

Scottish Trades Union Congress

Challenging the Red Tape Myths



Economy Discussion Paper Series No.1

Introduction to the STUC *Economy Discussion Papers Series*

The STUC shares the Scottish Executive's commitment to sustainable economic growth. We are passionate about the economy, the jobs it provides and the proceeds it generates to allow our country to flourish.

However, in 2006, Scotland's trade unions are dismayed by much of what passes for debate on the Scottish economy. Shrill lobbying on marginal issues by a plethora of organisations jockeying for position post-devolution has produced a culture where debate is very narrowly focused. Orthodoxies emerge and become ingrained despite being founded on little or no evidence. Analysis is selective and distorted through highly politicised prisms to support policy positions that are fundamentally ideological in nature.

This sad spectacle is not what the STUC envisaged when campaigning for a Scottish Parliament. Rather we believed devolution would provide an environment in which politicians of every hue, government, employers, trade unions, enterprise agencies and civic Scotland were afforded a meaningful and regular opportunity to debate, discuss and, when necessary, constructively disagree about Scotland's economic present and future.

Despite recent rhetoric about the merits of creating a national consensus on economic growth, no-one seems prepared to grasp the mettle and make it happen. The success of other small European nations is often used to promote the lowering of corporation taxes and deregulation yet we seldom hear about the social partnership underpinning the success of the Irish and Nordic models.

The STUC's goal is simple: to build a society where the fruits of sustainable economic growth are broadly shared with those who create that growth each day of their working lives. To do this we must endeavour to create an economic architecture that reconnects a strong, flexible economy to the living standards of all, not just to residents of the penthouse. A prosperous society yes, but also a cohesive, happy and confident society.

This paper is the first in a series to be published by the STUC on aspects of the Scottish economy. We hope the series serves to constructively challenge those promoting a low-road route for Scotland's economy based on cost minimisation and antediluvian working practices. Business has benefited from years of macroeconomic stability, profitability is at a forty year high yet investment in people, plant and research is nowhere near the levels required if we are to meet the objectives set out in *A Smart, Successful Scotland*. It is about time that voices, such as Scotland's trade unions, that challenge the cosy orthodoxies about why this is the case are heard.

Grahame Smith

General Secretary

EXECUTIVE SUMMARY

- There is a fundamental disconnect between employer lobbying over 'red-tape' or 'business burdens' and the evidential base – the UK and Scotland are not over-regulated economies. Indeed, the opposite is true. The international evidence is clear: the UK is a lightly regulated economy.
- The 'red-tape' debate requires an urgent dose of clarity. The absence of detail masks an agenda to undermine the rights of workers and consumers and lower environmental protection.
- The STUC supports practical measures to assist employers in dealing with new responsibilities. We also recognise that regulation must adapt to keep pace with the changing economy. The Scottish Executive's current approach to better regulation is sensible and proportionate.
- Crude deregulatory measures such as 'one in, one out' and targets for percentage reductions are absurd, impractical and detrimental to the interests of workers, communities, the environment and long-term sustainable growth.
- The focus on deregulation is a diversion from the real challenges facing the Scottish economy. It is time employers were challenged to take advantage of a decade of economic stability and a forty year high in profitability to invest in people, plant, research and the creation of high performance workplaces.

Challenging the Red Tape Myths

“...Yet the contrast between this political certainty and the underlying nature of the problem is a stark one. In the policy debate, the term ‘regulation’ lacks a commonly agreed definition, and the causal link between an increase in regulation and lower economic performance is at best crudely described....The policy positioning is largely devoid of convincing empirical support – as if it were so obvious as to need no justification. It is hard to think of any other area of government policy where the gap between public policy assertions and an evidence base is wider”ⁱ.

Introduction

Deiter Helm’s quote above perfectly captures the essence of all that is wrong with the current debate about Government regulation of business. Despite the glaring lack of any persuasive supporting evidence, hardly a day goes by without some media story about the growing ‘burden’ of ‘red tape’ and how it is strangling business and threatening Scotland’s economic position.

The source of these stories tends to be either the Scottish Conservative Party or employer representative organisations such as the CBI, Chambers of Commerce and the Institute of Directors. They claim that their members are worried about the growth of legal regulation in Scotland and the UK.

“The Executive has turned volume legislation into an art form, acts spewing out of the Scottish Parliament like confetti and much of the legislation has created regulation and bureaucracy for business”.
Annabel Goldie, Scottish Conservative leader, 25 October 2006ⁱⁱ

According to the British Chambers of Commerce’s dramatically portentous ‘business burdens barometer’ the Government has introduced £38.9 billion worth of extra red tape since 1998ⁱⁱⁱ. A worrying figure if it wasn’t such a wild exaggeration.

Given the strength of employer rhetoric about red-tape, it is rather perplexing to consider that a helpline introduced by the Improving Regulation Unit in Scotland in 2001 was wound up in October 2006 after taking just four calls in its last year. Perhaps this hints at a massive disconnect between the campaigning of the red-tape doom merchants and experience on the ground?

Let us be clear, no organisation, least of all the STUC, is in favour of sloppy, inefficient or unnecessarily complicated legislation. The STUC will always support measures aimed at assisting employers to comply with clear and efficient regulation. We also recognise that regulation must adapt to keep pace with the changing economy.

Where problems can be identified they should be dealt with quickly and the STUC is happy to play a constructive role in the Scottish Executive’s sensible and proportionate initiatives aimed at achieving such objectives.

However, complaints of red tape are rarely about the detail of specific legislation; instead they are a whinge about regulation in general. This is because some employers' organisations promote the myth of a 'red tape' crisis to try to dissuade the government from improving

- minimum standards for people at work;
- consumer rights and safety;
- decent business ethics; and
- environmental protection.

Any honest assessment will reveal that the anti-'red tape' crusade is, in fact, really just a campaign for weaker laws concealed by PR spin. This is revealed by those who attack 'red tape' deliberately confusing the costs of administering new rules and the costs and benefits of implementing the actual measures.

Take the minimum wage as an example. Administering the minimum wage costs very little. Some employers will have to pay their workers more, but that is the intention of the law and can hardly be classed as red tape. The minimum wage brings benefits to low paid workers, to taxpayers in general because the cost of in-work benefits is reduced and to employers themselves because the morale of their workforce is increased and the labour market expanded. Other measures also have beneficial labour supply effects, such as the right to paid holidays set by the Working Time Regulations.

This report examines employer 'red tape' claims and finds them seriously deficient. There is no clear link between regulation and the strength of the economy, jobs and productivity. Therefore, it is both desirable and possible to protect people properly *and* to have a successful economy. In short, employer 'red tape' rhetoric is bogus.

Myth 1 - Regulation renders Scotland uncompetitive and restricts employment growth

Since 1997, the Labour Government in Westminster has introduced a new set of minimum employment standards. These include the National Minimum Wage and the right to four weeks' paid annual leave in the Working Time Regulations, stronger protection against unfair dismissal and maternity and paternity rights.

At the same time as these new rights were being introduced, employment levels in the UK rose sharply. Between 1997 and 2005 the total number of employee jobs increased by 2.1 million (9.6 per cent)^{iv}.

Crucially, the number of jobs in some of the industries with a high concentration of low pay also increased as the UK labour market has become more regulated.

Table 1: Growth industries with a high concentration of low pay

<i>Industry</i>	<i>Autumn 1997</i>	<i>Autumn 2005</i>	<i>change (+ per cent)</i>
Retail	2,358,000	2,715,000	+357,000 (+15.1%)
Investigation and security services	99,000	144,000	+45,000 (+45.4%)
Hairdressing and other beauty treatments	99,000	124,000	+25,000 (+25.2%)

Source: ONS Labour Force Survey Microdata Service

The table above shows that the number of jobs in some sectors associated with low pay has actually increased since 1997. This is strong evidence against the 'red tape' theory.

The new regulations have clearly not made business unprofitable. Recent figures from ONS show that UK company profitability has hit a 40 year high. The net return on capital was 40%, the highest quarterly figure since records began^v.

Nor has regulation blunted the UK's entrepreneurial culture. The number of VAT registered businesses increased by 190,000 between 1997 and 2005^{vi}. This 11.7 per cent increase took the total number of UK businesses up to 1,820,000.

Clearly Scotland's performance in this respect is less impressive. However, the historical nature of this problem and the fact that Scotland competes on a level-playing field with England in terms of employment regulation and company law precludes 'red-tape' as a possible explanation for lower rates of business start-ups.

Myth 2 - the UK is too heavily regulated compared with other economies

In fact, according to the authoritative Organisation for Economic Co-operation and Development (OECD), the UK is lightly regulated. The most recent assessment of the UK economy by the OECD confirms the positive picture:

“Over the last decade macro-economic performance has been impressive: GDP growth has been robust and cyclical fluctuations in output have proved smaller than for almost any other OECD economy; whilst inflation has remained close to target. This performance is a testament to the strength of the institutional arrangements for setting monetary and fiscal policy as well as to the flexibility of labour and product markets.” (OECD Economic Surveys, UK, November 2005).

As the OECD assessment points out, the UK has by international standards very flexible product and labour markets. The OECD survey went on to say:

“The UK is among the leading economies in the OECD in terms of liberal product market regulation and ranks highly in most aspects of labour market flexibility. Recent OECD work that constructed a composite policy indicator of flexibility ranked the UK the highest among all OECD economies”.

The OECD has developed measures of the administrative burdens on business and whether regulation is more or less strict. The UK ranks lower than virtually any other OECD economy on all the indicators. These include the administrative burden on corporations, on sole proprietors, and on start-ups, and sector specific administrative requirements. Details of the indicators for 2003 are given in the tables below that compare the UK against the other major industrialised economies in the OECD (G7).

Table 2: Administrative burdens compared across the G7 economies

2003		OECD administrative burdens index (6=most burdensome, 0 = least)					
Corporations		Sole proprietors		Sectoral		Start-ups	
Italy	2.8	Italy	2.8	Japan	2.3	Italy	2.4
Germany	2.3	Germany	2.3	Italy	2.1	Japan	1.9
France	2.0	Japan	2.3	France	1.6	France	1.9
Japan	1.5	France	2.0	Germany	1.4	Germany	1.6
US	0.8	US	1.3	US	1.0	US	1.0
Canada	0.8	Canada	1.3	Canada	0.9	Canada	0.9
UK	0.8	UK	0.5	UK	0.6	UK	0.7

Source: *Product Market Regulation in OECD Countries*, OECD Working Paper no 419, April 2005.

Furthermore, there is no clear relationship between a country's regulatory regime and their productivity record. Successful, high productivity businesses pursue the 'high road' to success rather than just trying to cut costs at every turn. Such businesses do not spend their time campaigning against decent standards of regulation but welcome them because they prevent them being undercut by 'cowboys'. This is hard to explain if lack of regulation were the main route to labour market success.

Table 3 below shows how the labour productivity of the major European Union countries, the US and Japan have moved since 1997 in comparison with the EU -15 average. Some countries with very strong labour standards and a high degree of regulation have continued to improve their position.

The position of the UK is a matter of particular interest. We have enjoyed a raft of new workers rights since 1997, but our productivity position relative to the EU as a whole has improved.

Table 3: labour productivity per hour worked

Country	Productivity per hour 1997	Productivity per hour 2003	Change against EU 15 average
Norway	121.4	139.7	+18.3
Belgium	120.5	122.9	+2.4
France	111.3	114.8	+3.5
Ireland	100.9	114.8	+3.9
USA	105.3	110.5	+5.2
Germany	104.3	103.2	-1.1
Sweden	95.2	98.1	+2.9
Denmark	99.9	97.9	-2.0
UK	87.3	94.1	+6.8
Japan	74.2	75.8	+1.3
EU-15	100.0	100.0	-

Source: Eurostat (latest figures available for all countries 2003). Purchasing Power Parity Measure EU-15 Labour Productivity = 100

It is worth noting that other authoritative organisations have arrived at similar conclusions. For instance, the World Bank's 'ease of doing business' rankings place the UK 6th in a league table of 145 countries^{vii}. A remarkable result for an over-regulated basket case?

Myth 3 - employers are more worried about red tape than anything else

Listening to the employer representative organisations' chorus of complaints about 'red tape' you could be forgiven for thinking that there are thousands of unnecessary regulations in the UK. Indeed, one employers' organisation has called for a 'bonfire of regulations'.

Yet when asked to identify bad or useless regulations the employers have had great difficulty in identifying suitable candidates for the chop. A recent Government Consultation by the Better Regulation Executive drew less than 100 responses, whilst an exercise carried out by the British Chambers of Commerce, a leading campaigner against 'red tape', resulted in fewer than 30 responses^{viii}. As the BCC has 135,000 member businesses, this represents a response rate of 0.02 per cent.

Government research^{ix} suggests that the methodology used for employer organisations surveys is flawed; in that they are likely to be answered by a group of small business employers who are over-pessimistic about regulation.

When the Government conducted a robust survey with a properly controlled sample of small businesses it produced a strikingly different result. One in six small business owners were concerned about new employment rights. However, twice as many (one in three) thought that new employment rights had helped their businesses, one in five said that they set standards for them to follow and one in ten said that they had raised staff morale.

Myth 3 - All employment law is 'red tape'

Some employers' organisations still oppose decent rights for working people, such as the National Minimum Wage and the right to paid annual holidays. However, they realise that such views are very unpopular; therefore, they prefer to talk about 'red tape' in general since this lets them off the hook of having to specify employment rights they actually want to do away with.

However, it is simply wrong to conflate the costs of introducing and administering a particular law with the costs of the benefits that it brings. For example, the single biggest item in the British Chamber of Commerce mythical £40 billion of red tape is their claim that the Working Time Regulations have cost the UK £15.9 billion. The major impact of the UK regulations so far has been to give low paid workers paid holidays - it is inaccurate and churlish to call this 'red tape'

In fact, the original risk assessment that this figure was based on was subsequently withdrawn by the DTI. However, the biggest single part of the predicted cost of the regulations was the right to four weeks' paid annual leave. This right led to 2 million employees having paid holidays for the first time and a further 4 million gaining an increase in their entitlement. The majority of the gainers were women part-time workers.

Although the amount of extra holiday given by this increase was the equivalent to giving every UK employee an extra two days off per year, employers did not complain about this at the time, but chose to focus on retaining the opt-out from the 48-hour week.

It would, of course, be perfectly valid for employers to suggest how the cost of introducing and maintaining an new employment measure such as the right to four weeks paid annual leave could be reduced - although it would be difficult to find significant savings in this case as the law is quite efficient.

Table 3 below looks at the regulations that the British Chambers of Commerce say cost UK business the most. Taken together, these regulations account for 62 per cent of the BCC's alleged £50 billion pounds of red tape.

Table 3: What employers say is 'red-tape' - some misleading claims.

<i>Law</i>	<i>What the law does</i>	<i>STUC comments</i>
Working Time Regulations	Workers entitled to: 4 weeks' paid annual leave, 1 days rest per week, 11 hours rest per day 20 minute break if they work more than 6 hours per day Maximum average 48 hour week (but workers can opt-out) 48 hour weekly limit on nightwork Free health check for night workers	The entitlements have been set to prevent employees harming themselves or others through overwork. The targets have been set using scientific evidence.

Vehicle Excise duty (Reduced Pollution) Amendment Regulations	Under the 1998 regulations, UK Heavy Good Vehicle and bus and coach owners can get a reduction on their VED if it meets a set of environmental rules that are better than the standard of particulate emissions required by EU emissions directive. The 2000 amendment tightened the standard. The reduced pollution rebate is currently worth up to £500 for Goods Vehicles and £335 for Buses.	STUC unions have many members in road haulage and bus and coach services. They are in favour of better environmental standards.
The Data Protection Act 1998	All employers that keep information on people must comply with the Data Protection Act. Some businesses must register under the Act and ensure their information is properly managed. But others only need to observe data-protection principles - enforceable rules of good practice for handling personal information.	Sensitive data about individuals must only be used for proper purposes. Safeguards the fundamental rights of individuals.
<i>Law</i>	<i>What the law does</i>	<i>STUC comments</i>
Control of Asbestos at work Regulations 2002	These regulations tighten earlier rules on the use of asbestos at work. In short, they introduce a duty to manage asbestos by risk assessment procedures, environmental information and health monitoring, and establishing warning systems to deal with an emergency in the workplace related to the use of asbestos in a work process or the removal or repair of asbestos-containing materials.	Asbestos is a deadly source of cancer. It must be properly managed or people will die unnecessarily.
National Insurance: Service Provision Through Intermediaries (Inland Revenue Reg 35)	Stops employers and workers avoiding National Insurance Contributions and incomer tax by employing through intermediary service companies.	Outlaws tax evasion from bogus self employment
Disability Discrimination (Providers of Service)	Service providers must modify their premises to make them accessible to disabled people, to the extent that this is reasonably practicable.	Disabled people should have access to commercial

Adjustment of Premises Regulations		premises. The law only asks for reasonable alterations.
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It seems to us to be entirely right that workers should have paid holidays, and that they should be protected from asbestos, that citizens should have the right not to have their personal details misused, that disabled people should be able to enter commercial premises, and that the government should crack down on tax avoidance and vehicle pollution.

The British Chambers of Commerce 'red tape' list also includes:

- The Groundwater Regulations 1998
- The Fire Precautions (Workplace) (Amendment) Regulations 1999
- The Pesticides (Maximum Residue Levels in Crops, Food and Feeding Stuffs (England and Wales) Amendment Regulations 2000
- The Maternity and Parental Leave (Amendment) Regulations 2001
- The Proceeds of Crime Bill 2001
- Police Powers to Close Disorderly Premises 2001
- The Dangerous Substances and Explosives Atmospheres Regulations 2002
- The Money Laundering Regulations 2003
- The Electricity and Gas (Energy and Efficiency Obligations) Order 2004
- The Road Transport (Working Time) Regulations 2005

There is little point in simply listing all legislation enacted since 1997 unless the BCC wants some of it to be amended or repealed. The BCC should state clearly why each of these measures feature on their 'business burdens barometer' and what they think should be done about them.

Measuring the costs and benefits of regulation.

Regulatory Impact Assessments (RIAs) make some estimation of the likely costs and benefits of new laws. However, they need to be interpreted with a great degree of caution since they are never sufficient to inform the reader whether the new law delivers a net benefit. The Government has actively been trying to improve the quality of its RIAs but the task is quite a difficult one in technical terms. Furthermore, the earlier RIAs have not been revisited, so they are even less accurate. This criticism includes the RIAs for the right to paid annual leave (1998) and for the National Minimum Wage (1999).

The problem is that RIAs usually estimate costs in a mechanical way. For example, the RIA for the 48-hour limit on weekly working time simply took the number of hours worked above the limit, divided the total by 48 hours, and assumed that the new law would mean that x amount of extra workers would be hired.

What actually happened was that employers and unions used their brains and there has been a trend away from long hours and towards greater efficiency.

But costs are only half of the story. RIAs tend to say that there will be some benefits to the employer, to the worker and to society as a whole (better health and safety reduces the burden on the NHS, for instance), but rarely make any attempt to cost these benefits.

It follows that they are not a good indicator of the cost of legislation as a whole - let alone the administrative cost of legislation, which might be argued to be red tape.

Our recommendation is that the Government should put more effort into calibrating the benefits of new laws as well as the costs. Good RIAs would help to ensure good policy making, but poor RIAs are rather a hostage to fortune to the anti 'red-tape' brigade.

Scotland

We have demonstrated above that so much of what we hear about 'red-tape' is in fact demonstrable nonsense. However, we have yet to explore whether devolution has led to a situation whereby Scottish businesses are over-regulated in comparison with their English counterparts. To listen to some politicians and employer lobbyists you could be forgiven for believing this to be the case.

Again, the STUC believes that Scottish employer organisations must be challenged on the detail. There is a consensus that the vast majority of regulation affecting business comes from either Westminster or Brussels. Therefore, the key questions must be:

- Has the legislation introduced by the Scottish Executive placed intolerable burdens on business?
- Has the Scottish Executive implemented EU Directives in a way that 'gold-plates' regulation in comparison with England?

To take the first of these questions: it is very difficult to conclude from a simple read through the list of all legislation enacted by the Scottish Parliament that the passing of this legislation has added too many additional burdens on Scottish business. If employer organisations disagree with this proposition, it is incumbent on them to identify the particular Act and suggest what exactly should be repealed or amended.

Similarly, there appears to be very little evidence to support the contention that the Scottish Executive 'gold-plates' at all, never mind in comparison with England. Indeed, the STUC would argue that the reverse is true. Fear of being accused of gold-plating has led the Executive to implement Directives, such as the Public Sector and Utilities Directives in a minimal way. This action was, we believe, detrimental to the interests of Scottish businesses, workers and communities.

Does it matter?

There are surely more important matters to be concerned about than employers bleating about 'red-tape'? Although this is undoubtedly true, two important factors must be taken into account:

The hugely disproportionate response of Government

It is somewhat paradoxical that lobbyists who, when they're not complaining about regulation are criticising the size of the public sector, are content for rising numbers of civil servants to be engaged in activity to identify, measure and dismiss regulation. This is wholly disproportionate and a sorry waste of a limited resource. The recent Legislative and Regulatory Reform Bill and current WTO negotiations on domestic regulation indicate that the stampede towards deregulation has dangerous implications for democracy never mind industry.

When addressing the CBI conference on 27 November, Tony Blair suggested that he would introduce a target for all Whitehall Departments to reduce red tape by 25%.

Such arbitrary targets (percentage reductions or other proposed measures such as one in, one out) are illogical, likely to involve a scandalous waste of a scarce resource and are ultimately highly dangerous. Regulation exists to address market failure. To set arbitrary targets will necessarily jeopardise workers' rights, consumer rights and the environment.

It is a serious diversion from the serious challenges facing the Scottish economy

A consensus has emerged post-devolution that sustainable economic growth should be the number one priority of the Scottish Executive. There is also something of a consensus around the general approach to economic development as set out in *A Smart, Successful Scotland*.

It is a real pity therefore, that so much capital continues to be spent on marginal issues such as business rates and regulation. We need to re-focus on building up the skills of the workforce, the expertise of our managers and our investment in people, plant and research. The business community must be challenged about their failure to take advantage of the economic stability created by the present government to invest. Continuing to blame government bureaucracy for their own short-termism is simply not credible.

Conclusions

All the evidence shows that businesses succeed because they have a good product or service to sell, which is delivered in a well-organised way. Such employers tend not to moan about regulation. In contrast, deregulation favours 'cowboy' employers who want to race each other to the bottom of the hill.

The truth is that some of the world's most productive economies combine good rights at work, strong trade unions and low unemployment. The idea that

wealth creation only comes about when few have rights is simply wrong in a modern knowledge economy.

Furthermore, if you actually ask employers about the impact of specific regulations, such as the National Minimum Wage, more think that they have been helped than hindered.

Many employers now recognise that sensible regulation has an important role in establishing a level playing field, so that good employers are not undermined by the bad. The National Minimum Wage, for example, prevents employers from competing by dragging wages down to the lowest possible levels.

The STUC is not complacent about regulation and is keen to engage on an agenda that is genuinely about better, not less, regulation. We have identified a number of poor regulatory decisions over the past few years (poor decisions are a very different beast from growing ‘burdens’) and have particular concerns over the accountability of our utility regulators^x.

However, an appropriate level of effective regulation is a vital component in the infrastructure required to nurture and sustain a modern knowledge based economy. Employer attempts to pursue an aggressively deregulatory agenda are therefore at odds with the vision outlined in *A Smart, Successful Scotland*.

Final word goes again to Dieter Helm:

“Although it may disappoint many of the shriller voices in industrial lobbies and some politicians, regulation is a permanent feature of efficient economies. Too little regulation inhibits the development of markets and their efficient operation, undermines competition, and can be an impediment to investment in public goods, networks and infrastructure. Crude regulatory reform initiatives are almost certain to fail. The much harder task of designing appropriate regulation on a disaggregated basis is likely to be more rewarding in increasing economic efficiency – although it should be conducted with the tendency to oversupply regulation in mind. Leaning against the wind of regulation requires more robust analysis of each regulatory instrument, but this is not well achieved through rough and ready RIAs, the BRTF’s five general principles or, worse, targets to reduce regulation by 25% and ‘one in, one out’ rules. Such policies will not only fail to be delivered, but delivering them may, in any event, be economically detrimental”.

STUC Recommendations

Employers' organisations need to move the debate on to more sensible ground. Arguing that all regulation is red tape has little resonance, and does not reflect the real position of the majority of their members, who recognise the need for decent standards.

- 1 Government Ministers should promote the positive role of regulation in a modern knowledge-based economy and refrain from consistently pandering to the evidence-challenged lobbying of employer organisations.
- 2 Crude deregulatory measures such as percentage reductions are absurd and must be avoided at all costs.
- 3 The debate requires clarity and honesty. All restrictions on business activity, no matter how sensible or widely appreciated, are referred to as 'red-tape'. The regulation of utilities, employment protection regulation, the 'burden' of complying with taxation requirements, environmental protection regulation are all deliberately conflated and confused by those who wish to escape their responsibilities. Government must challenge the deregulators to say what they mean.
- 4 Government needs to look again at the way it undertakes regulatory impact assessments. At the moment they are unhelpful at best and many are actually misleading. We need to develop measures that balance the costs and benefits for employers, workers and society.
- 5 The design of better regulation requires greater social partner involvement. The STUC has argued for stronger social partner involvement in designing and implementing regulation, especially in the labour market. Where this has been done the outcome is often better designed and commands wider support than when regulation is left entirely to the Government. Many European directives offer more flexibility if implemented through collective agreements. Positive employer support for a stronger social partner role would do more to reduce unnecessary or badly designed regulation than misconceived red tape campaigns.
- 6 All regulations should be easily understood and implemented effectively. There is an argument for giving SMEs extra support and help so they can comply with new regulations. Regulations need to be regularly reviewed to make sure they are still relevant and keeping pace with the changing workplace.

ⁱ Regulatory Reform, Capture and the Regulatory Burden' Deiter Helm, New College Oxford, Oxford Review of Economic Policy Vol.22, No.2 2006

ⁱⁱ In a speech to SCDI members. Source: Scottish Conservative new release 25 October

iii BCC Website November 2006

<http://www.chamberonline.co.uk/czP1NeJohOhB8A.html>

iv ONS Labour Market Trends, February 2006, Table 1

v ONS First Release, Profitability of UK Companies 2nd Quarter 2006

vi Source DTI Small Business Service

vii World Bank 'ease of doing business' rankings

<http://www.doingbusiness.org/EconomyRankings/>

viii Ministers Reject the £50bn Cost of Red-Tape, Financial Times, 1 March 2006

ix Small Firms Awareness and Knowledge of Individual Employment Rights, DTI 2002

x this will be the subject of a forthcoming STUC Discussion Paper