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To regulate or not to regulate.

Rita Marcella

Within a few days of his appointment as business, innovation and skills secretary on May 11, 2015, and in the immediate post-election period, Sajid Javid has promised to reduce the red tape that besets businesses, increasing operating costs dramatically and slowing the speed with which business can respond to changes in the economy or their markets.

This is a popular pledge, as nothing could be more certain to be greeted with enthusiasm by business and the public alike. We all get tired of bureaucratic controls and constraints and the tyranny of the form to be completed, the paperwork to be filed, the processes to be followed, the slowness of response to queries, the incomprehensibility of the guidance to those desperately seeking to comply with instructions. The question “why?” when presented with red tape is one that is oft uttered but rarely answered. And who are the progenitors of red tape? We all think of a faceless bureaucracy, widely gaping maws and an insatiable appetite for more answers and more paperwork.

Small businesses in particular find red tape difficult to handle, for they often do not have the resource and expertise to deal with such demands and every additional cost cuts deep into the profit margin and, at a time when the economy and markets are recovering, such additional costs are hard to bear with ever-tighter margins.

The Federation of Small Businesses (FSB) announced the results of a membership poll that showed that 53% of SMEs wanted a reduction on the regulatory burden, in a “light touch” approach, while 51% called for a simplification of the tax system.

And yet there are two compelling reasons why this promise is not greeted with uncritical enthusiasm by the current author.

In the first instance, this is not a new promise of government. It would appear that almost every minister with a business portfolio over recent decades has felt impelled to decry needless “red tape” on first appointment. Michael Heseltine introduced the attractive notion of reducing red tape by lighting the “largest bonfire of controls that has taken place in this country in modern times” in 1994, promising to save business billions of pounds in costs in doing so. The coalition, in the shape of Vince Cable and Michael Fallon, sought to observe a “one in one out policy”, rather like my avowed approach to frock purchases, but this failed overall, due, it was claimed, to the requirement to comply with European directives and legislation – sadly I have no similar European defence re: frocks.

In actual fact, the frock analogy is not as frivolous as it might seem, for when reviewing my discard policy in the sartorial arena the critical criterion is always “what purpose does it serve?”.

Inevitably, red tape tends not to have been introduced to tie businesses up in knots, but usually is there to serve a purpose and very often a highly worthy, indeed compelling, purpose. Typically, regulations are put in place to safeguard rights – of consumers, of employees, of the environment, of society as a whole. When a disaster occurs or a headline highlights concerns about safety or the abuse of power, then the

natural response is to look to regulate more effectively. Why did that accident occur? Why can't more young people find jobs? Why are costs rising in the public sphere? Why did no one know that an organisation was failing to deliver?

The introduction of checks and balances which can be monitored, accounted for and reviewed seems like a good place to start.

We should not preserve red tape for its own sake. While we should not preserve regulation that has had no benefit to society or the world in which we live, any review of regulations should be able to pass that acid discard test of "what purpose does this regulation have?" and "does it work by producing the desired outcomes for which it was introduced?".

A policy of reviewing what is no longer needed is a positive one and should be engaged in regularly by government, but a knee-jerk reduction of red tape against targets could well be counterproductive and shortsighted. Ironically, most of us deplore regulation when applied to ourselves, but are very much more comfortable with the notion of regulating others.

The burden for small businesses might best be reduced by having some form of compliance that is designed specifically with their support in mind, so that government enables them to be "good citizens" rather than policing their efforts.

Removing the burden of regulatory compliance might be less about removing regulations and more about good governance and management, in a "light touch" regulatory approach