



How will the new one-in one-out business legislation affect your firm?

From the 1st of September new red tape legislation will be implemented. But what will this mean for small firms? Saleem Sheikh, senior partner and head of private client at City law firm GSC Solicitors LLP investigates

On the 5 August 2010 the Coalition Government introduced the one-in one-out system for business regulation. The system was originally promised in October 2009 by the then Shadow Business Secretary Kenneth Clark as part of a package aimed at sweeping away the excessive regulation the business have to face. At the time he claimed that small businesses were spending seven hours a week on form-filling and in government promised that he would act as a 'bouncer' to prevent more red tape reaching the statute book.

Now with the Liberal Democrats Vince Cable standing by the door, the Coalition Government has said that they will adopt the one-in one-out system as of 1 September 2010.

Is it enough?

The British Chamber of Commerce estimates that since 1998 the total net cost of the major new regulation of business has been £88.3bn with recurring annual costs of over £1bn.

The one-in one-out policy is not an obligation to reduce the red tape businesses face, but rather a promise that the current burden will not increase. Where ministers wish to introduce legislation that impose a regulatory burden and costs on businesses they will have to first indentify a regulation of an equivalent value that can be removed.

A Forum for Private Business survey last year found that 81% of SMEs felt that the current framework was already "unrealistic and unfair" and had resulted in medium sized enterprises spending an average of 131 hours per month, the equivalent of one full time employee, complying with regulations. It also placed the internal cost to smaller employers of complying with the regulations at over £9bn per year, significantly higher than that estimated by the British Chamber of Commerce.

A major blind-spot of the one-in one-out system is that it will not extend to business regulation bought in as a result of European Directives

It is unlikely that SME's will see any reduction in the level of current regulation as the Coalition Government shifts the regulatory burden to meet its own aims and programme for government. Whilst the one-in one-out policy may prevent the most superfluous regulations becoming law, it will probably result in a greater instability in the regulatory landscape as Ministers merge and condense current law to make way for new flagship policies.

Europe

A major blind-spot of the one-in one-out system is that it will not extend to business regulation brought in as a result of European Directives. It is estimated by some sources that up to a third of business regulation introduced since 1998 was the result of European Directives, a major source of employment, health and safety legislation.

It is these regulations that tend to be the most expensive. The British Chamber of Commerce statistics again show that whilst only 20% of policy proposals arose from Brussels in 2008 and 2009 those generated between 43-54% of the gross regulatory burden that was placed on businesses.

Though it did not extend its one-in one-out policy to cover European regulations, as part of its 5 August announcement, the Coalition Government said that Ministers would also be taking a rigorous approach to tackling European regulations by engaging earlier in the Brussels policy process and taking strong cross Government negotiating lines.

Whilst SME's can take comfort from the express intention of the Government it is unlikely, given the above, that there will any noticeable differences on 1 September 2010 or beyond. Though they may have now restricted entry, the policy does little to deal with the current troublesome regulations that have already made in through and on the books.

For more information please visit www.gscsolicitors.com