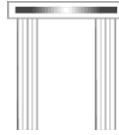


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Labour's Regulatory Assault is Killing British Business says next Politeia Pamphlet
Employee Friendly Legislation is Killing Jobs

Few British governments since the second World War proved resistant to the lure of ever greater regulation of the British economy. But in the 1980s, the bonfire of controls, so long promised by Conservative administrations, became a reality under Mrs Thatcher, who set the country's economy free to flourish. Those days are now over, and the gains, which have made the UK the envy of Europe, are being eroded by the blatant re-regulation of British business and the economy.

Politeia's next pamphlet *The Cost of Employment: Regulation and the Labour Market* by Nicholas Boys Smith*, considers both the extent of this creeping re-regulation and its impact on the behaviour of employers, in the public and private sector. It shows that the cost to the economy is now enormous, and is running at £5.8 billion a year (2003 figure). The total cost to the UK economy of new regulation will by June 2005 have been around £30 billion. Not only does British business pay the price of regulation, through ever higher compliance costs, but the taxpayer is footing the bill for the huge hike in costs to the public sector. Indeed, the greatest single victim of new regulatory costs is the government's own public sector, which has had to face additional costs of at least £6 billion since 1997.

And what about the employment protection, or 'family friendly' legislation? Does it help or hinder employees? The study draws together the direct evidence from a number of employers in the public and private sector as well as numerical data. Not only will the costs of the minimum wage, now running at £10.2 billion a year, deter employers from taking on lower paid employees, but the employment of women is becoming increasingly less attractive. The study has found that the number of firms who admit to finding women of child-bearing age less attractive as employees has actually *risen* by 20%.

The results of regulation are already becoming clear in the business of Britain. The danger now is of a downward spiral where economic growth will be retarded and productivity impaired. There will be less incentive to encourage the economically inactive back into the labour market. Small firms – those most likely to create jobs - will be less likely to grow and create jobs as a result of recent regulation. Already 50% of small businesses have reduced their workforce or employed fewer people as a result of the burden of paperwork and regulation. Not only that, but the increase in regulation is promoting the 'informal' economy with increasing numbers of businesses tending to play fast and loose with compliance and legality. 'Growth is declining. Productivity is not improving. The economy is increasingly relying upon government debt, personal credit exposure and public spending', concludes the author.

Mounting Costs: Regulation, Employment and the British Labour Market* will be published by Politeia on Monday 26th July, and is available from Politeia, 22 Charing Cross Road, WC2H 0QP at £~~22~~7.00* **The text will be available by e mail in advance to journalists on application by response to this message. Enquiries to Nicholas Boys Smith on 07768773860, or to Politeia on 0207 240 5070, or by e-mail info@politeia.co.uk

Nicholas Boys Smith is the author of *No Third Way: Interfering Government and its Cost to Business* (Politeia 2001).