



Forum of Private Business (FPB)

The cost of compliance on micro, small and medium-sized business employers

Summary

The Forum of Private Business (FPB) is a not-for-profit organisation dedicated to providing its members with the support they need to run successful businesses. The FPB is passionate about the key role private businesses play in the national economy and, as one of the six main business support and lobby groups recognised by government, campaigns on behalf of its members with elected representatives in the UK and Brussels.

The FPB surveyed 6,000 of its members in the first fortnight of June 2009 to find out how much complying with regulations costs small and medium-sized businesses, both in terms of time of individuals within the company and the amount paid to third parties for support.

- Red tape costs small and medium-sized business employers £9.3 billion (bn) per year in terms of internal costs (time, salary and so on) or an average of 34 hours per month per company.
- The cost of compliance for micro business employers (9 or fewer employees) is £6.9 bn, small business employers £1.6bn and medium-sized business employers £0.7bn.
- Micro business employers spend an average of 33 hours per month on compliance, small business employers (10 to 49 employees) 48 hours and medium-sized companies (50 to 249 employees) 131 hours – equivalent to one full-time member of staff working solely on compliance.
- Supporting micro, small and medium-sized business employers to comply with the laws and regulations affecting their businesses is an industry in itself, with the 1.2 million businesses in the UK that employ between 1 and 249 people spending a total of £2.6bn over the last year.
- Micro businesses spend the least on compliance, but even so each one spent, on average, over £1,800 on compliance over the last year. This includes everything from required training courses to legal and accounting bills.
- Micro, small and medium-sized business employers spend an average of £2,100 per business per year on compliance; however, this ranges significantly from 8% spending under £100 to 23% spending over £5,000.
- 81% of businesses did not feel that the current regulatory framework was realistic, robust and fair for their businesses, reinforcing the idea that smaller firms suffer disproportionately.
- On average, one person is responsible for legal compliance in 42% of small and medium-sized businesses, although the percentage is higher the smaller the business. So, 47% of micro businesses have one person responsible for compliance, while just 21% of small businesses leave it to one person. No medium-sized businesses had just one person responsible for all regulatory compliance.
- 78% of the cost of compliance is borne internally, so it is unsurprising that respondents felt that time constraints were the biggest problem with the current regulatory framework.
- Particularly time consuming were the tasks of understanding new regulations (73% thought this was excessive), and the general monitoring and administering of legal responsibilities (74%). Monitoring and administration was most costly (45% felt the cost was excessive), closely followed by implementing health and safety legislation (42%).
- Implementation of equality and diversity legislation was perceived as the most proportionate type of legislation, with 44% stating that this was currently proportionate; however, new regulations are expected to be introduced in October 2010, which could affect this statistic.

Issues from the research

Only 5% of businesses who responded to our survey felt that the current regulatory framework was beneficial to their businesses as it improved processes, while just 9% felt that the current framework was robust, fair and proportionate.

The impact of **new legislation** has been particularly noticeable over the last few years – one respondent felt that the time spent on complying with regulations had trebled since 1997 – and the number of regulatory bodies bewilders business owners. New legislation costs small business employers time (and therefore money) as senior managers have to read through legislation and resolve how it relates to their businesses; time that could be better spent on matters such as chasing debtors or developing their businesses.

Laws are often not worded with time-starved entrepreneurs in mind, who find them conflicting, unclear or irrelevant. As a result, we believe that **communication** in general could be improved. A number of respondents were even unaware as to where to find summaries of new legislation, or only found it through the list of Common Commencement Date (CCD) changes that are sent out in the FPB's communications. However, even those respondents that were aware of sources for new legislation from the FPB, Business Link and other sites felt that there was too much general information and not enough devoted to their particular industries or dealing with situations where other laws might conflict.

Some owners indicated that they often had to try to get their heads around and plan the implementation of any changes to their businesses' working practices outside of office hours as the businesses cannot afford to employ non-productive staff. When laws are misinterpreted or complied with in another way, they then feel aggrieved that their willingness to comply is not taken into account and the **enforcement of legislation** is arbitrary. Moreover, some business owners feel that the application of some laws is inconsistent and they are not certain about whether they are actually compliant with the law, even though they have spent time and money on professional support.

Health issues also need resolving, with almost 1 in 10 respondents complaining of stress or worry caused by inadvertent failure to comply with regulations. A further 6% felt that the administrative burden had had a demotivating effect on them. Some of this is more to do with the rise of 'no win, no fee' lawyers rather than the laws themselves, but there is also a general feeling that the odds are stacked against the employer, whether they are dealing with customer or employee disputes, let alone issues with one of the many enforcement agencies.

FPB solutions

The FPB tackles excessive regulation in the following ways:

- **Policy**

The FPB engages with the Better Regulation Executive and actively campaigns for the small and medium-sized business employers in government. The FPB is the only national organisation that focuses on the needs of the micro, small and medium-sized business employers, who are often required to dedicate the same resources to compliance as larger national corporations.

The FPB has also worked with the Local Better Regulation Office (LBRO) and has called for local enforcement to provide more support to businesses wishing to comply, to counteract the perception of pettiness and heavy handedness of local and national enforcement officers.

The FPB has established panels of members with an interest in health and safety, employment law, red tape and tax to ensure that consultation responses are driven by the views and real-life experiences of our members.

- **Guides**

The FPB produces easy-to-understand and use guides on employment law and health and safety. The guides are updated in line with changes in law, and are designed to minimise the time that owners and managers of smaller businesses have to spend on compliance. Both guides are now also available online, which should reduce the time spent on compliance as well as aid storage of documents.

Each guide comes with a selection of templates which can be personalised and used in subscribers' businesses. Some of the templates are even available, free of charge to members, to download via the FPB's website.

- **Helpline**

The FPB provides members with a helpline for almost all their business queries, including how to deal most effectively with compliance issues. Where our in-house team does not immediately know the answer to a question, they will research the viable alternatives for a small business and call the member back with possible solutions, so the advice can be tailored to the member's needs.

- **Insurance**

Members of the FPB are insured for compliance issues for up to £825,000 or £75,000 per head of cover, providing they follow the advice given by the helpline and insurer.

- **eNewsletters and *Business Insight***

The FPB publishes the latest Common Commencement Date (CCD) changes in its weekly email newsletter (eNewsletter) and quarterly *Business Insight* magazine to ensure that members are warned of changes to the law and kept up to date with future developments.

"The goal posts are constantly changing, and we are having to seek outside help (such as the FPB) in order to cover ourselves."

FPB member response

"No real impact apart from time taken to find out about changes in laws. We only become aware of these changes through membership of the FPB and their magazines."

FPB member response

The cost of compliance

Red tape costs small business employers a total of £9.3bn per year in terms of internal costs and £2.6bn for external business support. The most costly regulations to comply with are employment law at £2.4bn, health and safety at £2.1bn and tax at £1.8bn.

Figure 1: Cost of compliance (£m)

Legislation	Total	9 or fewer employees	10 to 49 employees	50 to 249 employees
Employment law	2,394	1,687	495	212
Health and safety	2,072	1,534	386	152
Tax, National Insurance and PAYE	1,826	1,464	262	100
Industry/trading standards	939	663	179	96
Building and property	921	712	160	50
Environment and waste	783	614	113	56
Equalities and diversity	367	276	67	24

As the number of employees in a business increases, so does the proportion of time spent dealing with employment law. Conversely, the time spent on tax and PAYE issues decreases. Time spent on health and safety appears to be similar over all sizes of business; however amongst micro firms, those with fewer than five employees spent significantly less time on complying with legal standards.

Figure 2: Time spent on compliance (%)

Legislation	Total	9 or fewer employees	10 to 49 employees	50 to 249 employees
Employment law	26%	24%	30%	31%
Health and safety	22%	22%	23%	22%
Tax, National Insurance and PAYE	19%	21%	16%	14%
Industry/trading standards	10%	10%	11%	14%
Building and property	10%	10%	10%	7%
Environment and waste	8%	9%	7%	8%
Equalities and diversity	4%	4%	4%	3%

The average time spent by micro, small and medium-sized businesses on regulatory compliance is 37 hours per month, the equivalent of an entire week for one person. The number of hours varies considerably, dependent on the size of firm, with medium-sized companies spending an average of 131 hours on compliance, equivalent to employing a full-time worker just to deal with these matters.

Figure 3: Average (mean) time spent by micro, small and medium-sized business employers (hours per month)

Legislation	Total	9 or fewer employees	10 to 49 employees	50 to 249 employees
Employment law	9.5	7.9	14.3	40.4
Health and safety	8.2	7.2	11.2	28.9
Tax, National Insurance and PAYE	7.2	6.9	7.6	19.0
Industry/trading standards	3.7	3.1	5.2	18.3
Building and property	3.6	3.3	4.6	9.5
Environment and waste	3.1	2.9	3.3	10.7
Equalities and diversity	1.5	1.3	1.9	4.5
Total	36.8	32.6	48.0	131.4

In terms of industry sectors, there are a number of clear differences in terms of the time spent on various aspects of regulatory compliance. Service companies spend the most time (41 hours per month) complying, whilst transport, restaurants and distribution (TRAD) firms spend the least (33 hours).

Unsurprisingly, manufacturers attribute the most time to health and safety (10 hours), construction and allied trades is lower (9 hours); however, some areas of site health and safety will be the preserve of the main contractor and our sample is slightly skewed towards sub-contractors.

Service companies spend more time than others on complying with industry or trading standards (including ISO), almost double that of distributive trades. The cost of compliance was highest amongst service companies that need to comply with local authority or government legislation, such as those in the care and education sectors.

Figure 4 shows the average time spent by micro, small and medium sized businesses. The figures have been weighted by size so that sectors with higher proportions of micro businesses are likely to have a lower average time than sectors with a relatively higher proportion of medium-sized businesses.

Figure 4: Average (mean) time spent by according to industry

Legislation	Manufacturing	Construction	TRAD	Services
Employment law	9.0	9.0	8.2	10.9
Health and safety	10.1	8.8	7.2	8.2
Tax, National Insurance and PAYE	6.2	6.9	6.0	8.6
Industry/trading standards	3.0	3.5	2.5	5.0
Building and property	2.2	4.4	3.4	4.1
Environment and waste	3.2	3.3	3.8	2.5
Equalities and diversity	1.0	0.8	1.8	1.6
Total	34.7	36.6	32.8	40.9

Those who spend more than 40 hours a month complying with regulations are defined as shouldering a heavy burden, while those who spend fewer than 3 hours a month are considered to be lightly burdened. The figures show that there is a significant range of responses, which can only partially be explained by the size of the company.

Figure 5: Burden on businesses by type of legislation

Legislation	Light burden (fewer than 3 hours per month)	Heavy burden (more than 40 hours per month)
Employment law	36%	15%
- Dismissals and redundancy	67%	1%
- Absence control and sickness	66%	0%
- Maternity, paternity and flexible working	72%	1%
- Discipline and grievance	65%	1%
- Holidays, salaries and other employment matters	45%	4%
Health and safety	43%	16%
Tax, National Insurance and PAYE	31%	8%
Industry/trading standards	40%	5%
Building and property	45%	3%
Environment and waste	57%	3%
Equalities and diversity	70%	1%

External costs

Most businesses required some external support with compliance from accountants, lawyers and support organisations such as the FPB, with just 8% spending under £100 on external support. In contrast, almost 1 in 4 (23%) spend over £5,000 on external bodies.

The FPB estimates that the total cost of outsourced compliance is around £2.6bn per year. This is at the upper levels of the official government estimate, which puts the amount spent on external expertise at between £1.6 and £4.2m for all SMEs, including the self-employed.

Although medium-sized business employers spend the most on external support, typically over £5,000, in terms of the proportion of the cost of compliance, they outsource a lower proportion of their compliance costs (18%) than smaller firms. Small business employers outsource the most (25%) as a proportion of the cost of compliance. There is no real difference to note between industry sectors.

“[The legal framework] is complicated, unclear over-regulated and obtuse which leads to scaremongering by certain companies who want to sell you their services and this in turn leads to even more confusion.”
FPB member response

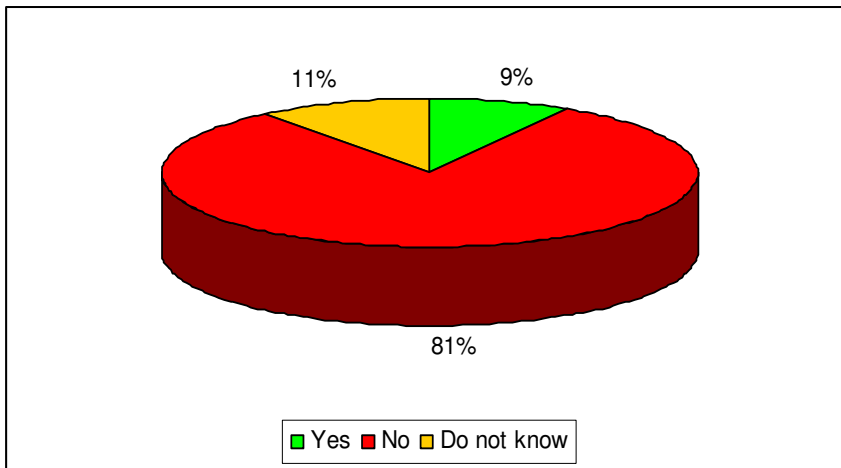
Figure 6: External cost of compliance

Size/type of business	Total cost (£m)	External cost (£m)	Average cost per business (£)	Internal cost (£m)	Proportion outsourced (%)
Total	11,920	2,618	2,137	9,302	22%
Micro employers	8,854	1,904	1,853	6,950	22%
Small employers	2,224	562	3,289	1,662	25%
Medium employers	842	152	5,711	690	18%
Manufacturing	1,572	342	1,991	1,230	22%
Construction	1,488	331	2,160	1,157	22%
TRAD	3,575	811	1,987	2,764	23%
Services	5,285	1,134	2,048	4,151	21%
Total	11,920	2,618	2,137	9,302	22%

Proportionality of regulatory framework

In the survey, only 9% of respondents felt that the current regulatory framework was “realistic, robust and fair” for their businesses, while 81% felt that that it was not and 11% were uncertain.

Figure 7: Proportion of business owners who felt that the current regulatory framework was “realistic, robust and fair”

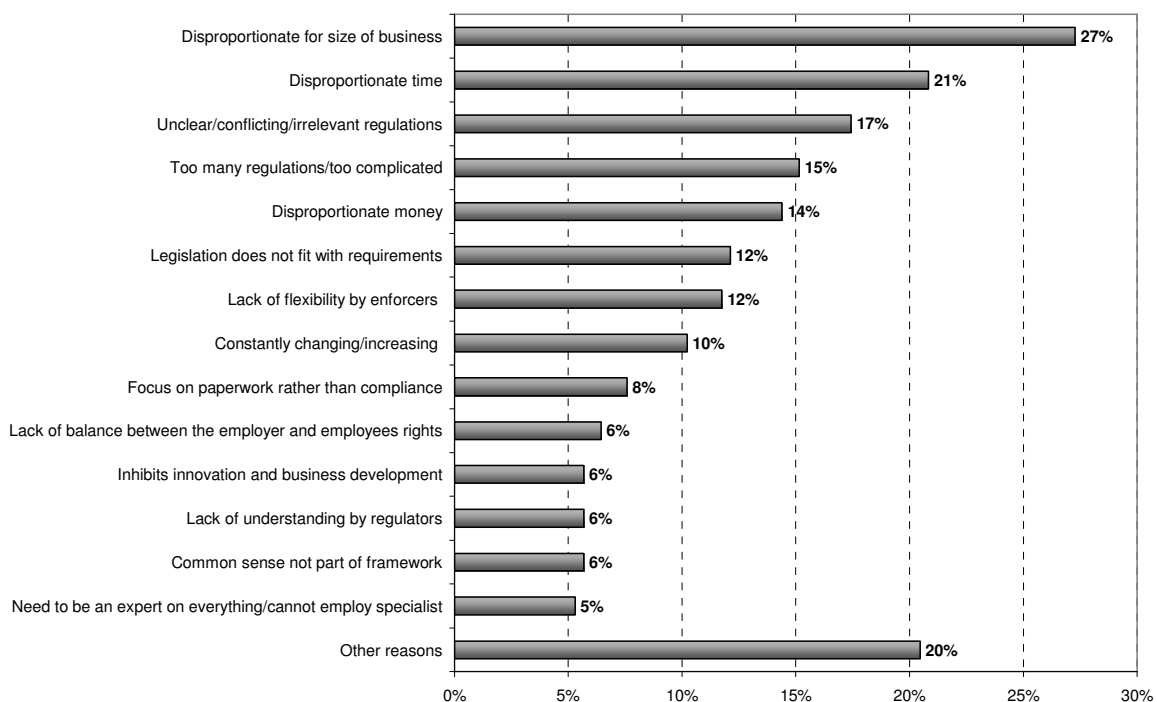


“Employment procedures are highly complex and require expert knowledge. Employment law inhibits action to maintain a workforce fit for purpose. The audit is cumbersome, costly and offers no insight for the company into the health (finance) of the company.”
FPB member response

Micro business employers were more likely to perceive the regulations as realistic, robust and fair, with medium-sized businesses most likely to be aggrieved at the cost of compliance. On average, across the UK, 9% of respondents felt that the regulatory compliance was realistic for their businesses, but this rose to 16% in Wales and 17% in Scotland. There was no difference to note between industry sectors. A small proportion of businesses felt that there were no issues with complying with regulations, feeling instead that the forms and templates used were proportional and helped with the management of their businesses.

Many of the businesses that did not know whether regulations were realistic, robust and fair were uncertain as to what was required of them in certain situations.

Figure 8: Reasons why businesses were dissatisfied with the regulatory framework



The main cause for complaint is that regulations are disproportionate for the size of small businesses, giving an unfair advantage to large firms and those that slip under the radar, such as non-VAT registered sole-traders.

27% of respondents who commented mentioned the fact that smaller business employers were disproportionately affected, with the amount of time spent complying with regulations mentioned by 21% of businesses and the monetary cost of compliance by 14%. In the current economic climate, businesses are concerned that they are not trading profitably enough to meet the costs of employing external consultants.

Another major complaint was that legislation does not actually deal with the root problems. In 12% of cases, compliance was seen as a tick box exercise that made no real attempt to improve standards, while 10% stated that enforcers of regulation were inflexible, especially when it came to filling in the correct forms and their filing, which was cited by 8% of respondents. In most cases, business owners feel that there is simply no slack available for complex and costly regulation, such as the recently-introduced environmental legislation, as they cannot afford the additional man hours needed to restructure the business to meet the needs of the legislators.

The final major issue refers to the introduction of new regulation. 15% of businesses believe that there are too many regulatory bodies and too many new laws introduced, while 10% complained about lack of stability in the legislative framework. Business owners feel that the goal posts are constantly moving and, in the majority of cases, making it harder to comply.

Some expressed a belief that there is an element of external support providers “scaremongering” over issues of compliance, but this was tempered by the belief that enforcement was often inconsistent and that some sort of support was required.

For those with fewer than 5 employees, the implications of employment law were the biggest issue and some indicated that it was a big disincentive for employing anyone. This was particularly the case when the business was competing directly with non-employers who do not have to pay the cost of compliance or of commercial premises.

Those with more than 6 employees felt aggrieved that they had to meet the same health and safety standards as much larger companies who had dedicated people to train staff and prepare bespoke risk assessments.

The five principles of proportionality, accountability, consistency, transparency and targeting were established by the Better Regulation Task Force in 2007. Figure 8 indicates that the five principles still remain relevant for smaller businesses. For this reason, the survey asked business owners whether they felt the following types of legislation were proportionate, too costly or too time-consuming.

The table reinforces the notion that keeping up to date with the latest changes and administration of the regulatory framework are the most time-consuming elements of compliance. The cost of hiring expensive external consultants is an issue for employers with regard to health and safety, employment and environmental legislation, as well as checking that the paperwork is compliant.

“The rules and regulations are decided by people who have no concept of business at the small end. They usually use large companies as sounding boards, hence the corporation effect.”
FPB member response

“We are a small company of 5 staff and 2 directors and complying with regulations represents a disproportionately high amount of time and money.”
FPB member response

Figure 9: Proportionality of legislation

Activity	Proportional	Too costly	Too time-consuming
Understanding new regulations	21%	29%	73%
Implementation of health and safety law	23%	40%	66%
Implementation of employment law	24%	35%	65%
Implementation of environmental/waste law	33%	41%	46%
Implementation of equality and diversity law	54%	18%	39%
Implementation of legislation relating to standards	41%	29%	49%
Implementation of taxation law	31%	38%	52%
Implementation of building/construction law	53%	26%	38%
Monitoring and administration of all laws	17%	42%	74%

Impact of red tape

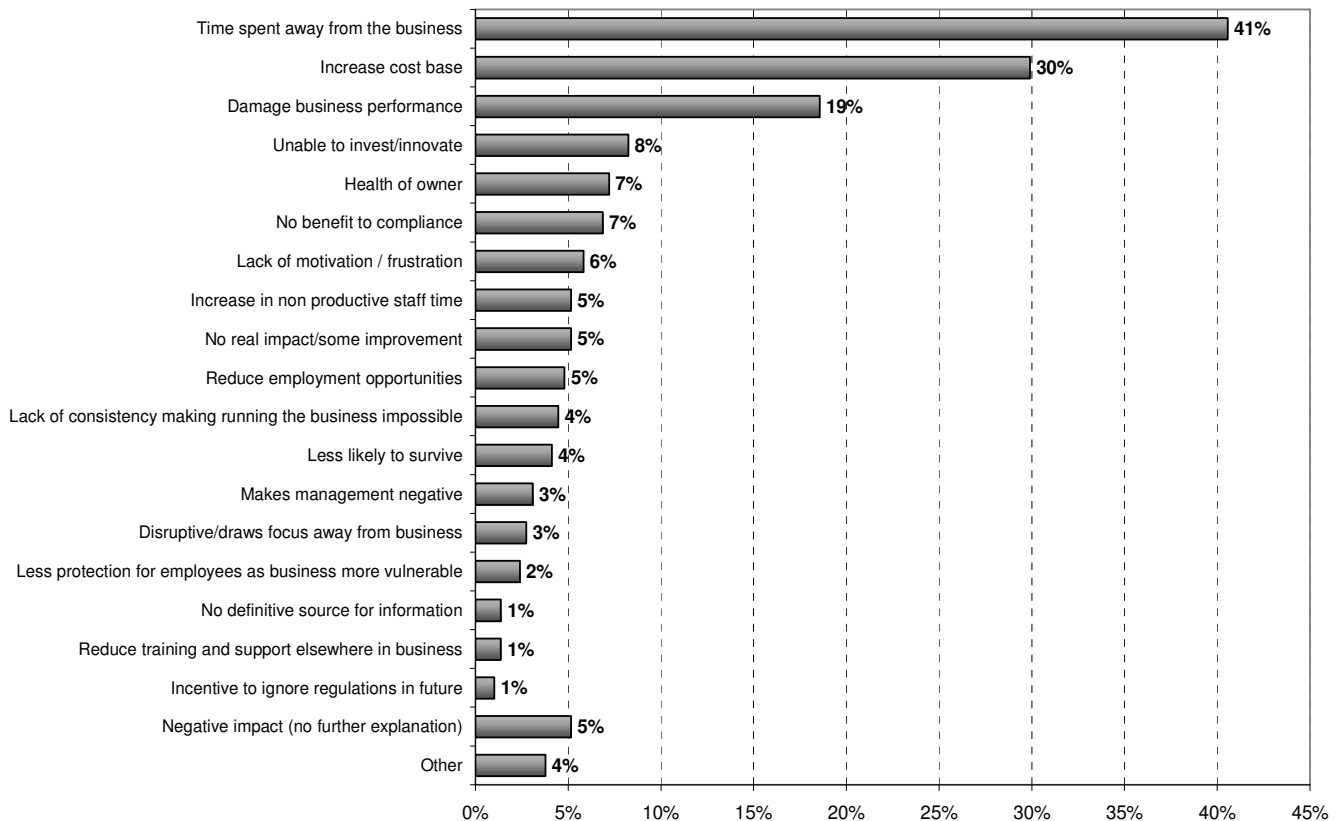
Just over 60% of those who gave description of how regulation had impacted on their business highlighted the time and/or cost of compliance with regulation. 5% had seen no significant impact on their business and some had even seen an increase in business on the back of improvements to the processes that they had put in place to comply with legislation.

Many businesses mentioned that the lack of time that they could devote to their business was also having a negative impact on their business. 19% stated that it had negatively impacted on the profit or turnover of their business, 8% stated that they had less money to invest in the business and 1% stated a reduction in job related training as a result. 5% stated that the time and money spent on compliance would mean that there were fewer employment opportunities at the workplace in the future and 7% indicated that employment law may be self defeating as it meant that there was more likelihood that the business could close (5%) or that they would have to make additional redundancies (2%).

The health of the owner(s) was also a key issue with 8% indicating that a significant impact of the legislative email was stress or worry over whether their business complies with legislation. As many smaller firms cannot afford the cost of non productive labour, complying with regulation means long hours and the increased likelihood of making honest mistakes due to tiredness.

“Much of the compliance is to ensure that the correct pieces of paper are in place. It doesn’t mean that it’s done correctly. Systems are too complicated and time-consuming. We should have this time spent on growing our business, which would protect our employees more.”
FPB member response

Figure 10: Impact of compliance with legislation



6% of owners indicated that the increased importance of compliance was de-motivating or a source of frustration as it meant that owners could not develop their businesses in the ways they wanted. 4% of respondents also complained that they have to spend too much time managing their staff negatively, that is, monitoring their staff and getting them to fill in forms rather than more positive and creative management.

A further 3% of respondents stated that the compliance process was disruptive as it meant that they could not focus on their businesses, while 4% complained that there was a lack of consistency in how regulations were applied. 1% stated that there was often nowhere to get definitive answers to complex questions from accountants, solicitors or the public sector organisations such as HMRC because of conflicting legislation or unclear drafting of the laws.

“As a director, personally on my business I feel disillusioned and no will or energy to try and progress due to regulations.”
FPB member response

Burden on individuals

A third (34%) of small and medium-sized business employers have just one person in the company who is responsible for regulatory compliance. This equates to more than 400,000 UK businesses. Unsurprisingly, the larger the business, the more likely it is that it has more than one person to deal with compliance. Our survey shows that 46% of micro business employers have just one person to deal with compliance, while 69% of firms with between 10 and 49 employees share that responsibility between two or more partners.

Figure 11: Number of individuals responsible for compliance

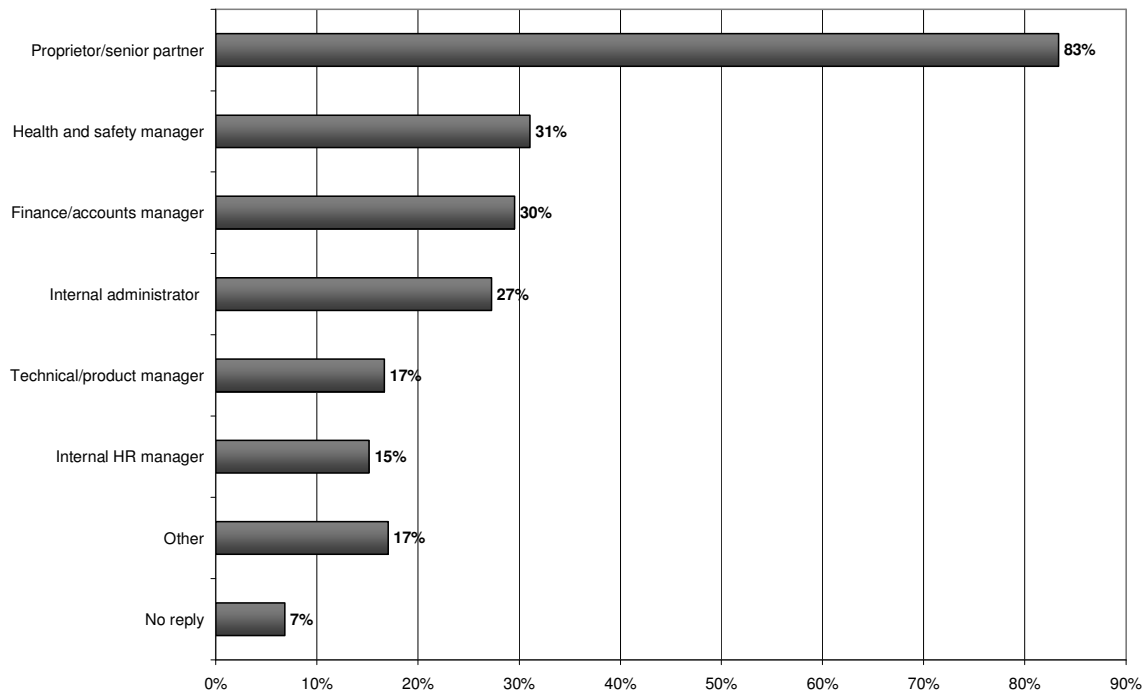
Individuals responsible for compliance	9 or fewer employees	10 to 49 employees	50 to 249 employees
1	46%	27%	0%
2 to 4	43%	51%	42%
5 to 9	9%	12%	26%
10 or more	1%	8%	37%

“In order to keep up to date and attempt to comply with ever-changing regulations, it is necessary to work evenings and weekends. In a small business, employing a person [to ensure compliance] is not viable, so the work is done by me, [the business owner] unpaid, in my free time.”

FPB member response

Businesses that had more than one person with responsibility for regulatory compliance were asked who else was involved in complying with regulations. 29% indicated that only the partners were responsible. This was twice as likely to be the case in micro businesses than small or medium-sized businesses.

Figure 12: Titles of individuals responsible for compliance



In around 9% of firms, every employee, as well as the management, are considered to be responsible for ensuring legal compliance. In micro businesses, just 11% have a health and safety manager and 2% an internal human resources manager, compared to 46% and 20% respectively of medium-sized companies. Other than partners, finance/accounts personnel have regulatory responsibility in a third of small and micro businesses, compared to in 11% of medium-sized companies.

The most common comment in terms of “other” was that the employees themselves had an important part to play in compliance, particularly in businesses such as care homes, or where employees are working off-site.

Historical comparison

In 2007, the FPB undertook its first 'cost of compliance' survey, looking at the time spent by micro, small and medium-sized firms in complying with regulations. In the previous research the responses were not weighted according to the size of the business. Since the sample is broadly similar to the figures used for the latest (2009) survey, the responses in the table below are also unweighted so that responses over time can be compared.

Figure 13: Change in time spent on compliance 2007 vs 2009

	2007	2009	Difference
Employment law	12	13.6	13%
- Dismissals and redundancy	5	1.9	-18%
- Discipline and grievance		2.2	
- Absence control and sickness	4	2.4	-40%
- Maternity, paternity and flexible working	3	1.6	-47%
- Holidays, salaries and other employment matters	n/a	5.5	n/a
Health and safety	14	11.0	-21%
Environment and waste	n/a	3.4	n/a
Tax, PAYE, National Insurance	15	7.8	-48%
Industry/trading standards	n/a	4.8	n/a
Building and property	n/a	4.3	n/a
Equalities and diversity	n/a	1.8	n/a

The unweighted figures for 2009 are higher than the weighted values shown in figure 4 for most aspects of legislation. With health and safety, it is noticeably so, as the requirements for businesses with fewer than 5 employees are significantly less than for those with more than 5 employees. In this sample, the time spent on health and safety by businesses with fewer than 5 employees was approximately half that of micro businesses with between 5 and 9 employees. Feedback from the survey sent out with the FPB's latest *Health & Safety Guide* put the time spent by businesses on compliance with such matters at 12 hours per month, indicating that the figures are not that volatile as time spent on compliance is relatively easily defined.

The time spent on employment law increased by around 13% between 2007 and 2009, but the precise number of hours spent on each element has always been difficult for members to quantify. The significant and time-consuming task is checking for compliance with new regulations and monitoring/administering the current laws, where employment law is treated as a whole rather than as distinct elements.

Time spent on tax, PAYE and National Insurance has decreased significantly; however, this may not necessarily be as a result of improved legislation. The 2007 survey into the cost of compliance was conducted in March, so many respondents would have been focusing on financial issues, with it being the end of the financial year. Companies may also spend less time now on tax compliance because they are making lower (or even no) profits or, as some anecdotal evidence suggests, they are relying more heavily on their accountants for help.

Time spent on complying with maternity, paternity and flexible working legislation has decreased as business owners better understand now what is required of them and have the documentation prepared. Only a small number of businesses commented on this legislation in the course of the research, but those that did felt that their businesses could simply not afford the current cost of existing legislation, indicating in this case that it is simply the cost to the business that the owner is concerned about rather than the cost in terms of compliance.

Regional and sectoral figures

The cost of compliance throughout the UK depends on the size and number of businesses in the region, with little discernable difference between regions.

Figure 15: Overall cost of compliance by industry and region (£m)

	Total	Manufacturing	Construction	TRAD	Services
North East	277	40	37	91	109
North West	1053	131	175	306	441
Yorkshire and the Humber	707	112	91	231	273
East Midlands	660	113	85	203	260
West Midlands	807	133	108	236	330
East of England	923	127	118	263	415
London	1280	76	85	353	765
South East	1403	153	163	372	715
South West	873	132	110	263	368
Wales	402	60	53	136	153
Scotland	634	102	81	216	235
Northern Ireland	284	51	51	95	87
Total	9302	1230	1157	2764	4151
Total external costs	2618	342	331	811	1134

The total estimated cost of compliance for the North East is £277m, with services picking up 39% of the total cost, and transport, restaurants and distribution (TRAD) 33%.

Figure 16: Cost of compliance in the North East (£m)

	Total	Manufacturing	Construction	TRAD	Services
Employment law	71.3	10.4	9.1	22.7	29.2
Health and safety	62.0	11.3	8.8	20.0	21.9
Tax	53.7	7.0	6.9	16.9	22.9
Industry/trading standards	27.5	3.5	3.6	6.9	13.5
Building and property	27.3	2.6	4.3	9.4	11.0
Environment	24.0	3.6	3.3	10.5	6.6
Equalities and diversity	11.1	1.1	0.8	4.9	4.2
Total	276.9	39.6	36.7	91.4	109.3

The total estimated cost of compliance for the North West is £1.05bn, with services picking up 42% of the total cost and TRAD 29%.

Figure 17: Cost of compliance in the North West (£m)

	Total	Manufacturing	Construction	TRAD	Services
Employment law	271.9	34.5	42.8	76.0	118.6
Health and safety	234.1	37.6	41.6	67.1	87.9
Tax	204.8	23.3	33.1	56.6	91.9
Industry/trading standards	105.6	11.4	16.4	23.2	54.4
Building and property	105.5	8.6	21.0	31.5	44.5
Environment	89.9	11.9	16.3	35.3	26.4
Equalities and diversity	41.0	3.8	3.7	16.5	17.0
Total	1,052.7	131.0	174.8	306.1	440.7

The total estimated cost of compliance for Yorkshire and the Humber is £707m, with services picking up 39% of the total cost and TRAD 33%.

Figure 18: Cost of compliance in Yorkshire and the Humber (£m)

	Total	Manufacturing	Construction	TRAD	Services
Employment law	182.1	29.5	22.4	57.4	72.8
Health and safety	159.1	31.9	21.9	50.7	54.6
Tax	137.0	19.8	17.2	42.7	57.3
Industry/trading standards	69.8	9.8	8.8	17.6	33.7
Building and property	69.5	7.3	10.9	23.7	27.5
Environment	61.3	10.1	8.2	26.6	16.4
Equalities and diversity	28.1	3.2	2.0	12.4	10.4
Total	706.8	111.6	91.5	231.1	272.7

The total estimated cost of compliance for the East Midlands is £660m, with services picking up 39% of the total cost and TRAD 31%.

Figure 19: Cost of compliance in the East Midlands (£m)

	Total	Manufacturing	Construction	TRAD	Services
Employment law	169.8	29.7	20.7	50.3	69.1
Health and safety	149.0	32.4	20.2	44.4	52.1
Tax	128.5	20.1	15.9	37.4	55.1
Industry/trading standards	65.3	9.8	8.1	15.4	32.0
Building and property	64.6	7.4	10.1	20.8	26.3
Environment	56.8	10.2	7.7	23.3	15.5
Equalities and diversity	25.9	3.3	1.8	10.9	10.0
Total	660.0	112.9	84.5	202.5	260.1

The total estimated cost of compliance for the West Midlands is £807m, with services picking up 41% of the total cost and TRAD 29%.

Figure 20: Cost of compliance in the West Midlands (£m)

	Total	Manufacturing	Construction	TRAD	Services
Employment law	207.1	35.2	26.3	58.3	87.4
Health and safety	182.1	38.3	26.3	51.5	66.1
Tax	157.8	23.7	20.5	43.7	69.9
Industry/trading standards	80.6	11.5	10.8	17.7	40.6
Building and property	79.5	8.8	13.1	24.3	33.3
Environment	68.1	12.1	9.0	27.3	19.7
Equalities and diversity	31.6	3.9	2.3	12.8	12.6
Total	806.8	133.4	108.3	235.6	329.6

The total estimated cost of compliance for the East of England is £923m, with services picking up 45% of the total cost and TRAD 28%.

Figure 21: Cost of compliance in the East of England (£m)

	Total	Manufacturing	Construction	TRAD	Services
Employment law	236.9	33.0	28.8	65.4	109.7
Health and safety	206.2	37.1	28.1	57.7	83.4
Tax	182.1	23.0	22.2	48.5	88.4
Industry/trading standards	93.1	10.8	11.2	20.1	51.1
Building and property	91.3	8.2	14.1	27.0	42.0
Environment	77.4	11.7	10.7	30.2	24.8
Equalities and diversity	36.1	3.6	2.5	14.1	15.9
Total	923.2	127.4	117.6	263.0	415.3

The total estimated cost of compliance for London is £1.3bn, with services picking up 60% of the total cost and TRAD 28%.

Figure 22: Cost of compliance in London (£m)

	Total	Manufacturing	Construction	TRAD	Services
Employment law	332.4	20.0	20.8	88.0	203.6
Health and safety	273.3	22.1	20.3	77.4	153.6
Tax	256.0	13.7	16.0	65.0	161.3
Industry/trading standards	136.2	6.5	8.2	27.2	94.5
Building and property	128.3	5.0	10.2	36.1	77.0
Environment	101.1	7.0	7.7	40.5	46.0
Equalities and diversity	52.2	2.2	1.8	18.9	29.3
Total	1279.5	76.3	85.0	353.0	765.3

The total estimated cost of compliance for the South East is £1.4bn, with services picking up 51% of the total cost and TRAD 27%.

Figure 23: Cost of compliance in the South East (£m)

	Total	Manufacturing	Construction	TRAD	Services
Employment law	361.3	39.9	39.8	92.7	189.0
Health and safety	308.7	44.6	38.9	81.8	143.4
Tax	278.9	27.6	30.8	68.4	152.1
Industry/trading standards	145.1	13.1	15.5	28.6	88.0
Building and property	139.9	9.9	19.6	38.1	72.3
Environment	114.2	14.0	14.9	42.6	42.7
Equalities and diversity	55.0	4.4	3.5	19.9	27.3
Total	1403.2	153.4	162.9	372.1	714.8

The total estimated cost of compliance for the South West is £1.4bn, with services picking up 42% of the total cost and TRAD 30%.

Figure 24: Cost of compliance in South West (£m)

	Total	Manufacturing	Construction	TRAD	Services
Employment law	223.0	33.3	26.9	65.2	97.6
Health and safety	196.9	39.1	26.4	57.7	73.7
Tax	171.7	24.3	20.9	48.4	78.1
Industry/trading standards	86.6	10.9	10.5	20.0	45.3
Building and property	85.8	8.3	13.3	27.0	37.2
Environment	74.4	12.2	10.1	30.1	22.0
Equalities and diversity	34.1	3.6	2.3	14.1	14.1
Total	872.6	131.6	110.4	262.5	368.1

The total estimated cost of compliance for Wales is £400m, with services picking up 38% of the total cost and TRAD 34%.

Figure 25: Cost of compliance in Wales (£m)

	Total	Manufacturing	Construction	TRAD	Services
Employment law	102.7	15.4	13.1	33.6	40.6
Health and safety	90.7	17.6	12.7	29.6	30.7
Tax	78.7	11.0	10.1	25.2	32.4
Industry/trading standards	39.2	5.2	5.1	10.2	18.9
Building and property	39.7	3.8	6.4	14.0	15.5
Environment	35.4	5.5	4.9	15.8	9.2
Equalities and diversity	16.0	1.7	1.1	7.4	5.9
Total	402.4	60.3	53.3	135.8	153.0

The total estimated cost of compliance for Scotland is £633m, with services picking up 37% of the total cost and TRAD 34%.

Figure 26: Cost of compliance in Scotland (£m)

	Total	Manufacturing	Construction	TRAD	Services
Employment law	162.9	26.1	20.0	53.8	63.0
Health and safety	143.7	29.8	19.4	47.5	47.0
Tax	122.4	18.5	15.2	39.7	49.0
Industry/trading standards	62.2	8.7	8.0	16.6	29.0
Building and property	61.8	6.5	9.6	22.1	23.6
Environment	55.4	9.4	7.2	24.7	14.2
Equalities and diversity	25.2	2.8	1.8	11.6	9.0
Total	633.6	101.8	81.0	216.0	234.8

The total estimated cost of compliance for Scotland is £294m, with services picking up 31% of the total cost and TRAD 33%.

Figure 27: Cost of compliance in Northern Ireland (£m)

	Total	Manufacturing	Construction	TRAD	Services
Employment law	72.8	13.0	12.6	23.8	23.3
Health and safety	65.8	15.0	12.3	21.1	17.4
Tax	54.3	9.3	9.7	17.1	18.2
Industry/trading standards	27.5	4.3	4.9	7.5	10.8
Building and property	27.7	3.2	6.2	9.5	8.8
Environment	25.1	4.7	4.6	10.5	5.2
Equalities and diversity	10.8	1.4	1.1	5.0	3.3
Total	284.0	50.8	51.4	94.7	87.1

Methodology

Members of the FPB were asked to complete a simple one page questionnaire. These questions investigated the people in the organisation with responsibility for compliance, approximate time spent on compliance, its impact and proportionality.

Questions in the 2009 survey about the time spent on individual regulations were based on time bands used in the first cost of compliance survey in 2007, to allow direct comparison of responses over time.

As with the 2007 research, average values were created using a mid-point to provide mean hourly figures for each legislative category. Businesses were then weighted using BERR's (now known as BIS) latest statistics on SMEs by size and industry to provide a national indicator of total cost of regulation.

Once 'hours per month' figures were generated for each type of business (by size and industry), the cost of compliance was calculated using the hourly rates from the latest Annual Survey of Hours and Earnings (ASHE) from 2008, providing the cost to the business based on payroll data.

Rather than use the standard rate for senior managers and proprietors, we weighted the response on an approximate basis according to the answer to the question of who is responsible for compliance in each company. As such, the following figures were used:

FPB response	Hourly rate (£)	ASHE definition
Proprietor/senior partner	18.57	Managers and proprietors in agriculture and service
Internal HR manager	13.8	Business and public service associate professionals
Internal administrator	9.25	Administrative occupations
Finance/accounts manager	17.58	Business and public service professionals
Health and safety manager	15.73	Protective service occupations
Technical/product manager	17.58	Business and public service professionals
Other	17.58	Business and public service professionals

Figures are only approximate, as if an administrator and proprietor were involved in compliance, the burden would be distributed evenly. For those who stated only one person was responsible for compliance, responsibility was assumed to sit with the owner. Total hourly rates were:

Size of company	Hourly rate (£)
Micro business employer (1 to 9 employees)	17.27
Small business employer (10 to 49 employees)	16.88
Medium-sized business employer (50-249 employees)	16.46

Comparison with 'Burdens Barometer' from the British Chambers of Commerce

The Burdens Barometer is the most comprehensive overview of regulation in the UK and estimates that the current burden on all businesses (including sole-traders and large corporations) is £10.82bn per year. The figures are based on impact assessments by government and EU departments, and cover all major regulations that affect businesses. However, it looks at only regulatory change since 1998, so will not include longer-standing regulations, particularly on issues such as tax.

The FPB's figure of £9.3bn is much higher than would be expected in comparison to the BCC figure, when it is taken into account that our research looks only at micro, small and medium-sized business employers. This would indicate that 85% of the total cost was borne by businesses that account for just over a quarter of the total number of enterprises and 43% of employment.

Our research will also include inefficient time, as business owners wade through new legislation to find out whether it affects them or their processes, in a way that is not as effective as in large corporations. Further, our research looks at the perception of owners in terms of the time taken per month and may explain the discrepancy between what small business owners perceive to be the impact of regulations and the work done by the Better Regulation Executive to reduce the burden on businesses.