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BUSINESS COSTS SET TO RISE AS LABOUR'S REGULATIONS BITE, CALCULATES POLITEIA'S NEW STUDY

In a new study for the think tank Politeia, Nicholas Boys Smith calculates the cost of Labour's regulation and warns that it is threatening to stifle industry. The author brings together for the first time the raft of regulations imposed by the government on society and measures their impact, in particular on business. He concludes that whereas Old Labour attempted to control the economy through macro-economic manipulation, New Labour is working for the same ends through micro-economic regulatory controls which are in danger of stifling innovation in the UK economy. As the author explains:

Labour and the European model, which Labour espouses, are, between them, imposing costs on business at a rate quite sufficient to distinguish them from the 1980s and 90s. New Labour has become the party of micro-economic manipulation.

Through increased taxation, particularly of high growth areas such as the technology sector, interference in the labour market, imposing welfare changes and bringing in the Minimum Wage, the government is threatening UK growth rates. The conclusions of the study reveal that:

By May 2001 the government will have imposed a total additional cost of £40 billion upon British business, £27 billion in tax increases and £13 billion in new regulatory and welfare costs – higher than admitted or estimated.

Approximately 83% of this has been imposed by the UK government and 17% by the EU.

A disturbing proportion of the government's Regulatory Impact Assessments have made very low estimates of regulatory costs and have entirely ignored 'indirect costs'.

Many of these regulations have hit small firms disproportionately hard.

The range and scale of these regulatory costs mark a significant divergence from the policy being followed prior to 1997.

Despite an increasing number of pleas from employers the government is continuing to suggest new regulation.

Nicholas Boys Smith proposes a series of measures to combat the government's mania for regulation and to restrain interference in how businesses are run. These include: the establishment of an independent Regulatory Impact Unit which would use clear, measurable and transparent rules in order publicly to 'score' new proposed regulations and avoid the bureaucratic distortion of figures in Regulatory Impact Assessments; the setting up of a Regulatory Impact Select Committee in both Houses of Parliament to provide a formal mechanism to investigate the accuracy of government assessments of regulatory burdens; the creation of 'sunset clauses' so that regulation will lapse without regular renewal in Parliament; and the setting of targets for government departments to reduce the cost of their regulations.

Nicholas Boys Smith is a consultant at McKinsey and Company.

No Third Way. Interfering government and its cost to business* by Nicholas Boys Smith, is available from **Politeia, 22 Charing Cross Road, London, WC2H 0HR, cost £7.00. Inquiries to Nicholas Boys Smith on (020) 79616724, e-mail: nick_boys_smith@mckinsey.com or to Politeia.