-high growth businesses)
- Any Trade Association / Business Organisation (61% vs. 47% of non-high growth businesses)
- Friends, family and other personal contacts (55% vs. 44% of non-high growth businesses)

Despite these differences, the proportion of high growth businesses and non-high growth businesses using an external business adviser or consultant (e.g. accountants, lawyers, specialist consultants) was the same, with two-thirds (68% vs 67%) using an external agent. As with innovative businesses, however, the spend per year by high growth businesses on external agents was higher with a mean spend of £8,100 and a fifth (20%) spending £10,000 or more each year. This was near double the mean annual spend of £4,500 for non-high growth businesses, of who a tenth (10%) spent £10,000 or more on external agents.

Perceived burden of compliance

As with innovative businesses, high growth businesses were more likely than their counterparts to feel that certain aspects of compliance were a burden. Although the difference in opinion was not that great, as shown in Table 24, high growth businesses were slightly more likely to agree that keeping up to date about which regulations to comply with, having to provide the same information more than once, completing paperwork, forms and records, and

the length of time the whole process of complying took were a burden when complying with regulations.

Table 24: Burden of regulatory activities - by high growth and non-high growth businesses

% who agree that aspect is a burden when complying with regulation	High growth	Non-high Growth
Base: All	(1,105)	(895)
Keeping up to date about which regulations your business has to comply with	66%*	61%
Having to provide the same information more than once	62%*	58%
Completing paperwork, filling out forms and keeping records on facts and figures	62%*	56%
The length of time it takes to go through the whole process of complying	60%*	56%
Being ready for or dealing with inspections	45%	43%
Obtaining licenses or permits	39%	36%
Establishing whether a new product, process etc. model are compliant with regulation	38%	37%
Understanding the differences in regulation btw England, Scotland, Wales & N. Ireland	28%	26%

B4: Do you agree or disagree that the following is a burden when complying with regulation? Chart shows % who agree. Key: Bold and * indicate a significantly higher percentage compared to the total.

Perceptions of Government’s approach to regulating and Regulator’s service

In terms of perceptions about the Government’s approach to regulation and the service offered by Regulators, high growth businesses’ views (just like innovative businesses’ views) tended to be less positive; they recorded higher disagreement for four out of the ten statements about the Government, and for five out of the eight statements about Regulators. It should be noted, however, that non-high growth businesses were often more likely to say that they did not know what they thought about the Government or the Regulator or that they felt the aspect was not applicable to their business.

The one exception where high growth businesses recorded a more positive response than non-high growth businesses was in terms of agreement that the Governments approach to regulation facilitates efficient access to international trade opportunities; 19% of high growth

businesses agreed, slightly higher than the 15% recorded for non-high growth businesses. For this statement, however, a particularly high proportion of non-high growth businesses said they did not know or felt this aspect was not applicable to their business (40% vs. 33% of high growth businesses).

Table 25: Statements that high growth businesses showed a higher level of disagreement with compared to non-high growth businesses

% who disagreed with the statement	High growth	Non-high Growth
Base: All	(1,105)	(895)
C1. To what extent do you agree or disagree with the following statements about the Government's approach to regulating?		
Regulators work in a joined-up way and cooperate effectively with one another	52%	41%
It is easy to comply with regulations	49%	42%
The Government's approach to regulation facilitates the implementation of new or significantly improved products processes or business models	34%	27%
Regulators have sufficient resources to adequately enforce non-compliance	30%	25%
D2. To what extent do you agree or disagree with the following statements regarding regulators?		
Regulators are easily accessible	40%	35%
Guidance published by regulators is easy to locate	34%	30%
Regulators cooperate effectively with one another	34%	29%
I have confidence that I can rely on the advice and guidance regulators provide	28%	24%
The process to appeal against a decision made by regulators is easy and transparent	27%	22%

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