



Department for
Business, Energy
& Industrial Strategy

Business Perceptions Survey 2020

Research Report

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Executive summary

Background

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.

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 2020 survey was commissioned by the Department for Business, Energy & Industrial Strategy and conducted by IFF Research, an independent research company. The survey consisted of 2,014 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 BEIS Business Population Estimates such that the data is representative by these criteria.¹ Fieldwork was conducted between 17th February and 1st May 2020, and 2,014 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. More detail on the methodology can be found within the technical report.

For the 2020 survey, a new phrasing was used to ask about innovation, which was broader in scope but also more precise in language. There were also several open-ended questions added to the survey, to investigate the reasons why complying with regulation was a challenge, why regulation was an obstacle to success and how regulators can affect innovation. In 2016 and 2018, there was additional focus on specific areas of law that businesses might find burdensome, as well as businesses' perceptions of the specific regulators that they dealt with. These topics were covered more generally in the 2020 survey and several questions were also added. In addition, a second, smaller survey was carried out to investigate the effect of alternative wording for some questions, using more neutral language.

Due to the Coronavirus outbreak starting during fieldwork, the data was analysed for any statistically significant changes to responses after the 16th March, which might be attributed to the coronavirus outbreak. None of the key measures on the burden of regulation showed a statistically significant change when comparing these two time periods, although some questions were affected. The impact of the Coronavirus outbreak on fieldwork is discussed further in the methodology section of this report.

¹ <https://www.gov.uk/government/collections/business-population-estimates>

Key findings

Business performance and challenges

In 2020, more businesses reported that their sales turnover had increased (57%) than decreased (22%) in the last 12 months. In 2018, fewer businesses had increased their turnover (50%) but fewer had also decreased their turnover (18%) in the previous 12 months. Similarly, more businesses had taken on more staff in 2020 (32%) than in 2018 (25%), while more had also reduced their staff headcount (16% in 2020 vs. 13% in 2018).

Attracting and retaining customers was the biggest challenge faced by businesses (31%), followed by staff recruitment (16%) and level of tax (14%). Complying with regulation was the greatest challenge for one in ten businesses (11%). A further seven percent said that regulation preventing or hindering implementation of a new or significantly improved product or service was their greatest challenge. This challenge statement was an addition to the 2020 survey, meaning that the proportion selecting other challenges could be reduced compared to previous surveys.

Overall attitudes towards regulation

Just under two-fifths (37%) of businesses agreed that regulation is an obstacle to success. This was not a statistically significant reduction compared to 2018 (40%).

The proportion of firms expecting the burden of regulation to increase over the next 12 months has decreased significantly (45%, compared to 53% in 2018).

Of the 45 percent who expected an increase in regulatory burden over the next 12 months, uncertainty around Brexit was the most common reason given (38%).

The two most important motivations for businesses when complying with regulation were complying with the law (94% considered this essential or very important) and the need to maintain their reputation with customers (94%).

Key Driver Analysis

A model was produced to investigate the key drivers of agreement with the statement “the overall level of regulation in the UK is an obstacle to your businesses’ success”. The four 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 agreed regulation is fair and proportionate were more likely to disagree that regulation is an obstacle to their success.
- 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 that regulators have sufficient resources to adequately enforce non-compliance were more likely to agree that regulation is an obstacle to their success.
- Businesses that said that complying with regulation is a challenge were more likely to agree that regulation is an obstacle to their success.

Effort of dealing with regulation

Businesses were asked whether the cost of complying with regulation had increased, decreased or stayed the same in the last 12 months. Medium and large businesses were more likely to report an increase in costs (77% and 65% respectively) while businesses with 1-4 employees were less likely to report an increase (51%).

Businesses were asked whether they found a series of activities related to regulatory compliance burdensome. Keeping up to date with information about which regulations they have to comply with was considered a burdensome activity by over half of all businesses (55%), followed by having to provide the same information more than once (54%) and the length of time it takes to go through the whole process of complying (53%). All three of these measures were significantly lower than the equivalent figure in 2018 (60%, 63% and 59% respectively).

External support

Almost all businesses (96%) used some form of external support, with a significant increase in the use of external business advisers (76%) compared to 2018 (64%).

Of those using external business advisers, the main reason was for their specialist knowledge (41%), followed by businesses needing assurance of compliance (22%) and lacking internal resource (15%).

Perception of the Government's approach to regulation

When asked about the Government's approach to regulating, almost two thirds of businesses (64%) agreed that the purpose of regulation was clear.

Businesses' perceptions of the Government's approach to regulating have remained mostly consistent since 2018, with just under half (45%) agreeing that it is easy to comply with regulation and 44 percent agreeing that Government informs businesses of changes clearly and with sufficient warning. However, there was a significant increase in the perception that most regulations are fair and proportionate (51% agreed vs. 44% in 2018) and that government understands businesses well enough to regulate (32% vs. 26% in 2018).

Dealing with regulators

Businesses felt regulators' behaviour can have a significant impact on many aspects of compliance, with more businesses saying that regulators' behaviour could affect implementing new products (66%) than in 2018 (60%).

Of businesses that said regulators could affect the implementation of new products, the most common reasons were due to the impact on costs (15%), and lack of clarity of guidance (10%).

Over half of businesses said that they had confidence in advice regulators provided (54%), with two-fifths (19%) disagreeing with this. A similar proportion agreed that regulators provide advice to help them comply (53%), with 18 percent disagreeing. Businesses were more likely to disagree that regulators provide timely responses (38%) than agree with this statement (32%).

Alternative wording testing

A separate, smaller survey was also piloted in 2020, to look at the impact of changing the wording of several questions. The chapter on the alternative wording testing reports the differences for the questions where wording was changed. In general, changing the wording of several questions in the survey had a statistically significant impact on the results of those questions. For example, by removing the word “burden” and “obstacle” and using “impact” and “amount of work” attitudes towards regulation were less negative.

Innovative Businesses

Two case studies were conducted to investigate significant differences for innovative and high growth businesses across all questions. The definitions of these can be found in the reporting conventions section.

Innovative businesses were more likely to say that their greatest challenge was access to finance (17% vs. 9% non-innovative) and less likely to say this about the level of tax (10% vs. 17%). They were also more likely to say regulation hindering the implementation of new products, processes or business models was their greatest challenge (8% vs. 5%).

Innovative businesses were more likely than non-innovative businesses to say that establishing whether a new product is compliant was a burden (42% vs. 29% non-innovative). They were also more likely to expect the burden of regulation to increase in the next 12 months (50% vs. 42%).

High Growth Businesses

High growth businesses were more likely than others to cite staff recruitment as their greatest challenge (18% vs. 14%) as well as access to finance (14% vs. 10%) and the level of tax (15% vs. 11%).

High growth businesses were particularly likely to agree that providing the same information more than once was a burden (56% vs. 50% of non-high growth companies). They were also more likely to say that establishing whether new product is compliant (37% agree vs. 30% non-high growth companies) and understanding national differences in regulation (23% vs. 19%) were a burden.

Introduction

Background

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.

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 2020 BPS were to:

- Examine businesses' perceptions of regulation and views on regulation and how these have changed since previous surveys
- Explore what aspects of regulation and regulatory delivery are most burdensome to businesses
- Explore businesses' views on regulators in general
- Test whether alternative wording for some questions would have a significant impact on results
- Explore the cost of compliance and businesses' need for external support
- Explore the impact of regulation on innovation and innovative businesses

Methodology

For the main stage of the survey, a total of 2,014 telephone interviews were conducted using Computer Assisted Telephone Interviewing (CATI), which lasted an average of 25 minutes. A further 500 interviews were carried out using alternative wording for some questions with a similar average interview length. Interviews were carried out between 17th February and 1st May 2020. As in previous waves, all interviews were conducted with the person responsible for legal and compliance issues.

As there were several changes to the questionnaire for this wave, both the main survey and alternative wording survey were cognitively tested. This was followed by pilot testing for both surveys, 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. The only change made was as sentence before the start of the questionnaire, clarifying which regulations were in scope, highlighting that tax law was not in scope.

The interviews were with a random stratified sample of private sector UK businesses, with selection based on size, sector and country.² This was sourced from the Market Location database, with an expected completion ratio of 1:7 (one interview completed for every 7 sample records).

The breakdown of completed interviews is shown in Table 1 by business size and sector. By country, 1,714 interviews were conducted with businesses in England, 57 in Northern Ireland, 147 in Scotland and 96 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 | 60 | 30 | 54 | 27 | 24 | 195 |
| Construction | 71 | 40 | 47 | 18 | 21 | 197 |
| Finance | 35 | 39 | 44 | 30 | 13 | 161 |
| Hotel/Catering | 34 | 38 | 56 | 30 | 16 | 174 |
| Manufacturing | 34 | 30 | 83 | 47 | 73 | 267 |
| Property/Management/Business Services | 130 | 56 | 94 | 30 | 38 | 348 |
| Public administration/Other | 46 | 32 | 70 | 21 | 15 | 184 |
| Retail/Distribution | 88 | 53 | 80 | 36 | 34 | 291 |
| Transport and Storage | 44 | 26 | 64 | 33 | 30 | 197 |
| Total | 542 | 344 | 592 | 272 | 264 | 2014 |

As in previous waves, interviews were weighted to the profile of UK private sector businesses by size and sector, as shown in the BEIS Business Population Estimates 2019. 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 alterations to the question wording, for example regarding perceptions of regulators or with the additional open questions, time-series comparisons with previous surveys are not valid and are therefore not included in the report. Where there were only small

² 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.

wording changes (such as the definition of innovation) or a change to the way questions were asked (such as with business challenges), time series comparisons are still valid.

Changes to the questionnaire for 2020

In 2016 and 2018, there was additional focus on specific areas of law that businesses might find burdensome, as well as businesses' perceptions of the specific regulators that they dealt with. These topics were covered more generally in the 2020 survey and several questions were also added. A new phrasing was used to ask about innovation, which was broader in scope but also more precise in language, designed to mirror the Oslo definition.³

The following questions and statements were also added or amended:

- The questions on business challenges were asked differently compared to previous waves. Businesses were first asked if they had experienced a list of challenges. A new statement was added here about regulation hindering implementation of new products. Those that identified one of the challenges, were then asked to identify their main challenge, excluding tax administration (see chapter on challenges for further details)
- Businesses were asked why they said complying with regulation was the biggest challenge for their business (A10)
- Businesses were asked why they saw regulation hindering the implementation of new products, processes or business models as their greatest challenge (A11).
- Businesses were asked whether establishing whether a new product, process or business model is compliant with regulation, is a burden (B4)
- Businesses were asked why they said that regulators could impact the implementation of new products, or not (D1A, D1B).
- Businesses were asked if they agreed that; Regulators work in a joined-up way and cooperate effectively with one another (C1)
- After asking if businesses agreed that the level of regulation was an obstacle to business success, businesses were asked why they gave their response (C3).
- Businesses were asked whether the regulators that they had most contact with were: easily accessible; provide timely responses; and, cooperate effectively with one another (D2)
- The section on dealing with regulators also changed. Questions were asked about regulators in general rather than a specific regulator.
- There was also a set of questions specifically about the Office for Product Safety and Standards, which came into existence after the 2018 survey. Businesses were asked if they had dealings with OPSS and, if so, were asked the same series of statements as D2 about OPSS (D3, D4).

³ <https://www.oecd.org/site/innovationstrategy/defininginnovation.htm>

Impact of Coronavirus

The Coronavirus outbreak began during the fieldwork period of this survey. Fieldwork was able to continue as the surveys were conducted by telephone. The data was analysed for any statistically significant changes to responses after the 16th March, which might be attributed to the coronavirus outbreak. This date was chosen rather than when formal “lockdown” started on the 23rd of March, as many businesses were already impacted or had even closed before this. None of the key measures on the burden of regulation showed a statistically significant change when comparing these two time periods. An acknowledgement of the crisis was added to the questionnaire script on the 19th of March, but businesses were not told to change how they answered the survey, based on their experience of the Coronavirus outbreak.

There were some changes, however. As might be expected, there were more businesses reporting reduced staff and sales turnover after 16th March. Challenges around tax and regulation also seemed to reduce, while some factors encouraging compliance became more important, as shown in Table 2. Caution is advised when comparing the results of questions in Table 2 with results from other survey years.

Table 2: Statistically significant changes to responses before and after 16th March

| | Up to 16 th March | After 16 th March |
|--|------------------------------|------------------------------|
| Business performance in the last 12 months: Saw a decrease in sales turnover | 19% | 24% |
| Business performance in the last 12 months: Reduced staff headcount | 16% | 21% |
| Attracting and retaining customers is a challenge | 49% | 43% |
| Level of tax is a challenge | 36% | 29% |
| Tax admin is a challenge | 26% | 18% |
| Staff redundancies is a challenge | 10% | 16% |
| Level of tax is the greatest challenge | 10% | 5% |
| Regulation preventing or hindering implementation of a new or significantly improved product is the greatest challenge | 6% | 3% |
| Complying with the law is important or essential | 95% | 98% |
| Maintaining my reputation with customers is important or essential | 94% | 96% |
| Delivering social benefits by protecting staff, customers and the environment is important or essential | 63% | 73% |
| Meeting supply chain requirements is important or essential | 60% | 71% |
| Total cost of complying with regulation in the last 12 months has increased | 59% | 67% |

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 average of the other percentages in the given sub-group, unless otherwise stated below.

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.⁴ The following are the full names of the sectors:

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

⁴ For more information, please see:

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

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 (57%) than decreased (22%) in the last 12 months, with more also taking on more staff (32%) than reducing (16%) their staff headcount.
- Attracting and retaining customers was the biggest challenge faced (31%), followed by staff recruitment (16%) and level of tax (14%). Complying with regulation was the greatest challenge for around one in ten businesses (11%). A further seven percent said that regulation preventing or hindering implementation of a new or significantly improved product or service was their greatest challenge. This challenge statement was an addition to the 2020 survey, meaning that the proportion selecting other challenges could be reduced compared to previous surveys.
- The proportion of businesses identifying complying with regulation as their greatest challenge reduced from 17 percent in 2018 to 11 percent in 2020. The proportion that said level of tax was their greatest challenge also reduced (17% in 2018 to 14% in 2020). Those citing access to finance as their greatest challenge increased from 8 percent in 2018 to 12 percent in 2020.
- Businesses that had seen a decrease in sales turnover were more likely than average to say that attracting and retaining customers was their greatest challenge (42%). Businesses that started working in new business markets were less likely to consider level of tax (9%) as their greatest challenge. Businesses with an increased headcount (14%) and increased exports (19%) were more likely to identify complying with regulations as their greatest business challenge.

Business performance

Businesses were asked whether a series of business performance indicators applied to their business. The majority of businesses had increased their sales turnover (57%) over the last 12 months, compared to around a fifth that had reported a decrease (22%). Businesses were also more likely to have increased (32%) rather than reduced (16%) their staff headcount.

In terms of other business behaviours, around two-fifths had increased their capital investment (39%) over the last 12 months, while a further third had implemented a new or significantly improved product, process or business model (34%). A quarter had started working in new markets (24%) and less than one in ten had increased the amount they export to other countries (8%).

Table 3: Business performance and behaviour – by size

| | Total | Micro (1-4) | Micro (5-9) | Small (10-49) | Med (50-249) | Large (250+) |
|--|-------|----------------|----------------|------------------|-----------------|-----------------|
| Base: All respondents | 2014 | 542 | 344 | 592 | 272 | 264 |
| Increased sales turnover | 57% | *53% | *62% | *64% | 61% | 55% |
| Decreased sales turnover | 22% | 22% | 22% | 19% | 19% | 21% |
| Increased staff headcount | 32% | *22% | *40% | *58% | *52% | *42% |
| Reduced staff headcount | 16% | *15% | *22% | 15% | *22% | *22% |
| Increased capital investment | 39% | 37% | 35% | *47% | *51% | *50% |
| Implemented a new or significantly improved product, process or business model | 34% | *29% | 38% | *47% | *48% | *50% |
| Started working in new business markets | 24% | *20% | *29% | *31% | *32% | 29% |
| Increased the amount they export | 8% | *6% | 10% | *13% | *15% | *13% |

As shown in Table 3, small, medium, and large businesses were more likely to have implemented new products (47%, 48% and 50% respectively), to have increased exports (13%, 15%, 13%) and to have increased capital investment (47%, 51%, 50%). Small businesses were more likely to have grown, with the majority reporting increased sales turnover (64%) and staff headcount (58%).

Hotel/Catering firms were least likely to report increased sales turnover (41%), and most likely to have reduced their staff headcount (27%). Businesses in the Retail/Distribution sector were more likely to have increased their sales turnover (64%) than other sectors.

In terms of regional variation, businesses in Northern Ireland were more likely to have increased their capital investment (55%), started working in new business markets (41%) and increased the amount they export to other countries (16%). While businesses in the West Midlands were more likely to have implemented a new or significantly improved product (43%), they were least likely to have reduced their staff headcount (10%). Overall, there were more businesses reporting reduced staff headcount and decrease in sales turnover after 16th March than before, owing to the coronavirus outbreak.

Business challenges

Businesses were asked to select the challenges that could affect their business from a list that was read out to them, before being asked which of these was the greatest challenge. In 2020, the questions were asked differently compared to previous waves, by first asking about the challenges faced by businesses, followed by their greatest challenge not including tax administration. For full details, please refer to the accompanying technical report. This section will cover business challenges first, followed by a discussion of their greatest challenges.

As shown in Figure 1, attracting and retaining customers (46%) was a challenge for almost half of businesses, while one in three cited complying with regulation (excluding tax administration) (33%) as a challenge. A further fifth (21%) said that regulation preventing or hindering implementation of a new or significantly improved product or service was a challenge. This challenge statement was an addition to the 2020 survey, meaning that the proportion selecting other challenges could be reduced compared to previous surveys. A quarter of businesses saw administration around tax (25%) as a challenge.

Figure 1 All business challenges



A7: Which of the following present a challenge to your business? Base: All businesses. 2014, attracting and retaining customers (929), level of tax (716), complying with regulation (excluding tax admin) (665), staff recruitment or retention (629), access to finance (544), admin around tax (504), regulation hindering implementation of new product/process (430), staff redundancies (177), none of these (390).

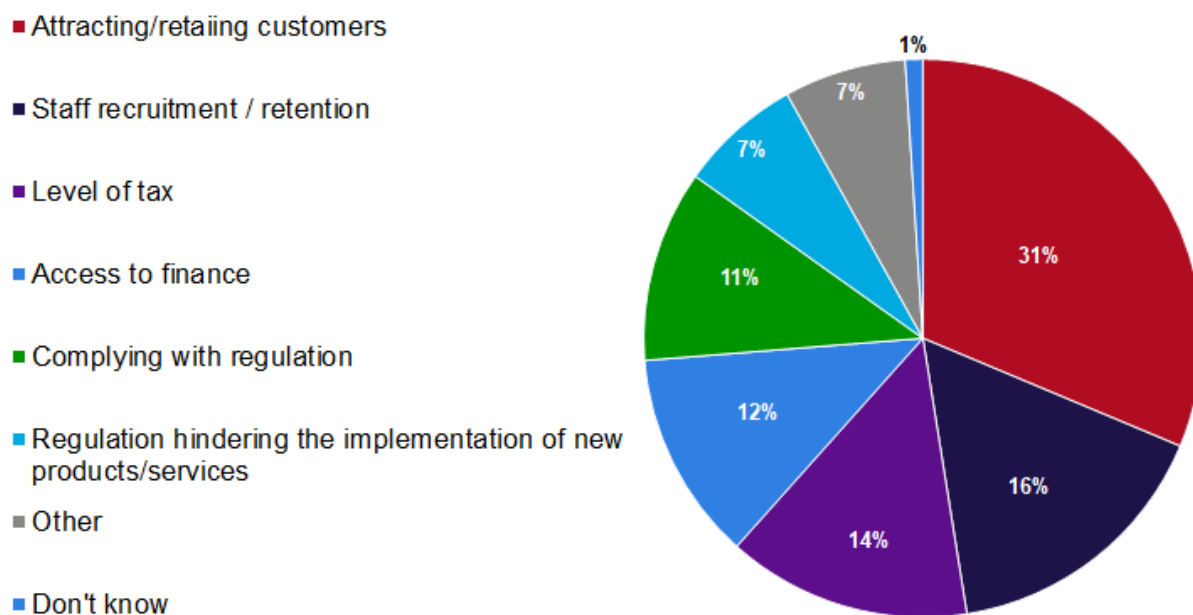
The Hotel/Catering sector were more likely than other sectors to face several challenges, including attracting and retaining customers (55%), level of tax (58%) staff recruitment (45%) and access to finance (40%). Those in the Manufacturing sector were also more likely than other sectors to report facing staff recruitment (41%), access to finance (34%), admin around tax (33%) and staff redundancies (14%) as challenges.

Around a fifth of businesses either said that their only challenge was tax administration (21%) or did not identify any of the other seven standard answers as a challenge and were therefore not asked their main challenge. Those asked about their greatest challenge could provide an answer beyond the seven listed which one percent of businesses used to mention the impact of coronavirus as a challenge to their business. The base for businesses' greatest challenge was therefore all businesses that identified at least one of the eight challenges excluding tax administration (1638 unweighted).

Figure 2 below shows the greatest challenge for businesses. A third of businesses identified attracting and retaining customers (31%) as their greatest challenge, followed by staff

recruitment/retention (16%) and level of tax (14%). Complying with regulation (11%) was cited by one in ten. A further seven percent said that regulation preventing or hindering implementation of a new or significantly improved product or service was their greatest challenge. This challenge statement was an addition to the 2020 survey, meaning that the proportion selecting other challenges could be reduced compared to previous surveys. Zero percent (0%) of businesses said that staff redundancy was their greatest challenge.

Figure 2 Greatest business challenges



A9: Which one of the following presents the greatest challenge to your business? Base: All businesses that identified a challenge other than tax administration (1638), attracting and retaining customers (500), staff recruitment / or retention (258), level of tax (218), access to finance (200), complying with regulation (168), regulation hindering implementation of new product/process (109), other (115), don't know (12).

By sector, the most commonly mentioned challenges were; attracting/retaining customers for Retail and Distribution (38%), access to finance for Transport and Storage (27%), level of tax for Agriculture/Mining/Energy (22%) and complying with regulation for the Finance sector (37%). The Agriculture/Mining/Energy sector were more likely than the average of other sectors to say that regulation preventing or hindering implementation of a new or significantly improved product or service was their greatest challenge (16%).

Businesses operating in the East Midlands were more likely to identify complying with regulation (24%) as the greatest challenge than those in other regions (11%). Firms in London were more likely to experience challenges in attracting and retaining customers (43%) but were least likely to consider access to finance (8%) as their greatest challenge.

Table 4 below looks at the abovementioned business challenges by key business performance and behaviour measures. Those that had seen a decrease in sales turnover were more likely than average to say that attracting and retaining customers was their greatest challenge (42%). Businesses that started working in new business markets were less likely to consider level of tax (9%) as their greatest challenge. Businesses with an increased headcount (14%) and

increased exports (19%) were more likely to identify complying with regulations as their greatest business challenge.

Table 4: Greatest business challenge – by business performance and behaviour measures

| | | Increased Turnover | Decreased Turnover | Increased Headcount | Reduced Headcount | Increased Capital Investment | Implemented a new product | Started working in new business markets | Increased Exports |
|--|-----|--------------------|--------------------|---------------------|-------------------|------------------------------|---------------------------|---|-------------------|
| Base: All respondents (1638) | | 979 | 377 | 711 | 328 | 780 | 736 | 511 | 219 |
| Attracting and retaining customers | 500 | *26% | *42% | *25% | 32% | *25% | *28% | 31% | *24% |
| Staff recruitment and / or retention | 258 | 17% | 14% | *20% | *20% | 18% | 16% | 17% | 17% |
| Level of tax | 218 | *15% | 11% | 13% | 15% | 14% | *10% | *9% | 14% |
| Access to finance | 200 | *14% | *8% | *15% | 12% | *16% | *18% | *17% | 13% |
| Complying with regulation (excluding tax administration) | 168 | 11% | *7% | *14% | *7% | 12% | 9% | 9% | *19% |
| Regulation preventing or hindering implementation of a new or significantly improved product | 109 | 6% | *9% | 6% | 7% | 8% | *9% | 6% | 7% |

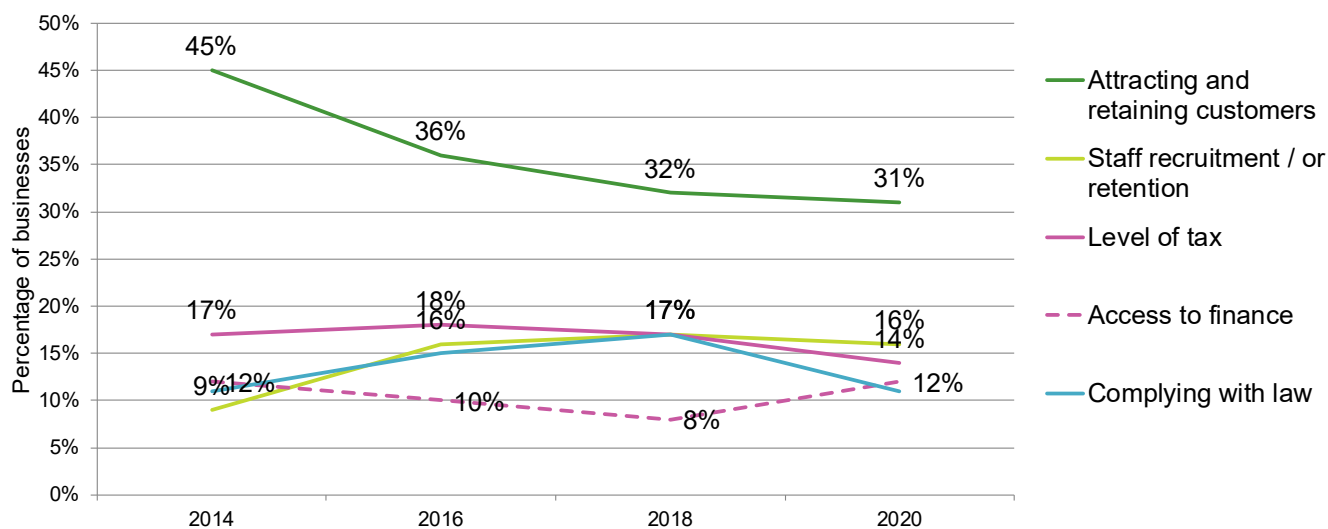
Table 5 below shows data for 2020, 2018 and 2016. Although attracting and retaining customers remained the greatest business challenge, this was less of a concern than in previous years, (32% in 2018 and 36% in 2016). The proportion of firms citing level of tax also continued the existing downward trend (from 17% in 2018). This is represented graphically in Figure 3.

Table 5 Greatest business challenge – over time

| | 2020 | 2018 [^] | 2016 [^] |
|---|------|-------------------|-------------------|
| Base: All respondents | 1638 | 2001 | 2000 |
| Attracting and retaining customers | 31% | 32% | 36% |
| Staff recruitment and / or retention | 16% | 17% | 16% |
| Level of tax | 14%* | 17% | 18% |
| Access to finance | 12%* | 8% | 10% |
| Complying with regulation (excluding tax administration) | 11%* | 17% | 15% |
| Regulation preventing or hindering implementation of a new or significantly improved product or service | 7% | - | - |

[^]2016 and 2018 figures are shown after clarifying in the questionnaire not to include tax administration among the challenges. An additional statement was added in 2020 which may have impacted the results for other statements. Therefore, the changes across years should be viewed with caution. *2020 figure significantly different from 2018.

Figure 3 Greatest business challenge – over time



A9: Which one of the following presents the greatest challenge to your business? Base: All businesses that identified a challenge other than tax administration 2020 (1638). All businesses 2018 (2001), 2016 (2000).

Overall attitudes towards regulation

Key findings

- Compliance with regulation was cited as the greatest challenge facing 11% of businesses. This is a significant reduction in comparison to 2018 (17%) and 2016 (15%).
- Close to two-fifths of businesses agreed that regulation is an obstacle to success (37%). This was fewer than in 2018 (40% of businesses agreed) but not a statistically significant reduction.
- The key factors driving businesses to view regulation as an obstacle were their views on whether regulation is fair and proportionate, and whether the length of time taken to comply is a burden.
- The proportion of firms expecting the burden of regulation to increase has decreased significantly (45%), compared to 2018 (53%).
- The two most important motivations for complying with regulation were complying with the law (94% considered this essential or very important) and the need to maintain their reputation with customers (94%).

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

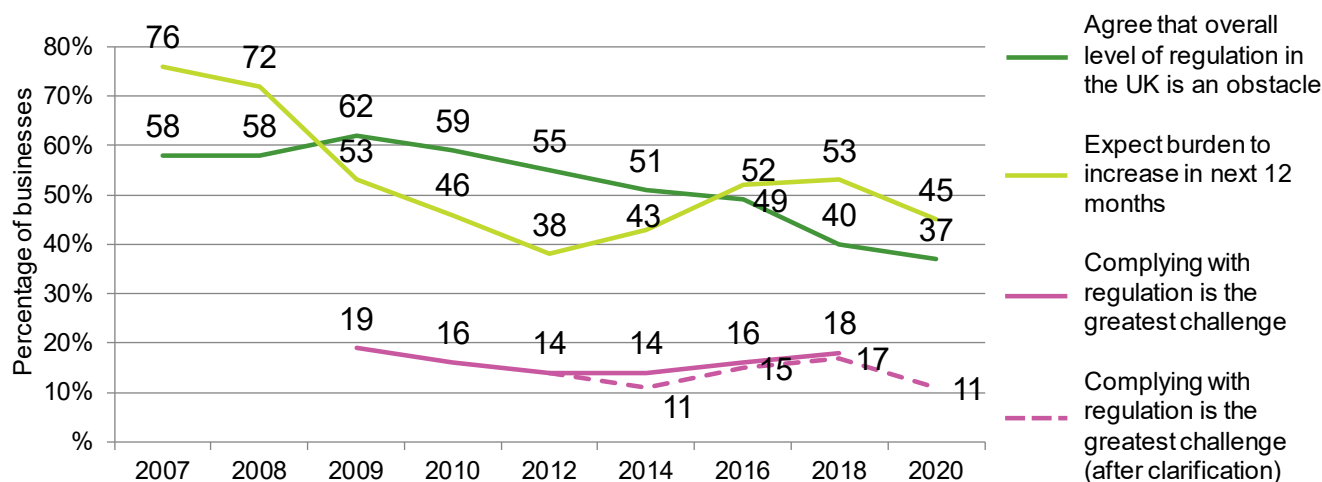
As mentioned above, the way that businesses were asked about their greatest challenge was altered slightly in this wave, though most results were not greatly different from previous years. After clarification that businesses should not include tax administration as a challenge, around one in ten (11%) businesses felt that complying with regulation was their greatest challenge. As shown in Figure 4, this can be compared to previous years' results for the main challenge, after the clarification not to include tax administration, which began in 2012.⁵ From 2018 to 2020 there was a significant decrease in businesses identifying complying with regulation as their main challenge (17% in 2018 to 11% in 2020), which aligned with the other key measures also decreasing.

⁵ As mentioned previously, another challenge (regulation affecting innovation) was added in 2020 which may also have impacted the proportion that selected complying with regulation as their greatest challenge. The comparison across years should be treated with caution.

Those expecting the burden of regulation to increase in the next 12 months dropped from 53% in 2018 to 45% in 2020. More businesses thought that the burden of regulation might decrease in the next 12 months in 2020 (7%) compared to in 2018 (3%). More businesses also thought that the burden would stay the same in the next 12 months in 2020 (40%) than in 2018 (35%).

The proportion of businesses that agreed regulation is an obstacle to success did not change to a statistically significant degree between 2018 (40% agreed) and 2020 (37%). There was however a significant increase in those that disagreed regulation is an obstacle to success (27% disagreed in 2018 vs. 32% in 2020).

Figure 4: Key measures of regulatory burden from 2007 to 2020



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). A9 Base 2020: All businesses that identified a listed challenge other than tax administration (1638)

Complying with regulation as the greatest challenge

As shown in Table 6, large businesses were more likely than average to say that compliance with regulation was their greatest business challenge (16%), while the Finance sector were over three times as likely as the average of other sectors to say this (37%). Micro-businesses with 5-9 employees were less likely to say this (7%).

Business in the East Midlands (24%), West Midlands (18%) and East of England (19%) were more likely than average to say that complying with regulation was their greatest challenge.

Expected change in burden of regulation

Medium and large businesses (53%, 53%) were more likely than average to say that they expected the burden of regulation to increase in the next 12 months. In terms of sector, businesses in the Finance (58%) or Transport and Storage sectors (53%) were more likely than average to expect this.

Again, businesses where the cost of compliance increased a lot in past 12 months (63%) and spent a day or more on compliance per month (48%) were more likely than average to say that the burden would increase in the next 12 months.

Scotland (56%) and the South West (52%) were most likely to expect the burden of regulation to increase in the next 12 months.

Regulation as an obstacle to success

As shown in Table 6, the proportion of businesses that agreed that regulation is an obstacle to success varied more by sector than by size, with the only difference between the smallest businesses;. Businesses with 5-9 employees were more likely to agree regulation is an obstacle (44%) than the average of other sizes. Businesses with 1-4 employees were less likely to agree to regulation is an obstacle (35%) than the average of the other business sizes.

In terms of sector, the Agriculture/Mining/Energy (47%), Hotel/Catering (47%), and Retail/Distribution (44%) sectors were more likely than the average of other sectors to agree that regulation is an obstacle. The Finance sector was more likely to disagree that regulation is an obstacle (40%) than the average of the other sectors (32% disagree).

Businesses were also more likely than average to agree regulation is an obstacle if they spent a day or more on compliance per month (41%) or they reported that cost of compliance increased a lot (59%) in the last 12 months.

Those in Northern Ireland (56%) were most likely to agree that regulation as an obstacle to business success, while those in London were most likely to disagree with this (40%).

Table 6: Key measures of regulatory burden - by size and sector

| Size/Sector | Complying with regulation is greatest challenge | | Expect burden of regulation to increase in next 12 months | | Agree overall level of regulation is an obstacle to success | |
|---------------------------------------|---|-------------|---|-------------|---|-------------|
| | Base | % | Base | % | Base | % |
| Micro (1-4) | 425 | 12% | 542 | 46% | 542 | *35% |
| Micro (5-9) | 280 | *7% | 344 | 44% | 344 | *44% |
| Small (10-49) | 496 | 10% | 592 | 45% | 592 | 37% |
| Med (50-249) | 220 | 10% | 272 | *53% | 272 | 41% |
| Large (250+) | 217 | *16% | 264 | *54% | 264 | 34% |
| Agriculture/Mining/Energy | 150 | 13% | 195 | 49% | 195 | *47% |
| Construction | 163 | *6% | 197 | 45% | 197 | 34% |
| Finance | 134 | *37% | 161 | *58% | 161 | 36% |
| Hotel/Catering | 147 | 8% | 174 | *38% | 174 | *47% |
| Manufacturing | 225 | 12% | 267 | 46% | 267 | 40% |
| Property/Management/Business Services | 283 | 11% | 348 | 47% | 348 | 35% |
| Public administration/Other | 148 | 11% | 184 | 46% | 184 | *26% |

| | | | | | | |
|-----------------------|-----|------------|-----|-------------|------------|-------------|
| Retail/Distribution | 223 | 10% | 291 | 44% | 291 | *44% |
| Transport and Storage | 165 | 11% | 197 | *53% | 197 | 43% |

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 regulation was fair and proportionate.
- As well as more obvious drivers such as length of time taken to comply being a burden, and seeing regulation as a challenge, businesses' perceptions of whether regulation was an obstacle to success were also related to their perception of regulators: whether regulators could enforce non-compliance, and whether they could rely on regulators' advice.

IFF Research conducted a key driver analysis to ascertain the factors which most impact businesses to perceive regulation as an obstacle to their success. The answers to this question, on a five-point agree to disagree scale, were used as the dependent variable in the model. This statement was chosen as the dependent variable in collaboration with researchers at BEIS, 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 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 0.27, meaning it explained 27% 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 0.27 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.

The modelling showed that agreement with the statement "regulation is fair and proportionate" was the strongest driver of views on whether regulation is an obstacle to business success; businesses that disagreed that regulation was fair were more likely to agree that it was an obstacle to success.

Of the 57 variables initially included in the model, the ten most important drivers of perceptions are shown in Table 7. A further six variables were significant at the 95% level and a further four at the 90% level. Further details about the key driver analysis methodology can be found in the accompanying technical report.

The column "negative/positive effect" indicates how each variable impacts the dependent variable. A negative effect means that if respondents were more likely to agree with or say yes to the statement, they were less likely to agree that regulation was an obstacle. Conversely, a

positive impact means that if respondents were more likely to agree with or say yes to the statement, they were more likely to agree that regulation was an obstacle.

The impact rating shows the relative effect of statistically significant drivers on perceptions of business regulation as an obstacle. The figures can be interpreted as a percentage score with the sum of scores totalling 100 (this would include the ten drivers not shown in the table which have impact scores of between 4.4 and 2.6).

Table 7: Impact rating of key drivers

| Question/Statement text | Impact rating | Positive/Negative effect |
|--|---------------|--------------------------|
| Most regulation is fair and proportionate (agree/disagree) | 8.7 | Negative |
| The length of time it takes to go through the whole process of complying (is a burden) | 8.2 | Positive |
| Regulators have sufficient resources to adequately enforce non-compliance (agree/disagree) | 7.5 | Positive |
| Complying with regulation (is a challenge) | 7.1 | Positive |
| I have confidence that I can rely on the advice and guidance regulators provide (agree/disagree) | 6.0 | Negative |
| Keeping up to date with information about which regulations your business has to comply with (is a burden) | 6.0 | Positive |
| It is easy to comply with regulations (agree/disagree) | 5.4 | Negative |
| Generally, it is clear what the purpose of regulation is (agree/disagree) | 5.4 | Negative |
| Level of tax (is a challenge) | 5.0 | Positive |
| Saving my business money (important in compliance) | 4.7 | Negative |

The Transport and Storage sectors (31% disagree), as well medium sized businesses (34%) were least likely to see regulation as fair and proportionate. Again, businesses where cost of compliance increased a lot in the last 12 months (43%) or that spent a day or more per month (25%) on compliance were also more likely than average to disagree with this statement.

The second most important driver of views on regulation as an obstacle to success was agreement with the statement “the length of time taken to comply is a burden”. The Finance sector (64%) and medium sized (61%) businesses were more likely than average to agree to this statement, as well as those where the cost of compliance increased a lot in the last 12 months (78%) or those that spent more than a day per month on compliance (61%).

The third driver of views on regulation as an obstacle to success was whether businesses agreed that “regulators have sufficient resources to enforce compliance”; those that did were more likely than average to see regulation as an obstacle. Micro-businesses with 5-9 employees were more likely to than average to agree (45%) to this while, medium (37%) and large (34%) business were more likely than average to disagree. The Agriculture (51%),

Hotel/Catering (56%) and Transport and Storage (48%) sectors were also more likely than average to agree that regulators have sufficient resources. Businesses that had implemented a new or improved product/service (42%) and those that had seen a decrease in staff headcount (46%) were more likely than average to agree that regulators have sufficient resources. The Finance sector on the other hand, were more likely than average to disagree to this (47% compared to 27% average).

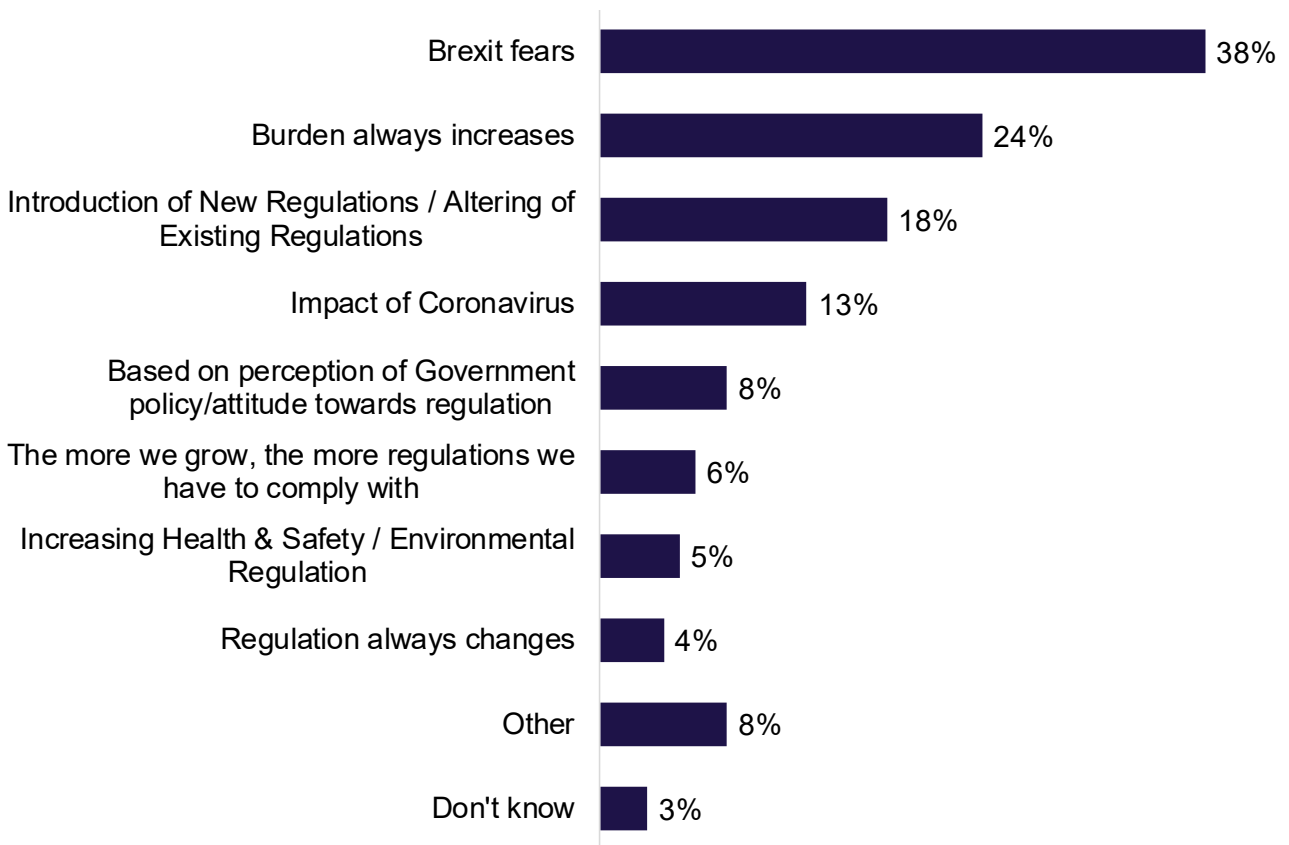
Another key driver of views on regulation as an obstacle was whether businesses thought complying with regulation was a challenge. The Finance (53%) and Agriculture and Energy (44%) sectors were more likely to say this, as well as businesses that had increased exports (45%), seen a decrease (or increase) in staff headcount (38%, 38%) started working in new business markets (39%), or seen an increase in capital investment (40%). Again, businesses where the cost of compliance had increased a lot in last 12 months (56%) or spent a day or more per month on compliance (39%) were also more likely than average to say this.

Reasons for changes in regulatory burden

Respondents who said that they thought the burdens resulting from regulation in the next 12 months would decrease or increase were asked for their reasons why. Responses were recorded verbatim and coded into common themes. As in previous years, the proportion that thought the burden would decrease (7%) was far lower than those that thought it would increase (45%).

Figure 5 below shows coded responses for those anticipating an increase in regulatory burden. Unlike in previous years, the most common reason for anticipating an increase was fears or uncertainty around the impacts of Brexit (38%), particularly for the Manufacturing sector (56%) and those that export to the EU (65%) or outside the EU (60%). Around a quarter (24%) had a general attitude that 'the burden always increases', and almost a fifth (18%) had general concerns around the introduction of new regulation or altering current ones. Over one in ten (13%) were also concerned about the impact that coronavirus might have on regulation over the next 12 months, rising to 32 percent in the Hotel/Catering sector, and 38 percent of those who answered after 16th March.

Figure 5: Reasons for expecting the burden of regulation to increase in the next 12 months

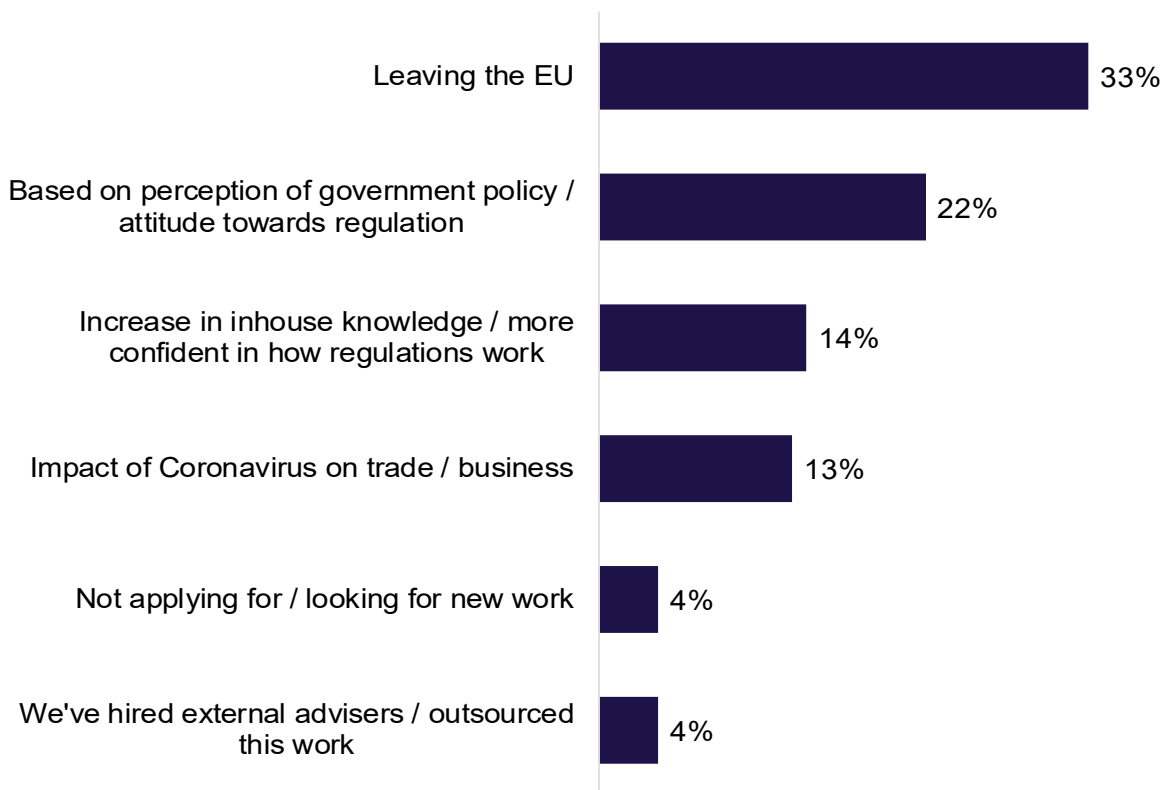


F2: Why do you think the regulatory burden on your business will increase over the next 12 months? Base: All who expect an increase in the burdens of regulation (985)

Figure 6 below shows coded responses for those anticipating a decrease in regulatory burden. Once again, leaving the EU was given as a key reason, with almost a third (33%) citing this. Over a fifth (22%) had the general attitude that a decrease in regulation was what the government was trying to achieve, while around one in 7 (14%) had improved their knowledge of regulation.

Almost one in ten of all businesses (8%) were unsure how the burden of regulation would change, with the uncertainty of Brexit being the most common reason for this (31% of those that were unsure).

Figure 6: Reasons for expecting the burden of regulation to decrease in the next 12 months



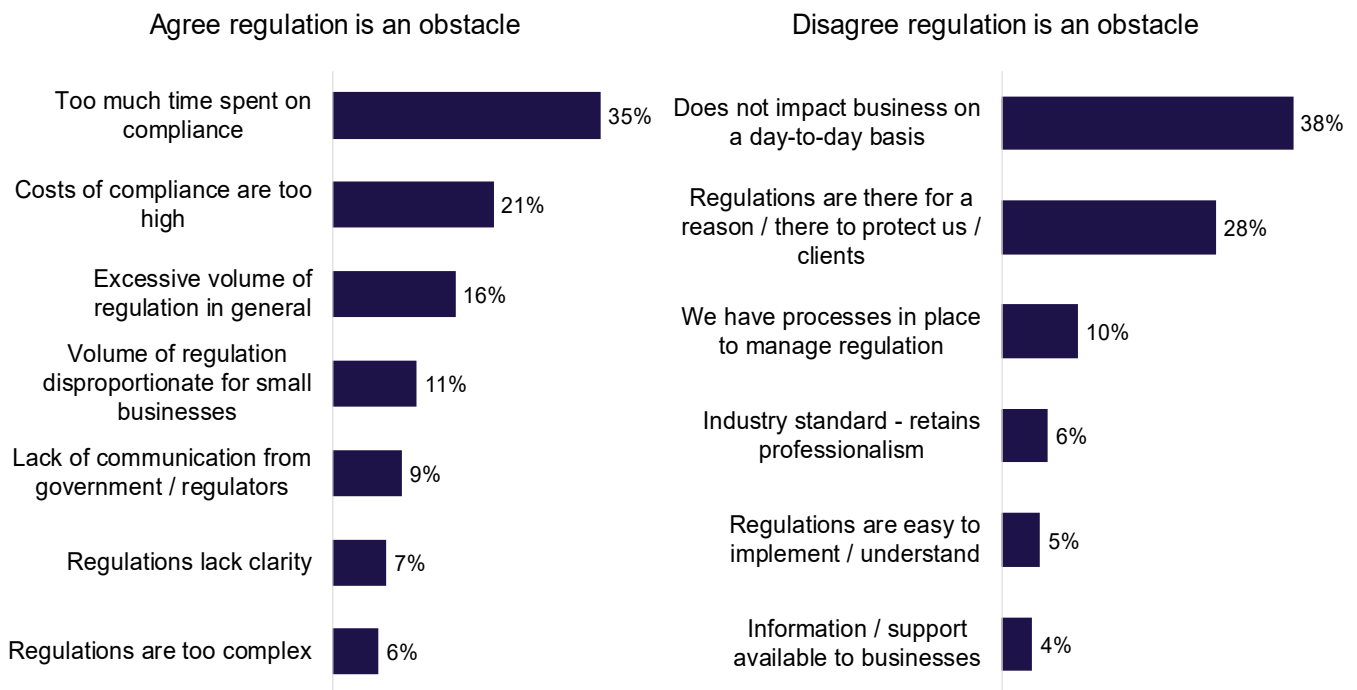
F3: Why do you think the regulatory burden on your business will decrease over the next 12 months? Base: All who expect an increase in the burdens of regulation (140)

The survey also asked 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 7, over a third (35%) of those that saw regulation as an obstacle said this was due to the time spent on compliance, with a further fifth (21%) citing the costs. The Manufacturing (32%) and Public administration (33%) sectors were more likely than average to say the costs of compliance were too high. Over one in ten (11%) said that the volume of regulation was disproportionate for small businesses, rising to 14 percent among micro businesses employing 1 to 4 people.

For those that disagreed that regulation was an obstacle to success, two-fifths (38%) said this was because regulation did not impact their business day-to-day, rising to 45 percent for Property/Management businesses. Over a quarter (28%) said that regulations are there to protect them or their clients, rising to 55 percent among large businesses and 50 percent among the Finance sector.

For the one in three (30%) businesses that neither agreed nor disagreed that regulation is an obstacle to success, the most common reason was also that it did not impact their business day-to-day (24%), with a further fifth (18%) saying they accept regulation as necessary in some circumstances.

Figure 7: Reasons for agreeing or disagreeing that regulation is an obstacle to success

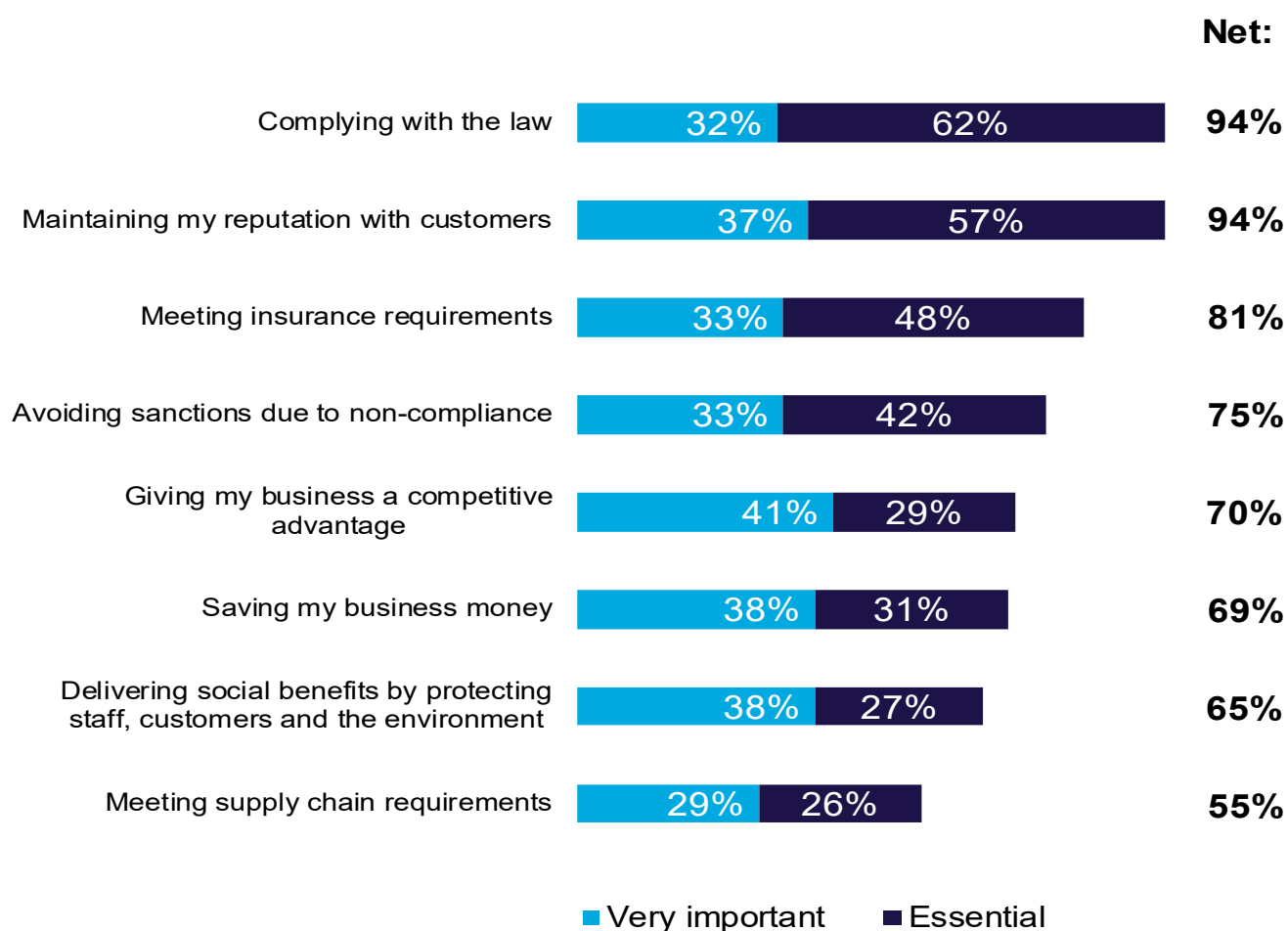


C3: Why do you agree/disagree that the overall level of regulation in the UK is an obstacle to your business's success? Base: All who agree regulation is an obstacle (798) Base: All who disagree regulation is an obstacle (624)

Factors encouraging compliance

Respondents were asked how important several factors were in encouraging their business to comply with regulation. As shown in Figure 8, the most important reason, as in 2018, was to comply with the law (94%), with almost two thirds (62%) considering this essential. The need to maintain their reputation with customers was considered equally important (94%), with over half (57%) seeing this as essential. The least important factor in compliance was meeting supply chain requirements, with just over half of businesses (55%) saying this.

Figure 8: Importance given to factors encouraging compliance with regulation



B1: How important is the following factor in encouraging your business to comply with regulation?... Base: All businesses (2014)

As shown in Table 8, the importance given to each factor in compliance varied greatly by sector. The Construction sector were more likely to give higher than average importance to six of the eight factors explored, with Hotel/Catering and Transport and Storage more likely to give higher importance to four of these.

The Construction sector were more likely to report that saving their businesses money was an important factor in compliance (84% very important or essential), as well as meeting insurance requirements (91%). The Property/Business sector gave less importance than average to five of the eight factors and were particularly unlikely to say that saving their business money was a reason for compliance (56%).

The Finance sector were most likely to say that avoiding sanctions due to non-compliance was important (91%), followed by the Hotel/Catering (83%) and Construction (82%) sectors. Only Transport and Storage were significantly more likely than average to say that giving their business a competitive advantage was an important factor (80%).

As might be expected, meeting supply chain requirements had a large divergence by sector, as this clearly affects some businesses more than others (72% of Manufacturing vs. 44% of Finance). Saving my business money was also split strongly by sector (84% of Construction vs. 56% of Property/Management).

Table 8: Proportion of business saying each factor was very important or essential - by sector

| | Agriculture | Construction | Finance | Hotel/Catering | Manufacturing | Property/ Mgmt / Biz. | Public admin | Retail/Distrib. | Transport and Storage |
|---|-------------|--------------|---------|----------------|---------------|--------------------------|--------------|-----------------|--------------------------|
| Base: All respondents | 195 | 197 | 161 | 174 | 267 | 348 | 184 | 291 | 197 |
| Complying with the law | 95% | 95% | *98% | 91% | 94% | 95% | 93% | 93% | *98% |
| Maintaining my reputation with customers | 94% | *98% | 96% | *99% | *98% | *90% | 94% | 94% | 96% |
| Meeting insurance requirements | 85% | *91% | 82% | 85% | 77% | *71% | 86% | 77% | *90% |
| Avoiding sanctions due to non-compliance | 73% | *82% | *91% | *83% | 75% | 75% | *70% | 72% | 75% |
| Giving my business a competitive advantage | 70% | 71% | 65% | 71% | 74% | 69% | 70% | 67% | *80% |
| Saving my business money | *76% | *84% | *58% | *78% | 66% | *56% | 69% | 74% | 73% |
| Delivering social benefits by protecting staff, customers and the environment | *76% | *71% | 57% | *74% | 63% | *57% | 65% | 60% | 67% |
| Meeting supply chain requirements | 60% | *63% | *44% | 58% | *72% | *46% | *47% | *65% | *64% |

Size of business also affected how important the factors of compliance were considered, with bigger businesses tending to give factors higher importance. Large businesses gave six of the eight factors a higher than average importance, medium sized businesses giving five of the eight factors a higher than average importance and small businesses gave three factors higher than average importance.

Medium (97%) and large (98%) businesses were more likely to say that complying with the law was essential or very important than the average of other business sizes. Businesses working in new business markets (96%), or that had implemented a new product, process or business model (97%) or increased sales turnover (95%) were also more likely to say this.

For businesses that had seen an increase in sales turnover (96%) or capital investment (97%), maintaining their reputation with customers was more likely to be considered important.

Medium and large business were more likely than average to say that meeting insurance requirements was important (86% and 89% respectively) as well as avoiding sanctions due to non-compliance (86% and 91% respectively), delivering social benefits (73% and 79% respectively) and meeting supply chain requirements (71% and 75% respectively).

Effort of dealing with regulation

Key findings

- The likelihood of reporting an increase in the cost of regulation was dependent on business size, from half of businesses with 1-4 employees (51%) to over three quarters of medium sized businesses (77%).
- Keeping up to date with information about which regulations businesses have to comply with (55%) was considered a burdensome activity by over half of all businesses, followed by having to provide the same information more than once (54%) and the length of time it takes to go through the whole process of complying (53%).

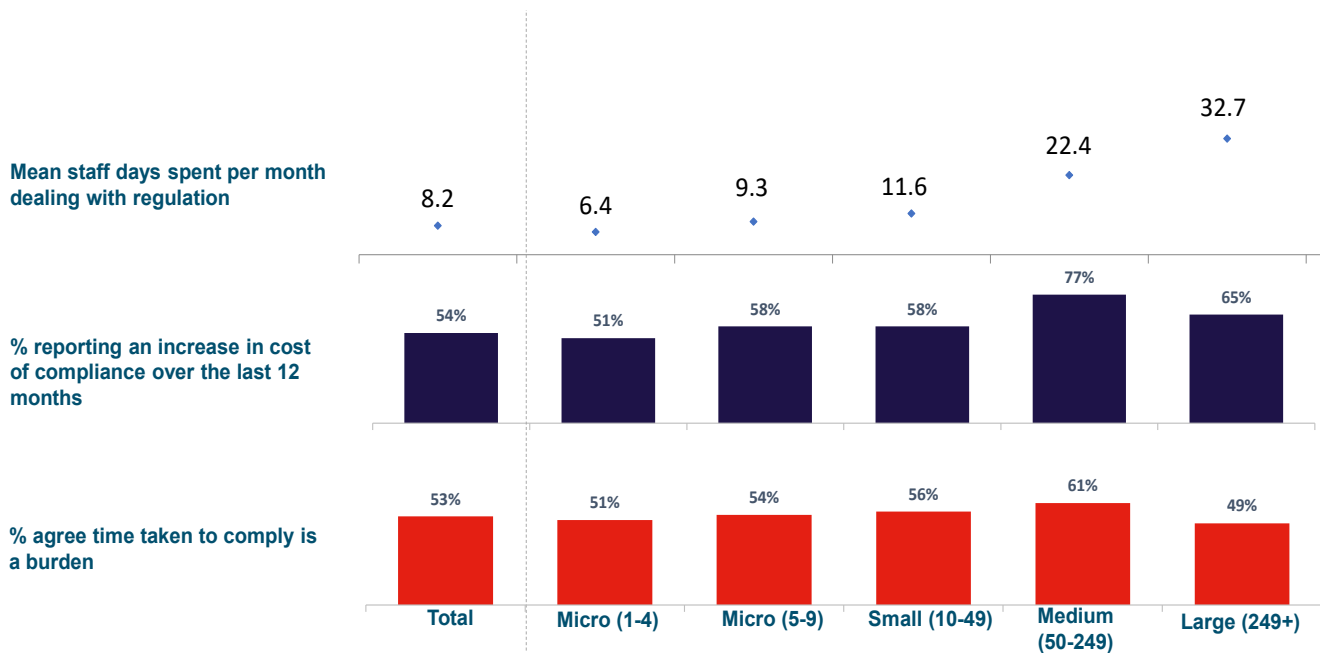
Cost of complying with regulations

Over half of businesses reported that the total cost of complying with regulation had increased over the last 12 months (54%, a similar proportion to the 53% in 2018); 34 percent believed this had increased a little, while 20 percent believed it to be a lot. Only two percent of businesses believed the cost had decreased. The likelihood of reporting an increase in the cost of regulation was dependent on business size, from half (51%) of businesses with 1-4 employees to over three quarters (77%) of medium sized businesses, and two thirds (65%) of large businesses.

As shown in Figure 9 below, over half (53%) of businesses agreed that the length of time it takes to go through the whole process of complying was a burden. Medium sized businesses (61%) were more likely than average to agree that it was a burden. The mean number of days spent per month dealing with regulation increased with size from the previous wave, with 6.4 days for micro firms (1-4) (from 5.1 days in 2018), 9.3 days for micro (5-9), 11.6 days for small (from 8.7 days in 2018), 22.4 days for medium (from 15.2 days in 2018), and up to 32.7 days for large firms (from 29.6 days in 2018).⁶

⁶ 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.

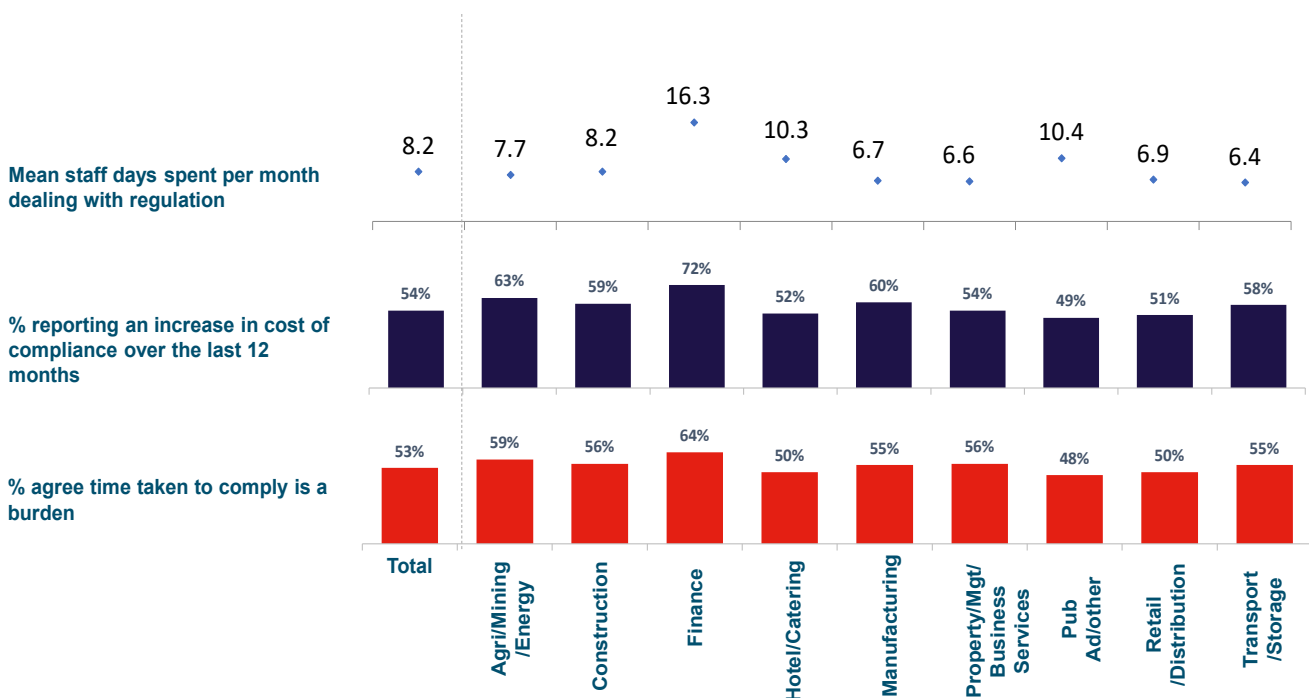
Figure 9: Cost of complying with regulation – by size



B2, B3 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...?Base: All businesses 2014, Micro (1-4) (543), Micro (5-9) (344), Small (10-49) (592), Medium (50-249) (272), Large (249+) (264)

Over a third of all businesses in the Finance sector (36%) reported spending more than 10 days per month dealing with, or learning to comply with, regulation. As shown in Figure 10 the Finance sector were also more likely to report an increase in the cost of compliance over the last 12 months (72%). A significant proportion of those in the Hotel and Catering sector (24%) also reported spending more than 10 days per month dealing with regulation.

Figure 10: Cost of complying with regulation – by sector



B2, B3 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...?Base: All businesses 2014, Agriculture/Mining/Energy (195), Construction (197), Finance (161), Hotel/Catering (174), Manufacturing (267), Property Management/Business Services (348), Public Admin/other (184), Retail/Distribution (291), Transport & Storage (197).

Businesses operating in Northern Ireland were most likely to report an increase in the cost of complying with regulation over the last 12 months (74%) and agree that the length of time taken to comply with regulation is a burden (74%). Those in North West of England reported spending the highest number of days per month (11.1) dealing with regulation.

Burden of regulatory activities

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

Keeping up to date with information about which regulations businesses have to comply (55%) with was considered a burdensome activity by over half of all businesses, which changed from the last wave as having to provide the same information more than once (63%) was considered the most burdensome activity in 2018. This was followed by having to provide the same information more than once (54%) (63% in 2018) and the length of time it takes to go through the whole process of complying (53%) (59% in 2018). The least burdensome activity was understanding the differences in regulation between England, Scotland, Wales and Northern Ireland (21%), primarily because 15% did not consider this activity applicable to their business.

Medium sized businesses were significantly more likely to agree that four out of eight of these activities were a burden. Additionally, businesses in the Finance and Agriculture/Mining/Energy sectors were more likely than others to indicate that the list of activities were a burden to them, particularly obtaining license or permits (51% of businesses in Agriculture/Mining/Energy sector agreed this was a burden, compared to a third (34%) of all businesses interviewed).

Table 9: Burden of regulatory activities – by size and sector

| Base: All businesses (2,014) | Keeping up to date | Having to provide the same info more than once | Completing Paperwork | Establishing whether a new product is compliant | Being ready for inspections | Obtaining licenses | Understanding national differences | Length of time it takes to comply |
|--|--------------------|--|----------------------|---|-----------------------------|--------------------|------------------------------------|-----------------------------------|
| Total | 55% | 54% | 53% | 35% | 36% | 34% | 21% | 53% |
| Micro (1-4) | 54% | 52% | *52% | *32% | *33% | 33% | 21% | 51% |
| Micro (5-9) | 57% | 53% | 58% | 39% | *41% | 33% | 18% | 54% |
| Small (10-49) | 57% | 57% | 56% | 38% | *42% | 35% | 23% | 56% |
| Medium (50-249) | 59% | *64% | 57% | *45% | *48% | 35% | *27% | *61% |
| Large (250+) | 49% | 57% | 49% | 35% | 37% | 31% | 23% | 49% |
| Agriculture/ Mining/ Energy | 62% | *66% | 57% | 32% | *48% | *51% | 25% | 59% |
| Construction | 55% | *65% | 53% | 31% | 37% | 38% | 26% | 56% |
| Finance | *68% | 59% | *62% | *50% | 31% | 34% | *9% | *64% |
| Hotel/Catering | 49% | 57% | *46% | 33% | 33% | 37% | *28% | 50% |
| Manufacturing | *65% | *64% | *60% | *49% | *46% | 35% | 18% | 55% |
| Property/ Mgt/ Business Services | 58% | *48% | 57% | 39% | 35% | *25% | 21% | 56% |
| Public Administration/ Other | 50% | *47% | 50% | *26% | 32% | 31% | *15% | 48% |
| Retail/Distribution | 56% | 53% | 55% | 37% | 37% | 35% | 22% | 50% |
| Transport and Storage | 52% | 50% | 52% | 39% | 38% | *48% | 22% | 55% |

Businesses in the South West of England were more likely than others to consider keeping up to date (64%), completing paperwork (61%), having to provide same information more than once (64%) and establishing whether a new product is compliant with the business model (45%) a burden. Those in Northern Ireland indicated that being ready for dealing with

inspections (59%) and the length of time it takes to go through the process of complying (74%) were burdensome.

External support

Key Findings

- Almost all businesses (96%) used some form of external support, with a significant increase in the use of external business advisers (76%) compared to 2018 (64%).
- The main reason for using external business advisers was their specialist knowledge (41%).

Use of external support

Almost all (96%) businesses used at least one source of external support to help them in complying with regulation, the most prevalent being external business advisors/agents (76%) and official government websites (71%). Over half of businesses used family, friends and other personal contacts (56%) and trade associations or business organisations (55%).

Medium and large businesses were significantly more likely to use official government advice (86% and 83% respectively), trade associations or business organisations (66% and 76% respectively) and inspectors or regulatory officers (58% and 69% respectively) to help comply with regulations.

In terms of variation across different sectors, firms operating in the construction sector were most likely to make use of external business advisers or consultants (83%) while businesses in Hotel/Catering sector were more likely to use inspectors or regulatory officers (69%).

Table 10: Types of external support used – by size and sector

| Base: All respondents | External business advisers / agents | Offline government websites | Friends / family / other personal contacts | Trade association(s)/ Business organisation(s) | Inspectors from Local Councils or Regulators |
|----------------------------------|-------------------------------------|-----------------------------|--|--|--|
| Total | 76% | 71% | 56% | 55% | 41% |
| Micro (1-4) | *74% | *66% | 54% | 53% | *35% |
| Micro (5-9) | 78% | *77% | *62% | 52% | *47% |
| Small (10-49) | *82% | *79% | 55% | *60% | *52% |
| Medium (50-249) | 79% | *86% | 55% | *66% | *58% |
| Large (250+) | *85% | *83% | 51% | *76% | *69% |
| Agriculture/ Mining/ Energy | 79% | 74% | *64% | *62% | *53% |
| Construction | *83% | 67% | 60% | *63% | *53% |
| Finance | 81% | 76% | 61% | 61% | 38% |
| Hotel/Catering | 72% | 73% | *65% | *40% | *69% |
| Manufacturing | 72% | 71% | 52% | 59% | 39% |
| Property/ Mgt/ Business Services | 75% | *79% | 55% | 52% | *29% |
| Public Administration/ Other | 79% | 69% | *49% | 53% | 35% |
| Retail/Distribution | 72% | *62% | 55% | 55% | 36% |
| Transport and Storage | 77% | 69% | 53% | *64% | 43% |

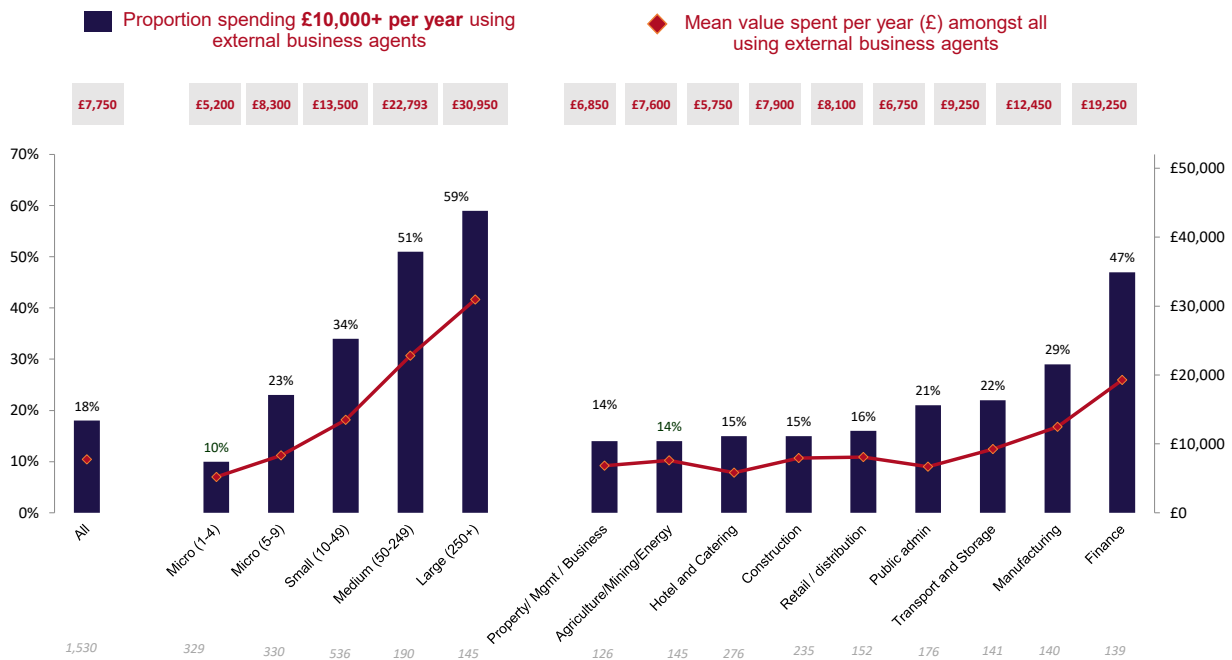
Businesses in East Midlands were more likely to make use of external support (100% used some form), particularly external business advisers or consultants (88%). A little over half the businesses in Northern Ireland (56%) and North East of England (54%) used an inspector or regulatory officer to help comply with regulations, which was more than businesses in other locations.

Cost of using external business agents

Businesses that used external business agents were asked how much they had spent using them to help them comply with regulations over the last year. As shown in Figure 11 below, the mean annual spend⁷ was £7,750, and this increased with firm size, reaching £30,950 among large employers. The modal interval contained a quarter of businesses (25%), spending between £1000 and £4,999 on external business agents. The median spend for medium and large businesses was £15,000 and £3,000 for micro and small businesses.

Businesses in Hotel/Catering reported the lowest mean spend (£5,750). Spend was higher among those in Manufacturing (£12,450), and highest among those in Finance (£19,250).

Figure 11: Cost of using external business agents – by size and sector



E4 Approximately how much per year do you spend using external business agents to help with complying with regulations? Base: All businesses who use external business agents (1614).

Firms that had been operational for more than 20 years were more also likely to report a higher annual spend (£10,150) on external support. Firms exporting to the EU (30%) and outside EU (28%) were more likely to spend more than £10,000+ per annually.

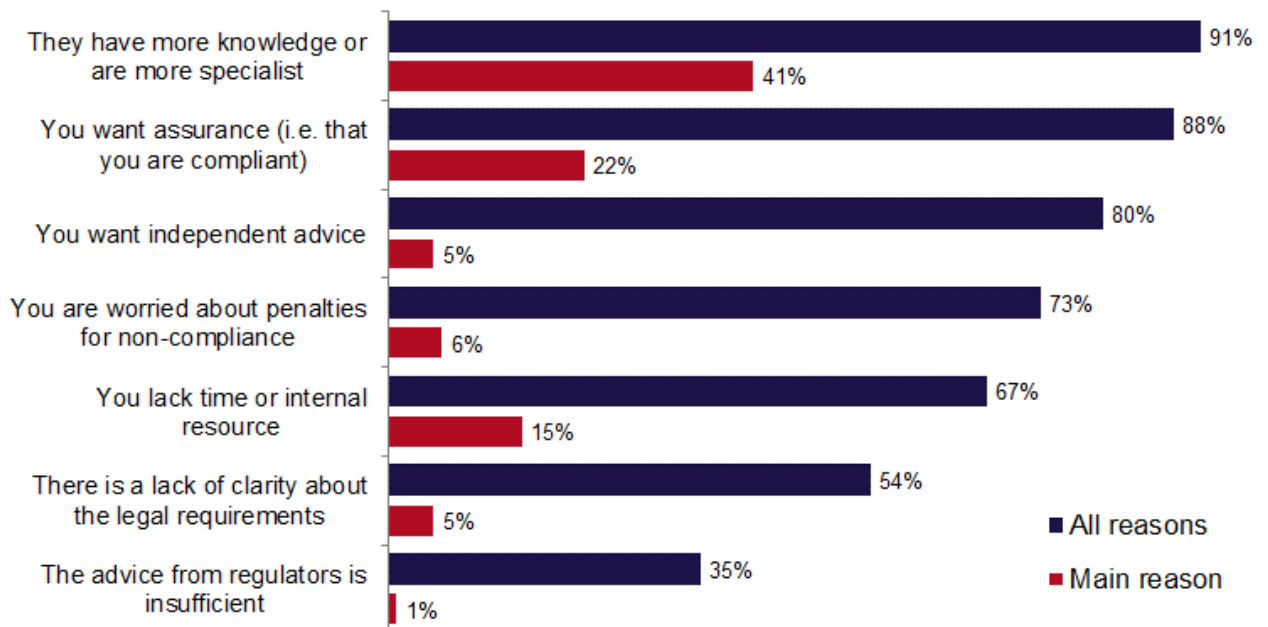
Reasons for using external business agents

Businesses were asked why they used external business agents, and if more than one reason was given, were asked for the main reason. Figure 12 below shows the responses given. As shown in Figure 8 below, the most frequently cited main reasons were the need for more specialist knowledge/expertise (41%), assurance of compliance (22%) and lacking internal

⁷ 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.

resource (15%). While three quarters (73%) mentioned worries about penalties, only 6 per cent said this was their primary reason for using external business agents. Similarly, while over half (54%) referred to using external agents because of a lack of clarity around legal requirements, this was only the primary reason for five percent of businesses.

Figure 12: 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 (1619).

Employers from small businesses were the most likely to cite specialist knowledge/expertise (45%) and least likely to cite assurance of compliance (19%) as the main reason they had used external business agents.

Perception of the Government's approach to Regulation

Key findings

- When asked about the Government's approach to regulating, businesses were positive about the purpose of regulation, with more than half the businesses (64%) agreeing this was clear.
- Businesses' perceptions of the Government's approach to regulating have remained mostly consistent since 2018, though there was a significant increase in the perception that most regulations are fair and proportionate (51% vs. 44% in 2018) and that government understands businesses well enough to regulate (32% vs. 26% in 2018).

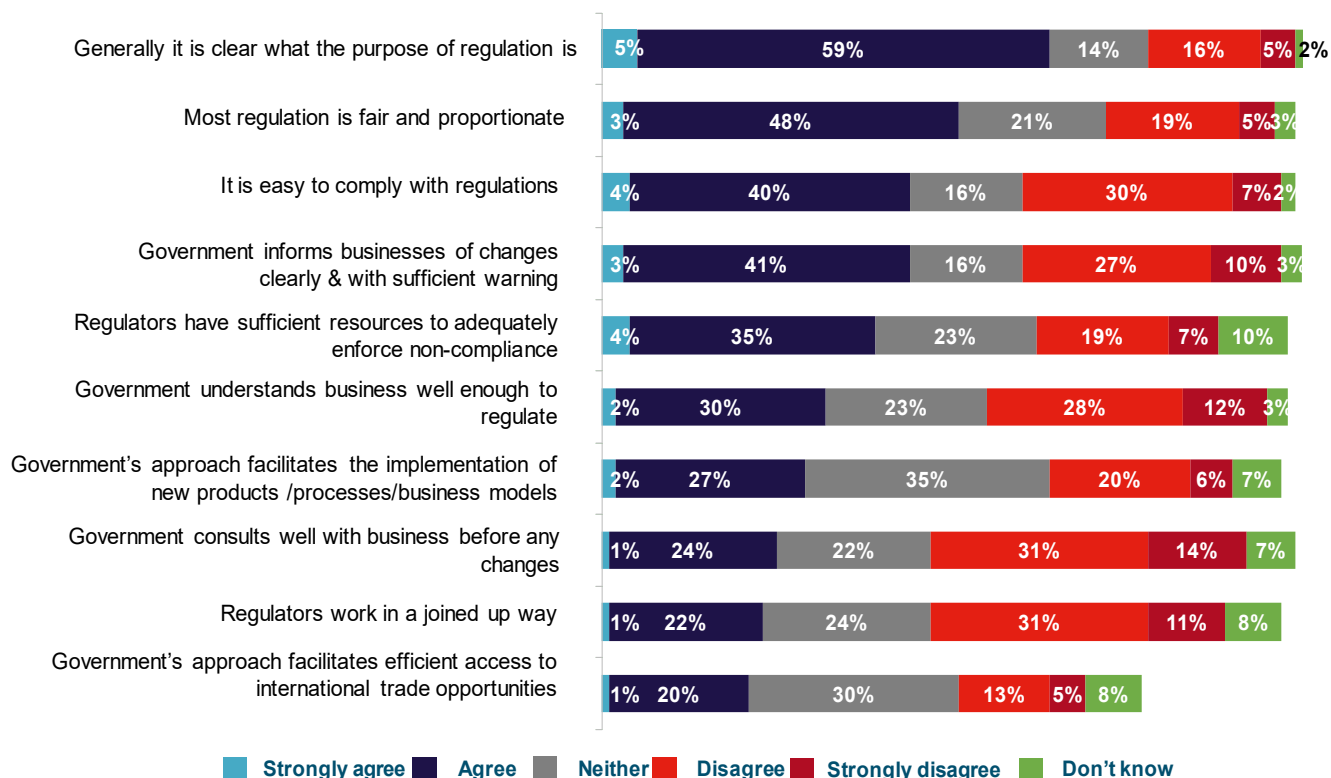
General policy approach

Businesses were asked to rate the extent to which they agreed or disagreed with a series of statements about the Government's approach to regulating. As shown in Figure 13 given below, they were generally clear about the purpose of regulation (64%). Slightly fewer agreed that regulation is fair and proportionate (51%), that the Government informs them of changes clearly and with sufficient warning (44%), and that it is easy to comply (45%).

Only three in ten businesses agreed that the Government understands businesses well enough to regulate (32%) and a quarter agreed that Government consults well with them before any new regulation, or change to an existing regulation, is introduced (25%). While only a fifth agreed that the Government's approach facilitates access to international trade opportunities (21%), this was primarily because 22 percent rated this aspect 'not applicable' (i.e. their business did not require access to international trade opportunities) and a further 8 percent gave a 'Don't know' response.

Across all nine statements, only a very small minority (1%-5%) agreed strongly.

Figure 13: Perceptions of Government's approach to regulating



C1: To what extent do you agree or disagree with the following statements about the Government's approach to regulating? Base: all businesses (2014).

Larger businesses were generally more positive about the Government's approach to regulating. Over two thirds of large businesses agreed the purpose of regulation is clear (70%), while a third agreed that the Government consults well with businesses before changes (35%), and that regulators work in a joined-up way and cooperate effectively with one another (30%). However, micro employers (5-9) were more likely to agree that regulators have sufficient resources to adequately enforce non-compliance (45% agreed).

Compared with other sectors, firms in Finance were most positive about the clarity of regulation (72%), that Government's understand business, technology and industry well enough to regulate (49%), and that Government consults well before changes (35%). However, they were least likely to agree that it was easy to comply with regulation (34%). Hotel/Catering firms were most likely to say it was easy to comply with regulations (54%), and to agree that regulators have sufficient resources to adequately enforce non-compliance (56%).

Businesses' perceptions of the Government's approach to regulating have remained mostly consistent since 2018, with a significant increase in the perception that most regulations are fair and proportionate (51% vs. 44% in 2018) and that government understands businesses well enough to regulate (32% vs 26% in 2018).

Table 11: Perceptions of Government’s approach to regulating – over time

| % agreeing | | | |
|---|------|------|------|
| | 2020 | 2018 | 2016 |
| Generally, it is clear what the purpose of regulation is | 64% | 57% | 49% |
| Most regulation is fair and proportionate* | 51% | 44% | 35% |
| Government informs businesses of changes clearly & with sufficient warning | 44% | 43% | 38% |
| It is easy to comply with regulations | 45% | 40% | 32% |
| Regulators have sufficient resources to adequately enforce non-compliance | 39% | 37% | - |
| Government understands business well enough to regulate* | 32% | 26% | 21% |
| Government’s approach facilitates the implementation of new products /processes/business models | 29% | 29% | - |
| Government consults well with business before any changes | 25% | 23% | 19% |
| Regulators work in a joined-up way | 23% | - | - |
| Government’s approach facilitates efficient access to international trade opportunities | 21% | 19% | - |

(*) Indicates a statistically significant change between 2018 and 2020

Dealing with regulators

Key findings

- Businesses felt regulators' behaviour can have a significant impact on many aspects of compliance, with more businesses saying that regulators' behaviour could affect implementing new products (66%) than in 2018 (60%).
- The most common reasons that regulators could affect the implementation of new products were due to costs and lack of clarity of guidance.
- While over half of businesses that they had confidence in advice regulators provided (54%) and that regulators provide advice to help them comply (53%), two fifths (38%) of businesses disagreed that regulators provide timely responses.

Impact of regulators' behaviour

As shown in Figure 14, almost three quarters of businesses said that the way a regulator behaves could affect their confidence in whether or not they were compliant with regulation (73%). A similar proportion also thought that this could affect how easy it is to comply (72%), and how much it costs to comply (69%). Businesses also indicated that regulators' behaviour could impact on innovation; two-thirds (66%) felt that it can impact how efficiently they implement new products, processes or business models, and three-fifths (61%) thought it could impact how willing they are to invest in new products or areas. Less than a third thought that regulators could impact how businesses access international trade (32%).

Figure 14: Proportion of businesses that said regulators' behaviour can affect each aspect of business



D1: Do you feel that the way a regulator behaves can affect...? Base: All businesses (2014). *Base for this question excludes those firms answering N/A for this question (1,370).

Some business profiles were more likely say that regulators' behaviour could impact the business. Businesses that agreed that regulation is an obstacle to success and businesses that said costs of compliance had increased a lot in last 12 months were more likely than average to say that all these aspects of business could be affected by regulators' behaviour.

As shown in Table 12 , small businesses were more likely than other business sizes to say that regulators' behaviour could affect how confident the business is that it is complying (77%) and how much it costs for the business to comply (73%). Large businesses on the other hand were more likely than average to say regulators' behaviour could affect how they access trade opportunities (38%).

By sector, Finance (82%), Hotel/Catering (83%) and Property/Management (77%) businesses were more likely to say that regulators' behaviour could impact how easy it is for the business to comply. In terms of accessing international trade opportunities, large businesses (38%), the Property/Management (36%), Manufacturing (47%) and Retail (39%) sectors were all more likely to report that regulator behaviour could affect this. Overall, finance sector was more likely than the rest to report that regulators' behaviour could affect how confident their business is of complying (82%), how much it costs the business to comply (83%) and how effectively firms can implement new products (82%), while public administration and transport and storage were least likely to report the same.

Table 12: Impact of regulators' behaviour - by size and sector

| Size/Sector | Base | Confidence of complying | Ease of complying | Cost of complying | Efficiency of implementing new products | Willingness to invest in new products | Access to international trade |
|---|------|-------------------------|-------------------|-------------------|---|---------------------------------------|-------------------------------|
| Micro (1-4) | 542 | *71% | *71% | *67% | 64% | 60% | *30% |
| Micro (5-9) | 344 | 77% | 76% | 74% | 70% | 63% | *38% |
| Small (10-49) | 592 | *77% | 76% | *73% | 68% | 64% | 32% |
| Med (50-249) | 272 | 75% | 73% | 75% | 69% | 60% | 37% |
| Large (250+) | 264 | 74% | 74% | 71% | 65% | 61% | *38% |
| Agriculture/Mini ng/Energy | 195 | 74% | 73% | 72% | 66% | 64% | 27% |
| Construction | 197 | 73% | 73% | 72% | *72% | 62% | *24% |
| Finance | 161 | *82% | *82% | *83% | *82% | 64% | *21% |
| Hotel/Catering | 174 | 75% | *83% | 69% | 68% | 61% | 26% |
| Manufacturing | 267 | *67% | 75% | 73% | 63% | 65% | *47% |
| Property/Mana gement/Busine ss Services | 348 | 74% | *77% | 72% | 64% | 65% | *36% |
| Public administration/ Other | 184 | 72% | *63% | *62% | *60% | *55% | *25% |
| Retail/Distributi on | 291 | 75% | 72% | 73% | *71% | 63% | *39% |
| Transport and Storage | 197 | *62% | *62% | *58% | *55% | 54% | 38% |

In terms of regional variation, business in the North West were more likely to say that regulator behaviour can impact confidence of compliance (79%), ease of compliance (78%), efficient implementation of new products (79%) and willingness to invest in new markets (68%). Business in Yorkshire and the Humber (81%) were most likely to say regulators' behaviour can impact how easy it is to comply, while business in the East Midlands were most likely to say this could impact cost of compliance (80%).

Since 2018, fewer businesses agreed that regulators' behaviour could impact confidence of compliance (73% vs. 78% in 2018) or how much it costs to comply (69% vs. 74%). However, they were more likely to say that regulators could affect how efficiently businesses can

implement new or significantly improved products, services or business models (66% vs. 60%) in 2018. However, the wording of this statement changed slightly for 2020.⁸

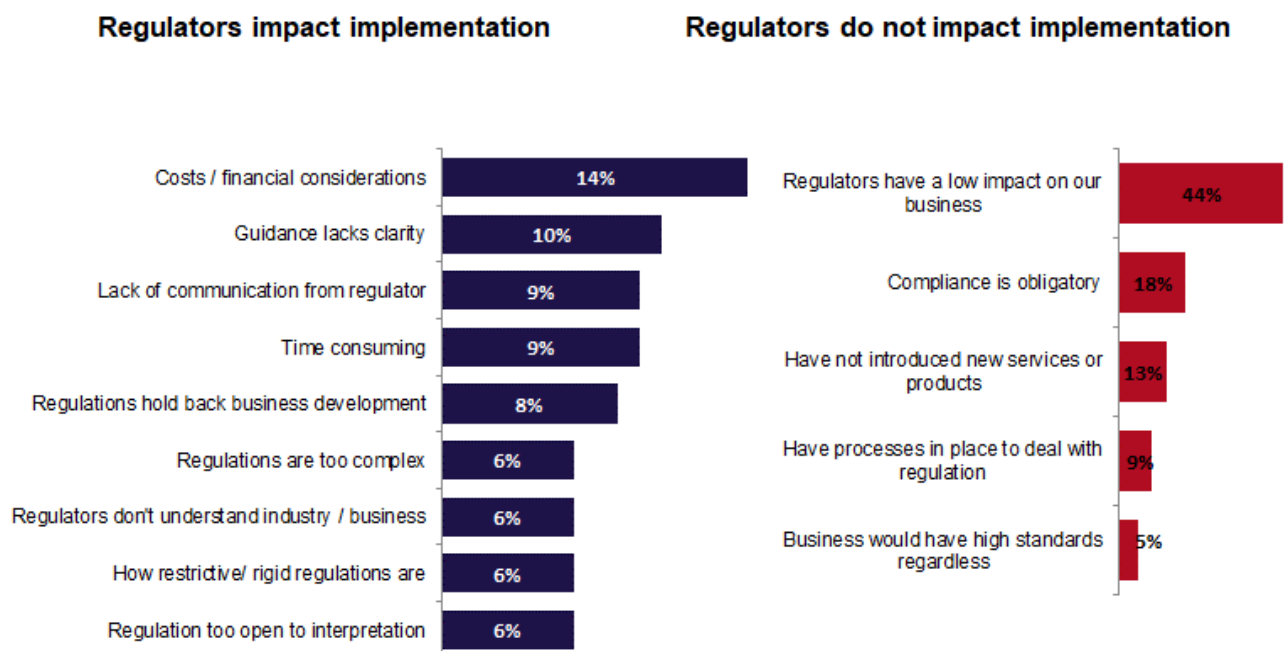
Impacts of regulator behaviour on the implementation of new products, processes or business models

Two thirds of businesses thought that regulators' behaviour can impact the implementation of new products, services or business models (66%). Regulators' behaviour was more likely to impact on how efficiently business can implement new products, processes or business models in the Finance (82%), Construction (72%) and Retail and distribution sectors (71%). Businesses in the Transport and Storage (55%) and Public Administration sectors (60%) were less likely to say this.

This year, businesses were asked how regulators' behaviour could have this effect. As shown in Figure 15, the most common reason given was that regulators' behaviour can affect the costs associated with compliance (14%), which also related to compliance being time consuming (9%). A further one in ten felt that guidance from regulators lacked clarity (10%), or that there was a lack of communication from regulators (9%).

For the one in five businesses in which regulators' behaviour did not impact the implementation of new products (22%), this was mainly because regulators generally had a low impact on their business (44%) or that they had not introduced new products (13%). One in five of these businesses also said that regulator behaviour has no effect because compliance is obligatory (18%).

Figure 15: How regulators' behaviour impacts the efficient implementation of new products



⁸ In 2018, the statement read "How efficiently you can bring innovative products and services to the market".

D1a: You mentioned that the way the way a regulator behaves can affect implementation of a new or significantly improved product, process or business model. Can you explain how? Base: All who said regulators affect implementation of new products or processes (1371). D1b: Why do you say the way a regulator behaves does not affect implementation of a new or significantly improved product, process or business model? Base: All who said regulator does not affect implementation of new products or processes (403).

Unsurprisingly, businesses were more likely to say that regulators' behaviour could affect the efficiency of implementation of new products if they had implemented a new product, process or business model in last 12 months (73%). This was also the case for businesses that had started working in new business markets (72%), increased capital investment (74%) or increased exports (78%).

Another group of businesses more likely to say that regulators' behaviour can impact the efficiency of implementation of new products were those where greatest challenge is attracting and retaining customers (85%) or complying with regulation (76%). This was also the case for those business that agreed regulation is an obstacle (78% compared to 58% that disagreed).

The Transport and Storage (25%) sector were more likely than other sectors to say that regulators' behaviour impacted the efficiency of implementing new products because of the cost of compliance, while the Manufacturing sector (22%) were more likely than other sectors to say that the lack of clarity of guidance impacted efficiency. Transport and Storage (16%) were also more likely to say that lack of communication was the issue, along with the Property and Management sector (12%).

The Finance (15%), and Hotel/Catering (16%) sectors were more likely to say that regulators behaviour impacted efficiency because compliance was time consuming, while Finance (15%) and Retail (12%) were more likely to say that regulation holds back business development.

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 16 below, more than half the businesses agreed that they had confidence in relying on the advice and guidance their regulators provided (54%) and that it helped businesses comply (53%). Less than half the businesses agreed that the regulators' guidance was easy to locate (48%) and two out of five businesses found regulators easily accessible (40%). Perceptions were more varied around whether regulators provide timely responses (38% disagreed and 32% agreed). While only one in four agreed that regulators' appeals process were easy and transparent (23%), 29 percent answered either 'don't know' or 'not applicable' to this question, presumably because they had not experienced the appeals process.

Micro firms (1-4 employees) were least likely to agree that guidance was easy to locate (46%) or reliable (46% and (52%), or that the process to appeal against a decision made by regulators was easy and transparent (17%). Those operating in the Hotel/Catering sector were more likely to be positive about the advice and guidance of regulators that helps businesses comply (65%), feel confident in relying on the advice and guidance provided by regulators (68%) and find them easily accessible (51%).

Figure 16: Perceptions of regulators



D2: To what extent do you agree or disagree with the following statements regarding regulators? Base: All businesses (2014).

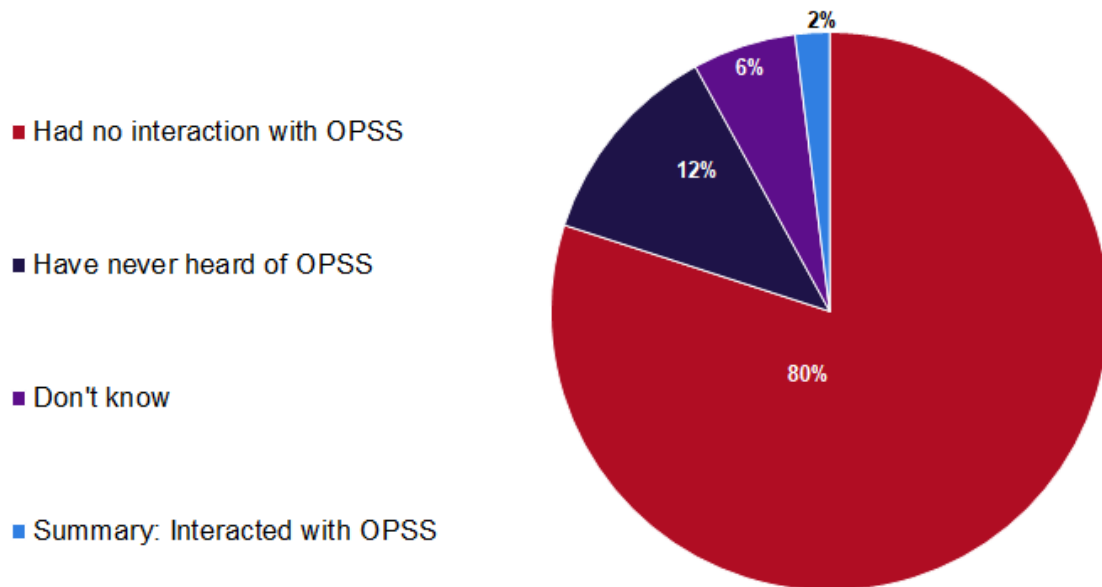
The questions around perceptions of regulators were asked differently for the 2020 survey. In 2018, businesses were asked about their experience with only one regulator (the main one that businesses interacted with) whereas in 2020 they were asked about the “the regulators they dealt with in the last 12 months.” Therefore, although perceptions of regulators among businesses appear to have got worse across each of the measures, the comparison is not a completely valid one. It's still worth noting that in 2018, two thirds of businesses were more likely to agree that they can rely on the advice and guidance of regulators (66%) and that this guidance helps their business comply (72%).

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 that are associated with the OPSS (routed by SIC code)⁹ were asked whether they had interacted with them in the past 12 months. As shown in Figure 17, four out of five (80%) of these businesses had no interaction at all with the OPSS, and a further one in ten (12%) had never heard of them. The two percent (2%) of 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 17 Interactions with The Office for Product Safety and Standards



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 (298).

⁹ The SIC codes, provided by OPSS, were routed 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).

Alternative wording testing

Key findings

- Changing the wording of several questions in the survey had a statistically significant impact on the results of those questions. Generally, by making the language more neutral, attitudes towards regulation were less negative.

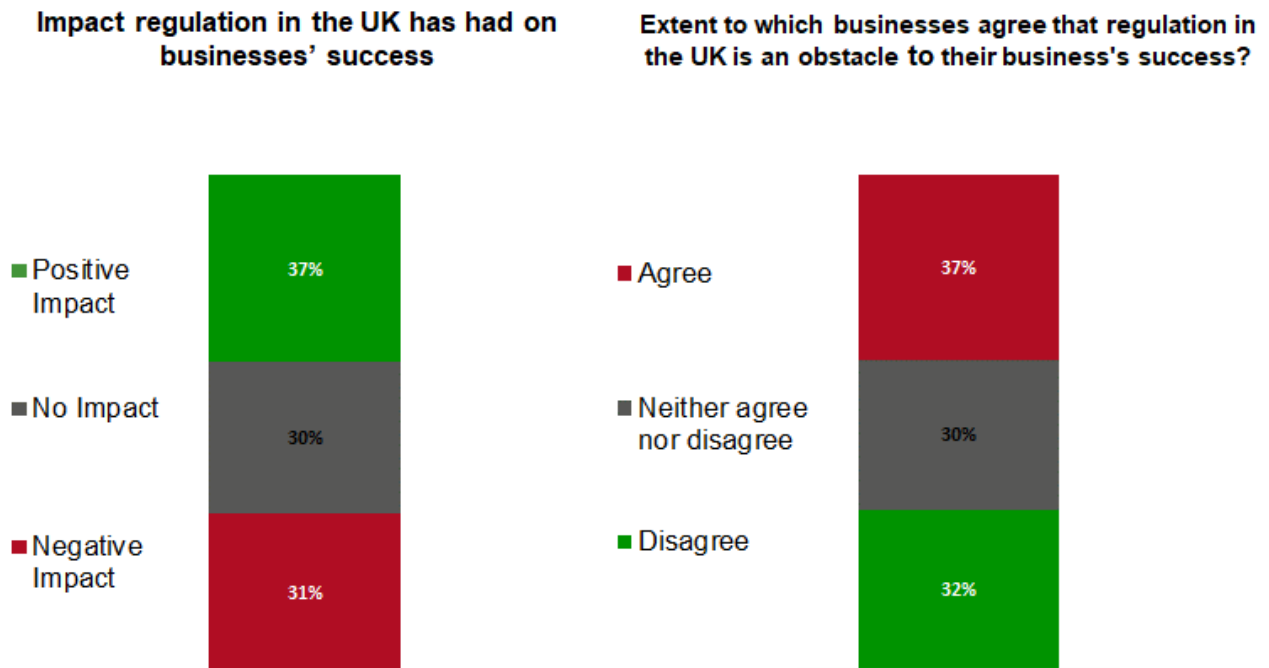
As mentioned above, several of the questions in the survey were tested with alternative wording on 500 businesses, to see if this had an impact on results. It should be noted that results from alternative testing were not included in the overall findings from the main survey. Table 13 shows a list of the questions and their alternative wording which was tested.

Table 13: Differences in wording tested in the alternative survey

| Main Survey Question Wording | Alternative question wording |
|--|---|
| I will now read out a series of activities your company might undertake, and I would like you tell me to what extent you agree or disagree that they are a burden when complying with regulation. By agreeing with a statement, you are indicating that the activity is a burden. To what extent do you agree or disagree that this is a burden for you? | I will now read out a series of activities your company might undertake when complying with regulation. For each, please indicate whether or not you agree the impact on your business is appropriate. To what extent do you agree or disagree that the impact on your business is appropriate? |
| 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? Do you...? | Overall, would you say that the level of regulation in the UK has a positive impact, negative impact or no impact on your business's success? |
| Why do you [INSERT RESPONSE OPTION FROM C2] that the overall level of regulation in the UK is an obstacle to your business's success? | Why do you say that the level of regulation in the UK has [INSERT RESPONSE OPTION FROM C2] on your business's success? |
| In the next 12 months, do you think that the burdens resulting from regulation will decrease, stay the same, or increase? | In the next 12 months, do you think that the amount of work required to comply with regulation will decrease, stay the same, or increase? |

As shown in Figure 18, businesses were significantly more likely to agree that regulation is an obstacle to success (37%), than to say that regulation has a negative impact on success (31%).

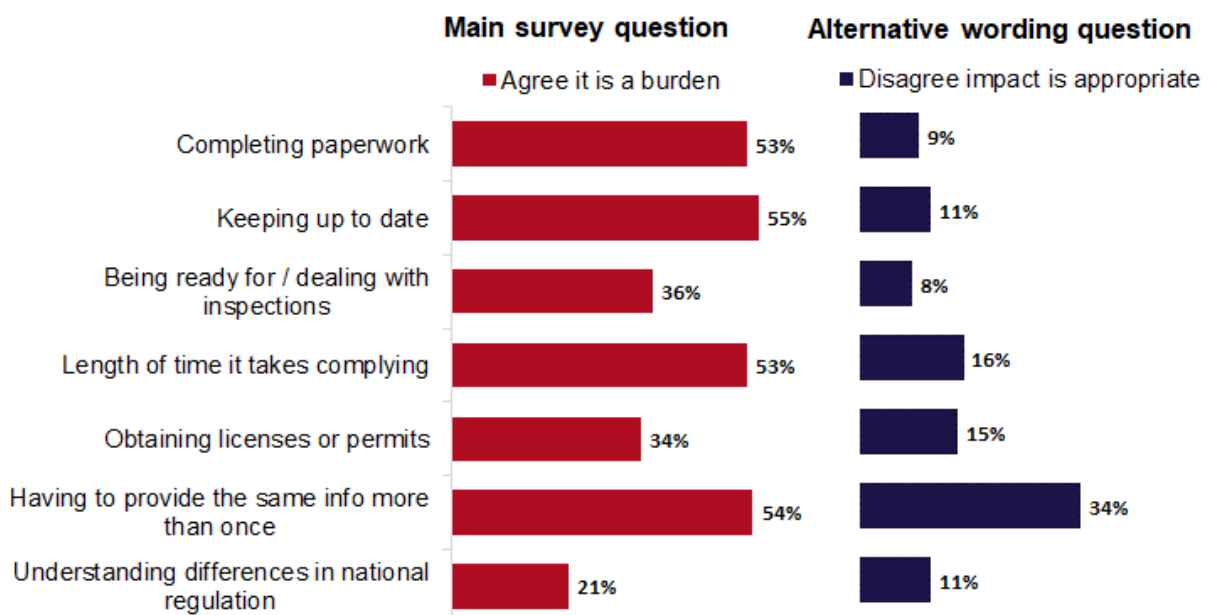
Figure 18 Difference between asking about burden compared to impact of regulation



C2: Alternative Testing- Overall, would you say that the level of regulation in the UK has a positive impact, negative impact or no impact on your business's success? Base: all businesses (500). Mainstage Question- 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? Base: all businesses (2014).

Businesses were more likely to agree that regulation is a burden than disagree that the impact is appropriate across all aspects of regulation. Business were most likely to disagree that “having to provide the same information twice” had an appropriate impact.

Figure 19: Differences between asking about burden compared to impact



B4: Mainstage Question- To what extent do you agree or disagree that the following activities are a burden when complying with regulation? Base: all businesses (2014). Alternative Testing- To what extent do you agree or disagree that the impact on your business is appropriate? Base: all businesses (500).

Businesses were less likely to say that the amount of work required to comply with regulation would increase (40%) over the next 12 months than the burden of regulation would increase (45%).

Figure 20: Differences between asking about burden compared to amount of work



F1: Alternative Testing- In the next 12 months, do you think that the amount of work required to comply with regulation will decrease, stay the same, or increase? Base: all businesses (500). Mainstage Question- In the next 12 months, do you think that the burdens resulting from regulation will decrease, stay the same, or increase? Base: all businesses (2014).

These results suggest that using more neutral language may impact on the results of any additional questions in future waves of the survey.

Case studies

The 2020 Business Perception Survey used an updated definition of innovation and added several questions to further investigate the impact of regulation on innovation. To understand these impacts, 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 repeated 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.

Innovative businesses were more likely to have 5 or more employees (46%) compared to other businesses (30%). They also tended to have been operating for a shorter time, with over two fifths (43%) running for less than 5 years, compared to 34% of other businesses. They were also more likely to have exported within the last 12 months (33% compared to 18% of other businesses).

They were also more likely to be working in the Manufacturing and Retail/Distribution sectors and less likely to be in Construction or Property/Management sectors. They were also more likely to be located in the South West or West Midlands.

Main Findings

Innovative businesses were more likely to be high growth businesses; both more likely to have increased their staff headcount in the last 12 months (46% vs. 21% of non-innovative) and more likely to have increased turnover (70% vs. 46% of non-innovative). This may also have related to them being more likely to have increased exports (14% vs. 4%) and capital investment (57% vs. 25%).

Innovative businesses were more likely to say that following were a challenge: attracting and retaining customers (54% of innovative businesses vs. 40% of non-innovative), complying with regulation (38% vs. 30%), staff recruitment (37% vs. 27%), access to finance (35% vs. 21%), administration around tax (28% vs. 23%) and regulation preventing or hindering the implementation of new products (27% vs. 17%).

Table 14: Greatest Business Challenge for innovative and non-innovative businesses

| Greatest Business Challenge | Innovative | Not Innovative |
|--|------------|----------------|
| Base | 893 | 745 |
| Attracting and Retaining Customers | 29% | 33% |
| Staff recruitment and / or retention | 17% | 16% |
| Level of tax | *10% | *17% |
| Access to finance | *17% | *9% |
| Complying with regulation (excluding tax administration) | 9% | 12% |
| Regulation preventing or hindering implementation of a new or significantly improved product | *8% | *5% |

As shown in Table 14, innovative businesses were more likely to say that their greatest challenge was access to finance (17% vs. 9% non-innovative) and less likely to say this about the level of tax (10% vs. 17%). Perhaps unsurprisingly, they were also more likely to say regulation hindering the implementation of new products, processes or business models was their greatest challenge (8% vs. 5%).

Of those that said that complying with regulation was their greatest challenge, innovative businesses were less likely to say this was because the cost of compliance was too high (12% of innovative vs. 24% of non-innovative) or the complexity of regulations (11% vs. 22%) but more likely to say that this was because regulations change too frequently (28% vs. 14%).

In terms of factors encouraging compliance, innovative businesses were more likely to say that maintaining their reputation with customers was important or essential than other businesses (96% vs. 93%). Gaining a competitive advantage (74% vs 67%), saving their business money (72% vs. 68%) , avoiding sanctions due to non-compliance (78% vs. 74%), meeting supply chain requirements (61% vs. 51%) and delivering social benefits (72% vs. 59%) were also more likely to be seen as important or essential by this group compared to non-innovative businesses.

Innovative businesses spent more time on compliance (9.2 staff days per month compared to 7.5 days for non-innovative businesses) and were more likely to say costs had increased a lot (27% vs. 15%).

Innovative businesses were more likely to use external business advisors to help them comply with regulation (83%) than non-innovative businesses (71%). This was also true of government websites (77% vs. 66%), personal contacts (59% vs. 53%) and trade associations (61% vs. 50%). They were also more likely to spend £10,000 or more per year on external business advisors (22% vs. 14% non-innovative). They were more likely to say that they used business advisors because they wanted assurance of compliance (90% vs. 86%) and because they were worried about penalties for non-compliance (78% vs. 69%).

Table 15: Aspects of regulation innovative and non-innovative businesses find burdensome

| Burden of Complying with Regulation | Innovative | Not Innovative |
|---|------------|----------------|
| Base | 1025 | 989 |
| The length of time it takes to go through the whole process of complying | *57% | *50% |
| Keeping up to date with information about which regulations your business has to comply with | *60% | *52% |
| Completing paperwork, filling out forms and keeping records on facts and figures | *58% | *50% |
| Having to provide the same information more than once | *60% | *49% |
| Being ready for or dealing with inspections | *42% | *32% |
| Obtaining licenses or permits | *37% | *31% |
| Understanding the differences in regulation between England, Scotland, Wales and Northern Ireland | *25% | *18% |
| Establishing whether a new product, process or business model are compliant with regulation | *42% | *29% |

Innovative businesses were more likely than non-innovative businesses to agree that every element of compliance was a burden. However, as shown in Table 15, the element of compliance which they found most burdensome was establishing whether a new product is compliant (42% vs. 29% non-innovative). They were also more likely to expect the burden of regulation to increase in the next 12 months (50% vs. 42%). Of those who thought the burden would increase, innovative businesses were more likely to say this was due to their perception of government attitude to regulation (11% vs. 6% non-innovative).

Table 16: Disagreement with Government's approach to regulating among innovative and non-innovative businesses

| Perceptions of Government's approach to regulating | Innovative % disagree | Not Innovative % disagree |
|--|-----------------------|---------------------------|
| Base | 1025 | 989 |
| Generally, it is clear what the purpose of regulation is | 22% | 20% |
| It is easy to comply with regulations | *39% | *35% |
| Most regulation is fair and proportionate | *27% | *22% |
| The Government understands business, technology and industry well enough to regulate | 42% | 39% |
| The Government consults well with business before any new regulation, or change to an existing | 47% | 43% |

| | | |
|--|------|------|
| Government informs businesses of regulatory changes clearly and with sufficient warning | *40% | *34% |
| Regulators have sufficient resources to adequately enforce non-compliance | *30% | *24% |
| The Government's approach to regulation facilitates the implementation of new or significantly | *29% | *22% |
| The Government's approach to regulation facilitates efficient access to international trade | *21% | *14% |
| Regulators work in a joined-up way and cooperate effectively with one another | 43% | 42% |

As shown in Table 16, innovative businesses were more likely to disagree with five out of eight aspects of the Government's approach to regulation:

- The Government's approach to regulation facilitates efficient access to international trade (21% innovative disagree vs. 14% non-innovative)
- The Government's approach to regulation facilitates the implementation of new or significantly improved products or services (29% vs 22%)
- Regulators have sufficient resources to adequately enforce non-compliance (30% vs. 24%)
- Government informs businesses of regulatory changes clearly and with sufficient warning (40% vs. 34%)
- Most regulation is fair and proportionate (27% vs. 22%)

Innovative businesses were more likely to say that regulators' behaviour can affect how efficiently they can implement new or significantly improved products, processes or business (73% innovative vs. 61% non-innovative). When asked to explain how regulator's behaviour can affect this, innovative businesses were more likely to cite costs (17% vs. 12%), volume of paperwork/red tape (6% vs. 3%), lack of consistency between regulators (5% vs. 3%) and regulators' heavy handedness (5% vs. 3%). Around a fifth (22%) of businesses said that regulators' behaviour could not affect efficient implementation of new products. Innovative businesses were more likely to say this was because compliance is obligatory (23% of innovative businesses vs. 15% of non-innovative) or that they have processes in place to deal with regulation (16% vs. 4%).

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.

High growth firms were larger on average than other firms (44% had more than five employees, compared to 26% of other businesses) and more recently established (42% less than 5 years, compared to 30% of others). High growth businesses were also more likely to be operating in the Retail/ Distribution sector than other firms, and less likely to be in the Agriculture/Energy or Hotel/Catering sectors.

Main findings

High growth businesses were more than twice as likely to be innovative businesses (53%) than those which were not high growth (24%). They were also much more likely to have increased exports (12% vs. 1%) and have increased capital investment (49% vs. 21% non-high growth).

High growth businesses were more likely than non-high growth businesses to say that level of tax (37% vs. 33%) and staff recruitment (34% vs. 27%) were a challenge. They were less likely to say that attracting and retaining customers was a challenge (43% vs. 51%) or staff redundancies (7% vs. 11%).

Table 17: Greatest Business Challenge for high growth and non-high growth businesses

| Greatest Business Challenge | High growth | Non-high Growth |
|--|-------------|-----------------|
| Base | 1109 | 529 |
| Attracting and Retaining Customers | *27% | *39% |
| Staff recruitment and / or retention | *18% | *14% |
| Level of tax | *15% | *11% |
| Access to finance | *14% | *10% |
| Complying with regulation (excluding tax administration) | 11% | 10% |
| Regulation preventing or hindering implementation of a new or significantly improved product | 6% | 8% |

As shown in Table 17, High growth businesses were more likely than others to cite staff recruitment as their greatest challenge (18% vs. 14%) as well as access to finance (14% vs. 10%) and the level of tax (15% vs. 11%).

Of those who said that complying with regulation was their greatest challenge, high growth businesses were more likely to say this was because of lack of consistency across regulators (8% high growth vs. 0% non-high growth) and less likely to say it was due to too much time spent on compliance (13% vs. 31%).

A priority for high growth businesses in terms of compliance was maintaining reputation with customers (95% essential/important vs. 93% for non-high growth) as well as complying with the law (95% vs. 92%), saving their business money (72% vs. 65%) and meeting supply chain requirements (57% vs. 52%).

The cost of compliance for high growth companies in terms of staff days per month was similar to those of non-high growth companies (8.4 days vs. 7.9 days), though they were more likely than this group to say that the cost of compliance had increased at all the last 12 months (57% vs. 49%).

High growth businesses were more likely than non-high growth businesses to use government websites to help them comply with regulation (74% vs. 66%), as well as personal contacts (57% vs. 53%) and trade associations (59% vs. 48%). They were also more likely to spend more than £1000 or more per year on external business advisers (70% vs. 59%).

Table 18: Aspects of regulation high growth and non-high growth businesses find burdensome

| Burden of Complying with Regulation | High growth | Non-high Growth |
|---|-------------|-----------------|
| Base | 1355 | 659 |
| The length of time it takes to go through the whole process of complying | 52% | 54% |
| Keeping up to date with information about which regulations your business has to comply with | 55% | 55% |
| Completing paperwork, filling out forms and keeping records on facts and figures | 54% | 53% |
| Having to provide the same information more than once | *56% | *50% |
| Being ready for or dealing with inspections | 37% | 34% |
| Obtaining licenses or permits | 34% | 32% |
| Understanding the differences in regulation between England, Scotland, Wales and Northern Ireland | *23% | *19% |
| Establishing whether a new product, process or business model are compliant with regulation | *37% | *30% |

As shown in Table 18, High growth businesses were particularly likely to agree that providing the same information more than once was a burden (56% vs. 50% of non-high growth companies). They were also more likely to say that establishing whether new product is compliant (37% agree vs. 30% non-high growth companies) and understanding national differences in regulation (23% vs. 19%) were a burden.

High growth businesses were more likely to agree that the Government's approach to regulation facilitates the implementation of new or significantly improved products, processes or business models (31% vs. 25%) despite their overlap with innovative businesses, which were more likely to disagree with this. However, as shown in table 19, high growth businesses were more likely to disagree that the Government's approach facilitates international trade (19% vs 14%) or that the Government consults well before making changes (47% vs. 41%).

Table 19 Disagreement with Government's approach to regulating for high growth and non-high growth businesses

| Perceptions of Government's approach to regulating | High growth % disagree | Non-high growth % disagree |
|--|------------------------|----------------------------|
| Base | 1355 | 659 |
| Generally, it is clear what the purpose of regulation is | 21% | 20% |
| It is easy to comply with regulations | 36% | 37% |
| Most regulation is fair and proportionate | 23% | 25% |
| The Government understands business, technology and industry well enough to regulate | 42% | 38% |
| The Government consults well with business before any new regulation, or change to an existing | *47% | *41% |
| Government informs businesses of regulatory changes clearly and with sufficient warning | 38% | 34% |
| Regulators have sufficient resources to adequately enforce non-compliance | 28% | 24% |
| The Government's approach to regulation facilitates the implementation of new or significantly | 24% | 27% |
| The Government's approach to regulation facilitates efficient access to international trade | *19% | *14% |
| Regulators work in a joined-up way and cooperate effectively with one another | 43% | 41% |

In terms of dealing with regulators, high growth businesses were more likely than non-high growth businesses to agree that guidance published by regulators is easy to locate (51% vs. 43%), that they have confidence they can rely on regulators' guidance (56% vs. 50%), that regulators are accessible (42% vs. 36%), and that regulators understand their business well enough to provide tailored advice (33% vs. 29%). They were more likely to disagree that the process to appeal against regulators' decisions is transparent (25% vs. 20%), regulators provide timely responses (30% vs. 22%) or that regulators cooperate effectively (30% vs. 22%).

High growth businesses were more likely to say that regulator behaviour can affect how much it costs to comply (72% of high growth businesses vs. 65% of non-high growth businesses), how efficiently new products can be implemented (68% vs. 62%) and how they access international trade opportunities (36% vs. 25%).

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