

The Anderson Review of Government Guidance on Regulation

Business Perspectives of Government Guidance

Research Study Conducted for
Department for Business, Enterprise and Regulatory
Reform

Final Report



July 2008

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Summary of findings

This report contains the findings of a research study conducted by the Ipsos MORI Social Research Institute on behalf of the Department for Business, Enterprise and Regulatory Reform (BERR), into businesses perceptions of regulation and government guidance.

A section explaining the research objectives, background and methodology follows this summary of the findings.

Attitude towards compliance

The majority of Small and Medium Enterprises (SMEs) (58%) treat complying with regulation as a crucial or very important business responsibility. One in ten consider it not very important (10%) and a similar proportion say it is not at all important (9%)

The level of importance attributed to it falls with the number of employees. One in five zero employee SMEs (22%) and those with just one employee (21%) consider it not very or not at all important. Larger SMEs, however, attach a greater level of importance to regulation (95% of medium-enterprises say it is very important or crucial)

Half (50%) of SMEs claim to be proactive in dealing with regulation, two in five (41%) declare that they respond to their obligations but do not go out of their way to be compliant, and seven per cent admit that they do not always do enough to comply

As might be expected, given their greater resources to draw on and the greater weight they give to regulation, larger SMEs also have a higher level of reported proactivity (the proportion who say they are always proactive is 65% among those with 10-49 employees and 79% of those with 50-249 employees). Smaller SMEs are likely to be 'reactive' (42%)

The burden of regulation

Health and safety is regarded as the most time-consuming (31% of SMEs highlight this area) and costly (33%) aspect of regulation

However, treating 'employing' SMEs as a subgroup, discounting those without staff, employment is considered the second most time-consuming (26%) and *the most expensive* (40%)

Health and safety is a more regular task for SMEs (it being a daily task for 47% compared to 9% for employment)

Given the prevalence of micro-enterprises with no employees, the majority (58%) of SMEs never deal with employment regulation

It is, however, a greater burden for larger businesses; one in seven (14%) of all SMEs deal with it at least weekly but this figure rises to over half (58%) for those with 10 employees or more

Furthermore, a third of SMEs (33%) with employees manage it at least on a weekly basis, rising to half (51%) at least monthly

Variations do exist by sector; construction and manufacturing SMEs find health and safety a particularly time-consuming and costly responsibility

Ability to comply with regulatory obligations

SMEs feel much better placed to deal with health and safety regulation than employment (87% and 53% respectively say they are very or fairly well equipped to comply)

A quarter (25%) say they are not well equipped for employment regulation compared to one in eight (13%) for health and safety

However, SMEs with staff are more positive (or, at least, feel it is more relevant); three quarters (76%) feel very or fairly well equipped to deal with it

The challenge that regulation presents, however, is seen to be similar for health and safety as for employment; two in five (40%) find the former a challenge compared to one in three (35%) for the latter

For SMEs with one or more employees, half (51%) see employment regulation as a challenge while one in seven (15%) do not view it as a challenge at all

Larger SMEs find it a greater challenge than micro-enterprises to comply with regulation, perhaps a result of the greater recognition the latter group give to the importance of this responsibility

Understanding regulatory obligations is seen as a challenge for a significant proportion – three in ten find it difficult for both employment (31%) and health and safety (33%) regulation

Using available guidance

A significant proportion of SMEs report that they do not seek guidance on issues of employment (37% do not) or health and safety (48%)

This is much more likely among the smallest organisations (42% of zero employee businesses, compared to eight per cent of those employing 50-249 do not seek guidance on employment).

Larger SMEs do seek help and disciplinary procedures is the most common issue on which they request support

Although two in five (40%) say they currently do not seek advice, only one in seven (15%) say they do not actually want advice (5% among 'employing' SMEs)

One in five (20%) SMEs have paid for advice on employment or health and safety regulation. The prevalence of this increases with the number of staff; three-quarters (75%) of medium-enterprises have done so, with specialist consultants the most accessed source (34%)

SMEs want to receive guidance through a variety of different communication channels including via written letter (27%), face to face on a one-to-one basis (25%), the internet (24%), email (20%) and telephone (19%)

Awareness and use of government guidance

Awareness of government-provided sources of information and advice is generally good, with local authorities and their environmental health teams the best known (81%) and the HSE website the most used (by 34% of SMEs)

Awareness and use of these support mechanisms is lower among micro-enterprises than small and medium sized organisations

The majority (67%) who have received advice through these services find them useful, although smaller SMEs give a lower rating for their helpfulness – perhaps suggesting more work needs to be done in tailoring them to these audiences or finding out why they did not meet their needs

However, the vast majority of businesses (70%) do not perceive there to be any barriers preventing them from accessing government advice

Furthermore, two thirds (65%) of SMEs express an interest in using a government-funded advice service, with roughly half (45%) willing to pay

The feature of advice deemed to be the most important is that the information provided is clear and easy to understand, highlighted as being the most important factor by one in three (36%)

SMEs generally recognise and accept the importance of and their responsibility in complying with regulation. However, one in ten (9%) believe complying with regulation is ‘not at all important’ and a significant proportion realise they could do more to be compliant, with smaller SMEs doing less than their larger counterparts. Partly this may be down to their lower awareness and use of government-provided sources of advice. There is, however, an appetite for receiving this guidance; only 15 per cent say they do not want it and two-thirds (65%) would be interested in using such a support mechanism.

There are no clear (perceived) barriers to accessing this information, and any guidance provided must be clear and easily understood, and easily and readily accessible to be utilised by SMEs. Why these services are not currently used is an area where more research would help direct future policy.

The analysis carried out on the survey results broadly supports the categorisations BERR has developed from its previous qualitative research. Using cluster analysis, five “clusters” or segments were identified:

- i. **Prepared and Established:** This group are very well equipped to comply with regulation, both in terms of knowledge and resources. Dealing with regulation is a regular task and, due to

the importance they attach to complying, they take proactive steps to maintain high standards. Furthermore, they are most likely to be willing to use government guidance (49% saying 'very likely').

- ii. **Guilty Procrastinators:** These SMEs realise the importance of compliance and, for them, it is a substantial burden. However, they feel it is a challenge but are not taking steps to remedy their shortcomings.
- iii. **Capable but unconcerned:** These SMEs deal with regulation most infrequently and, therefore, do not perceive complying with regulation as a high priority. Despite this, they feel well placed to comply, understanding their obligations and are the least likely of the five groups to feel regulation is a challenge.
- iv. **Conscientious but challenged:** These SMEs recognise the importance of complying with the law and feel they are proactive in making sure this is the case (39% of this group have paid for guidance). However, they perceive it as a challenge, particularly in understanding their obligations.
- v. **Blind-eye turners:** These SMEs are most indifferent towards compliance, giving it least priority of the five groups and admitting they could be doing more to be compliant. Comprehension of their duties is a real problem and, resultantly, they are most likely to feel ill-equipped to deal with it. However, they are also least likely to be willing to use government guidance (22% saying they are 'not at all likely' to).

The information from cluster analysis is useful as it can assist in being able to target guidance towards specific segments or to see problem areas amongst different types of businesses. For example, the least proactive group and those giving the lowest level of importance to regulation ("blind-eye turners") are the least likely to accept government guidance, so may require other forms of support to enable compliance.

Guilty procrastinators, on the other hand, are more open to using guidance from government sources and, given their realisation of the importance of compliance, but their lack of proactivity in dealing with it, are more likely to be receptive to external support.

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Introduction

This report contains the findings of a research study conducted by the Ipsos MORI Social Research Institute on behalf of the Department for Business, Enterprise and Regulatory Reform (BERR).

In March this year, the Government asked that an independent review be undertaken to examine the best way to deliver clarity and certainty in government guidance, particularly for small to medium sized enterprises (SMEs). The objective of the review is to:

- give business greater peace of mind that when they have complied with government guidance, they have complied with the law; and
- ease the cost of regulatory compliance by improving the content, accessibility and awareness of government guidance and advice.

The intention of the review is to create a set of broad recommendations which will be applicable to all policy areas, although it will initially focus on guidance for employment law, health and safety, and food safety regulations.

Research Background and Objectives

This research has been designed to test current views of the suitability of government guidance, and on the emerging proposals from the Review. It covers employment and health and safety regulation, as well as including some questions on regulation more generally. Furthermore, this research project investigates businesses' attitudes towards compliance and searches for patterns that will help more successful targeting of guidance in this area.

More specifically, this research examines:

The challenge that regulation presents to SMEs and how well equipped SMEs feel they are to comply;

Perceived levels of understanding of their regulatory obligations;

Regulatory issues requiring guidance and advice, sources of this guidance and preferred communication channels;

The level of importance SMEs give to complying with regulation;

How proactive businesses are in dealing with regulation;

Awareness and use of government sources of advice and barriers preventing businesses from using them; and

Potential use of future government guidance and relative importance of different features of advice.

In addition to the quantitative survey, the results of which are reported here, this research is supported by a mystery shopping exercise conducted to test the consistency of several existing employment advice lines. Due to the timescales for these two separate strands of research, the findings of the mystery shopping are reported separately.

Methodology

Ipsos MORI interviewed owners, directors and senior managers from 759 SMEs across England and Wales between 2 and 15 July 2008. The interviews lasted for around 15 minutes and were conducted using CATI (Computer Assisted Telephone Interviewing).

To ensure the most appropriate person was spoken to within the business, and that they had a sufficient level of knowledge about the business approach to compliance to respond, all interviews were conducted with the individual responsible for complying with health and safety and employment regulation.

Questionnaire

The questionnaire was drafted by Ipsos MORI in close conjunction with BERR, a copy of which can be found in the appendices.

Sample

Business leads were purchased from Dun and Bradstreet, an approved Ipsos MORI supplier, including a mix of industry sector, size of SME (by number of employees) and region to achieve a sample as representative as possible of the SME population.

Quotas were set by industry sector and size of business and fieldwork progress was monitored carefully to ensure these targets were achieved.

A letter was available to send out on request to SMEs in the sample to confirm the legitimacy and confidentiality of the research. It also provided more detail on the purpose of the research and gave contact details of the Ipsos MORI project team for any queries. A copy of the letter is included in the appendices.

A respondent profile can be found in the appendices.

Data Processing, Design Effect and Computer Tables

Data have been weighted by company size to reflect the profile of SMEs in England and Wales. The weighting information was taken from the 2007 profile of SMEs (those employing up to 249 staff) as laid out on the BERR website (<http://stats.berr.gov.uk/ed/sme/>).

As the sample profile did not match the profile of the business population, weighting is applied which introduces a sample design effect, which in turn reduces the effective sample size. Two sets of weights have been applied to the data. Firstly, weights by business size (in terms of number of employees) were applied to the full sample, including businesses with zero employees. Because much of the survey was about employment regulation, we decided to set a limit on the number of businesses with zero employers included in the survey, on the grounds that businesses with no employers would generally have no experience of employment regulation. Limiting the number of such businesses means that, while 71% of businesses overall have no employees, this was the case for only 9% of businesses in our sample.

Because of this disparity, we have presented much of the analysis in this report on the basis of the sample *excluding* businesses with no employees. For this analysis, the profile of businesses in the sample matched the population profile much more closely. The weights applied in this case introduce a design effect of 1.55, reducing the effective sample size for this analysis from 692 to 447.

We should emphasise that a quota sampling approach was used for the survey rather than a random probability approach, due to the fact that the fieldwork needed to be completed quickly. This means that design effects (which are based on selection probabilities) do not strictly apply. However, it is common industry practice to work on the assumption that quota samples at least approximately resemble random probability samples and therefore to treat them as such when calculating statistical confidence.

The data were weighted using the profiles below.

Weighting profile		
Business Size	Including zero staff SMEs	Excluding zero staff SMEs
0 employees	71	<i>n/a</i>
1 - 9 employees	24	83
10 - 49 employees	4	14
50 - 249 employees	1	3

A separate volume contains the computer tables, with each question analysed by two pages of cross breaks agreed with BERR.

Report Layout

The report contains a summary of the key findings from the survey, with the main body of the report looking at the findings for each question, going through the key themes in turn.

The appendices contain a sample profile, a copy of the questionnaire and the pre-notification letter, interviewer instructions and a guide to statistical reliability.

Interpretation of the Data

When interpreting the findings, it is important to remember that the results are based on a sample, rather than the entire total population, of businesses in England and Wales. Consequently, results are subject to sampling tolerances and not all differences between sub-groups are statistically significant. At the same time, it should be noted that statistically significant data need to be interpreted to see whether they make reasonable sense.

Throughout the report, differences between subgroups of respondents are highlighted, on the basis, for example, of business size, sector and length of time the business has been in existence. Differences are only commented on where they are statistically significant. A guide to statistical significance is included in the appendices. Please note that caution should be exercised when comparing percentages derived from base sizes of 99 respondents or fewer, and particularly when comparing percentages derived from base sizes of 50 respondents or fewer. The base sizes are included in brackets on the charts and the tables.

A detailed table for statistical reliability is included in the appendices.

Where percentages do not sum to 100%, this is due to computer rounding, the exclusion of “don’t know” / “not stated” categories, or multiple responses. Throughout the tables and report, an asterisk (*) denotes a value of less than 0.5% but greater than zero.

Analysis

Ipsos MORI’s previous research into Small and Medium Sized Enterprises (SMEs) shows that scale of the business is a key driving factor behind attitudes to subjects like regulation and how they go about organising their business activities. While the term SME is a useful classification, there remains a significant degree of variation within this group and a micro-enterprise can often share very little in common with a medium-sized enterprise. For this reason, the size of

the business (by number of employees) is a key factor used in the analysis throughout this report.

Furthermore, as a significant majority of SMEs in England and Wales do not have any staff, further analysis was carried out based only on SMEs with at least one employee. Where relevant (questions related to employment regulation), these differences are highlighted.

Industry sector was also included as a cross-break in the computer tables to allow analysis of this as a variable. SMEs were grouped together in one of five categories, as summarised below.

Construction; Manufacturing; Agriculture, Hunting + Forestry, Fishing; Mining and Quarrying, Electricity, Gas and Water;

Transport, Storage and Communication;

Wholesale and Retail Trade, Repairs; Hotel and Restaurants; Other Community, Social and Personal Services Activities;

Financial Intermediation; Real Estate, Renting and Business Activities; and

Education; Health and Social Work.

In order to better understand business's attitude towards compliance and how they approach it as a business priority, segmentation analysis was carried out on the survey findings. This was used to attempt to see where SMEs fit on a scale of compliance. Furthermore, the aim is to assess what Government guidance would have to provide to be effective and used by those that need it.

Publication of the Data

As with all our studies, these findings are subject to Ipsos MORI's standard Terms and Conditions of Contract. Any press release or publication of the findings of this research requires the advance approval of Ipsos MORI. Such approval will only be refused on the grounds of inaccuracy or misinterpretation of the findings.

Acknowledgements

We wish to record our gratitude to the respondents that took part in the research and who made this survey possible.

Ipsos MORI would also like to thank Michael Noakes at BERR for his assistance with this project.

Glossary

SME	Small and Medium Enterprises
Micro enterprise	0 -10 employees
Small enterprise	11 - 49 employees
Medium enterprise	50 - 250 employees
'Proactive' SMEs	SMEs stating they are always proactive in making sure they are compliant
'Reactive' SMEs	SMEs stating they respond to requirements but do not go out of their way to be compliant

1. Business's perceptions of the burden of regulation

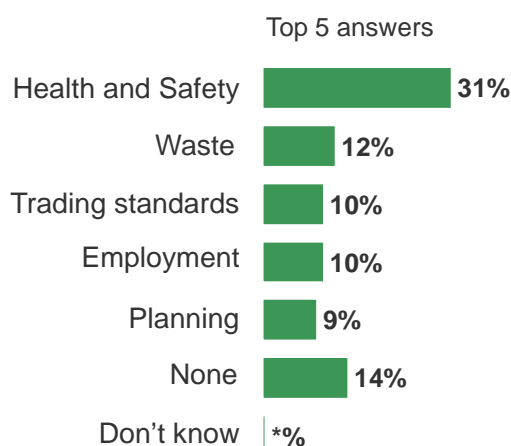
This chapter explores which areas of regulation SMEs feel are the most burdensome – both in monetary terms and in time - to their business, as well as looking at the regularity with which these tasks are carried out.

Most time-consuming areas of regulation

Health and safety is the regulatory duty which presents the greatest burden for SMEs; three in ten (31%) say it is the most time-consuming activity for their business. Around one in ten highlight waste (12%), trading standards (10%), employment (10%) and planning (9%) as the most time intensive area of regulation. One in seven (14%) say none of the listed aspects of regulation are time-consuming.

Most time-consuming regulatory duties

Q Which one of the following broad areas is the most time-consuming for your business?



Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI



Health and safety seems to be a particular strain for SMEs with 10-49 employees and those employing 50-249 (47% and 42% highlight this area respectively). These companies are also more likely to consider employment as a burden (37% among small and 42% among medium enterprises). The smallest SMEs are more likely to claim that none of

these activities are time-consuming and, in contrast, none of those with 10 staff or more say this is the case.

Businesses in education, health and social work (45%) and sectors of construction, manufacturing, agriculture, hunting, forestry, mining, electricity gas and water supply (37%) also cite health and safety as a particular strain. In contrast, waste is more of a burden for SMEs in wholesale, retail, hotels, restaurants and community, social and personal service activities (31%).

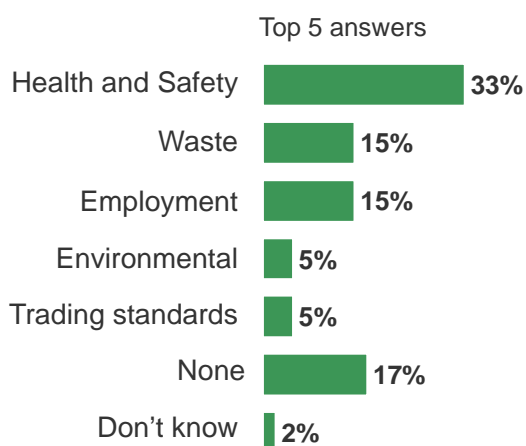
However, the profile of SMEs, with the majority having no staff at all, is important to note. When only analysing SMEs with staff (i.e. discounting zero employee companies altogether), employment is the second most time-consuming area, cited by a quarter (26%) of businesses, behind health and safety (36%). Employment is a particularly time-intensive area for larger SMEs (37% of those employing 10-49 and 42% of those with 50-249) and those within financial intermediation, real estate and business activities (37%).

Most costly areas of regulation

When asked to consider these same activities in terms of a financial cost, the same broad areas apply, as indicated by the chart below.

Most costly regulatory duties

Q And which of these broad areas is the most costly for your business?



Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI



Again, when only considering 'employing' SMEs however, employment law is the most expensive of all types of regulation; two in five (40%) highlight it as the most costly.

For micro-enterprises, employment presents a significant cost (40% view it as the most costly) yet is less likely to be the area of regulation that takes up the most time (23% believe it is).

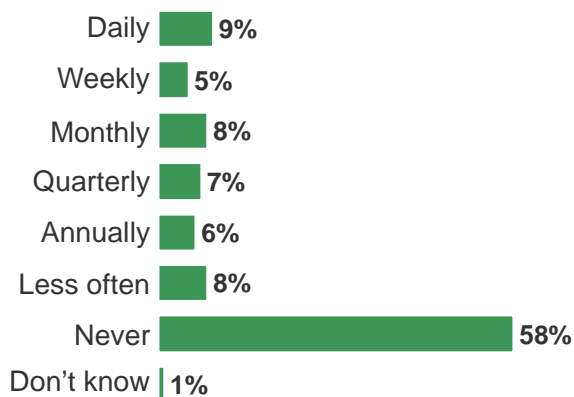
For businesses in areas such as construction and manufacturing, health and safety is the most costly, with over half (55%) citing this form of regulation.

Regularity of dealing with employment regulation

For the majority (58%) of SMEs, dealing with employment regulation is not a part of their regular business activity. Just one in ten (9%) say it is a daily task, with a further one in twenty having to manage it on a weekly basis.

Regularity of dealing with employment regulation

Q How often does your job involve tasks associated with complying specifically with employment regulations?



Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI

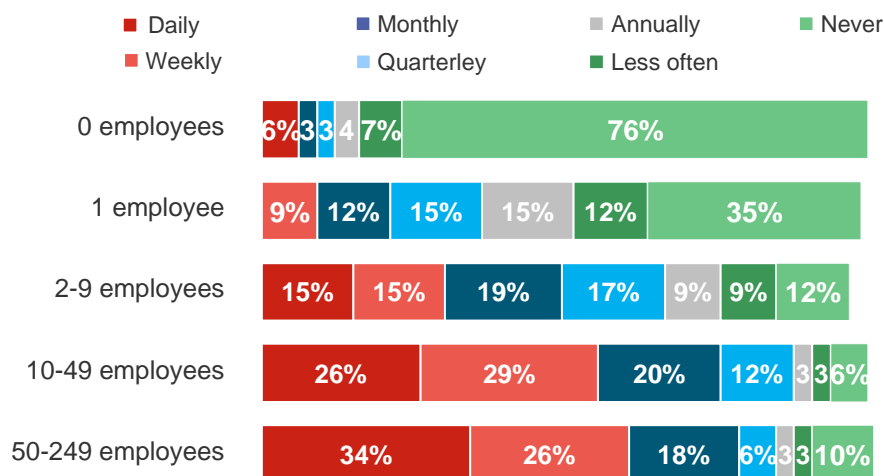


However, it is important to note that, due to the profile of the SME population in England and Wales (over 70 per cent have no employees) this is not an area of regulation that affects many businesses.

When considering the regularity with which these tasks are carried out against the size of SMEs, there is a clear pattern, as illustrated by the chart below. While three quarters (76%) of SMEs without any staff never deal with employment regulation, the degree to which it is a regular task rises with the size of the enterprise. For SMEs with 10 or more employees, complying with employment regulation becomes at least a weekly task for the majority (58%).

Burden of complying with employment regulation

Q How often does your job involve tasks associated with complying specifically with employment regulations?



Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008

Ipsos MORI



If we discount SMEs without any staff altogether, just one in eight (13%) say they never deal with employment regulation. A third (33%) undertake these duties on at least a weekly basis, while one in six (17%) carry them out annually or less often.

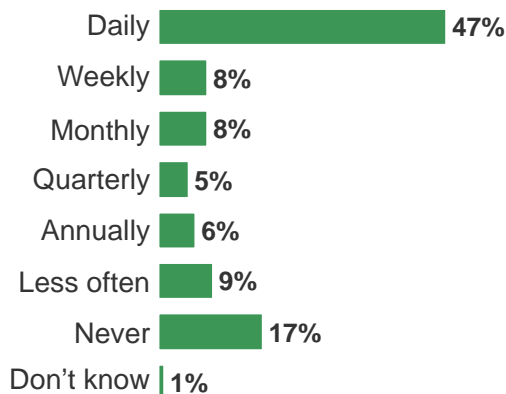
Businesses in sectors such as construction, manufacturing, agriculture and mining are most likely to say they *never* carry out tasks related to complying with employment regulation (19%). A quarter (25%) of SMEs working in financial and business activities manage employment regulation annually or less often. Conversely, those in education, health and social work are most likely to manage it on a daily basis (23%).

As might be expected, the majority (78%) of SMEs that do not rate complying with regulation as important, when compared with other business responsibilities, *never* carry out these tasks.

In terms of the regularity with which tasks associated with compliance are carried out, health and safety is a much greater burden for SMEs than employment. Almost half (47%) believe it is a daily task, while only one in six (17%) say it is not a part of the business at all.

Regularity of dealing with health and safety regulation

Q How often does your job involve tasks associated specifically with complying with health and safety regulations?



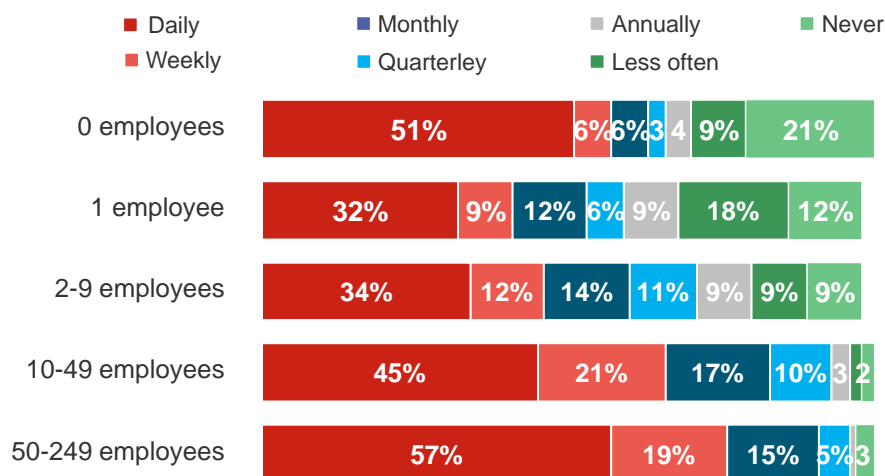
Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI



As indicated by the chart below, SMEs employing greater numbers of staff generally deal with health and safety on a more regular basis. However, the exception to this rule are those with no employees - this task is a daily one for the majority (51%) of this group.

Burden of complying with health and safety regulation

Q How often does your job involve tasks associated with complying specifically with health and safety regulations?



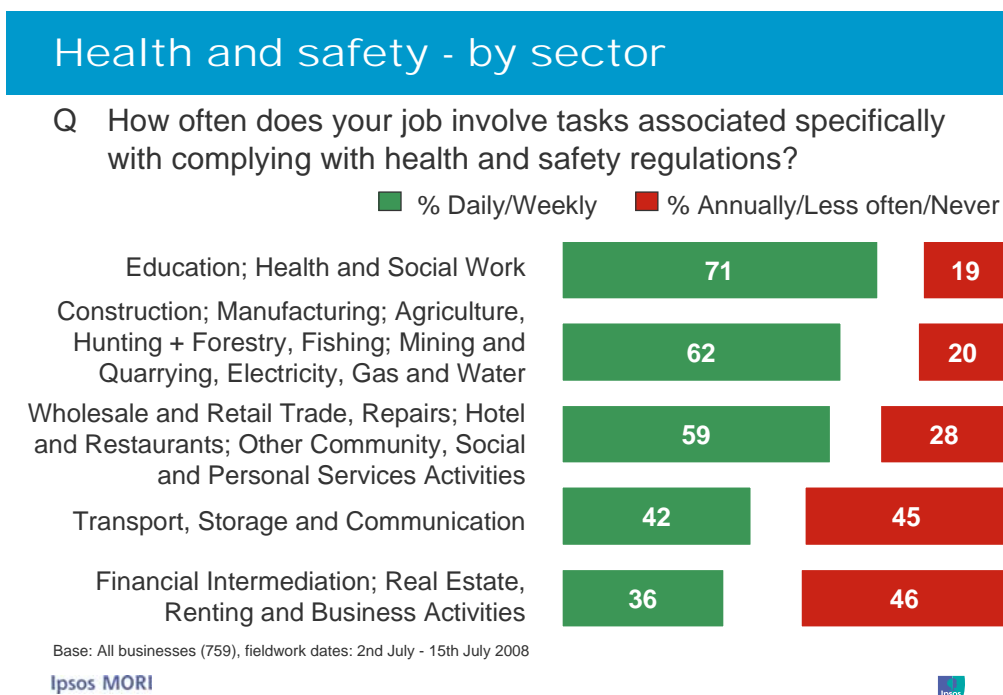
Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI



By 'age' of the company, the most recently formed SMEs carry out these tasks most often; over half (57%) of SMEs which were formed less than five years ago carry out these responsibilities *every day*,

compared to a third (33%) of those which have been operating for over 20 years.

As illustrated by the chart below, the frequency with which these tasks are carried out also varies by industry sector.



SMEs rating themselves as proactive in dealing with regulation are more likely to say they manage health and safety on a daily basis (59%) than the 'responsive' SMEs (34%) and those admitting they do not do enough (42%).

The relative importance SMEs give to regulation is also an important factor. Over half (55%) of SMEs that say compliance is crucial or very important administer these tasks daily, compared to a quarter (25%) of SMEs that view compliance as not very or not at all important. Furthermore, two in five (43%) of this latter group *never*, carry out these tasks.

2. Attitude towards compliance

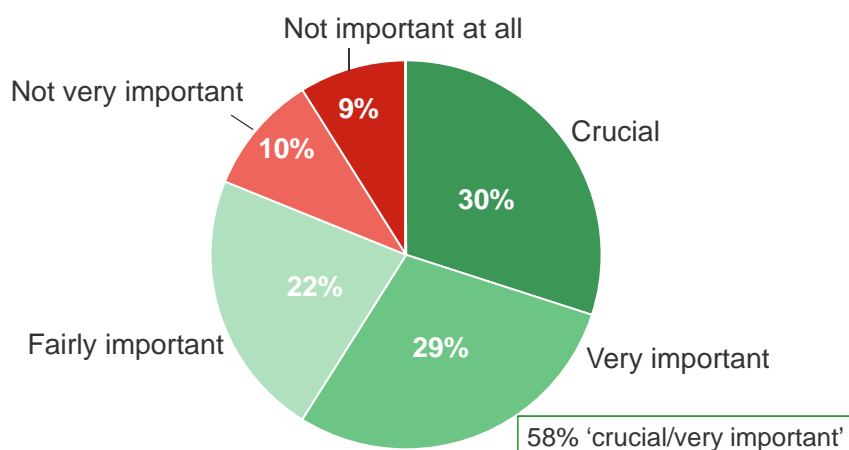
This chapter investigates SME attitudes towards regulation, in terms of how importantly they treat it as a business responsibility as well as how proactively they deal with it.

Importance of complying

The majority of SMEs (58%) treat complying with regulation as a crucial or very important business responsibility. Only one in ten consider it not very important (10%) and a similar proportion say it is not at all important (9%).

Importance of complying with regulation

Q How important to your business is complying with regulation among the range of business responsibilities you deal with?



Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI

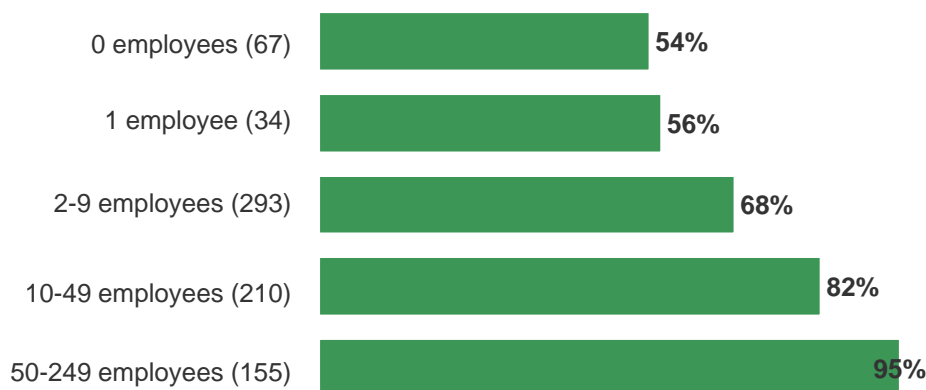


However, as is the case with the amount of time dedicated to the task of complying, it is the larger SMEs who are more likely to attach a higher level of importance to compliance. Over nine in ten (95%) medium sized enterprises regard regulation as a very important or crucial activity and this figure gradually declines with the number of employees. Just over half of those with no employees (54%) and enterprises with just 1 member of staff (56%) hold this view. Moreover, one in ten of these SMEs view compliance as not at all important, with one in five of zero employee SMEs (22%) and those with just one employee (21%) considering it as either not very or not at all important.

Importance of complying with regulation

Q How important to your business is complying with regulation among the range of business responsibilities you deal with?

% saying 'crucial'/'very important'



Base: All businesses (759), individual bases in brackets. Fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI

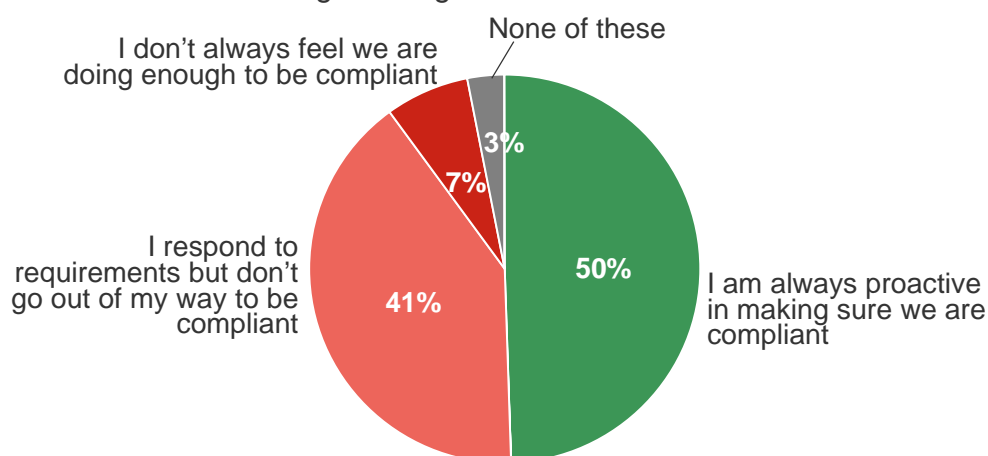


Proactivity in dealing with regulation

Half of SMEs claim to be proactive in dealing with regulation, while two in five (41%) declare that they respond to their obligations but do not go out of their way to be compliant. Seven per cent admit that, at times, they do not do enough to comply.

Proactivity in dealing with regulation

Q Which of the following best describes your business's position in relation to dealing with regulation?



Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI



The greater importance that larger SMEs give to compliance (and the likely greater resources at their disposal) manifests itself in a greater

reported level of proactivity. Two-thirds (65%) of SMEs with 10-49 employees and four fifths (79%) of those with 50-249 assert they are always proactive in being compliant. On the other hand, Micro-enterprises are much more likely to react to their obligations with two fifths (42%) taking this approach compared to just over a quarter (28%) of small SMEs and one in six (16%) medium sized enterprises.

Throughout this report, how proactive SMEs feel they are in complying with regulation is used in the analysis to see how this links to their actions and openness to using external guidance. Where statistically significant differences occur between 'proactive' and 'reactive' SMEs they are highlighted.

3. Ability to comply

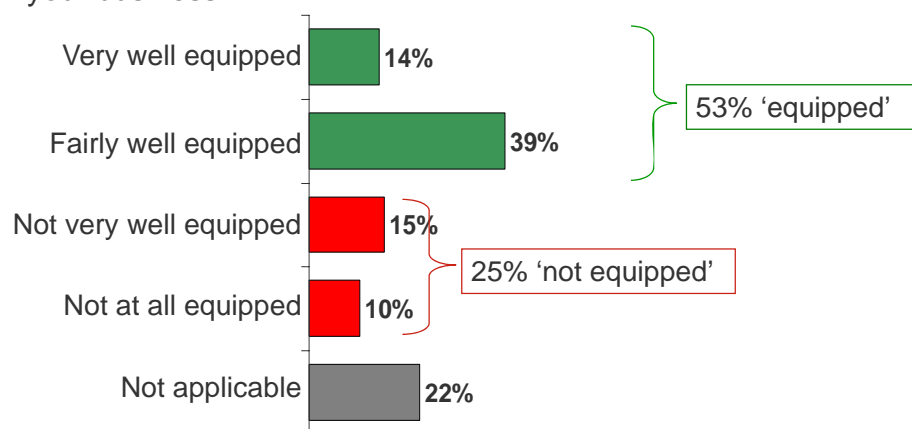
This chapter considers how well equipped businesses believe they are to comply with regulation, what level of challenge they perceive it to present and the ease or difficulty of understanding what their obligations are.

Ability to comply with employment regulation

A slim majority of SMEs (53%) believe they are well equipped to meet their obligations with regard to employment regulation, with just one in seven (14%) feeling very well equipped. One in four (25%) say they are not well equipped, of which one in ten (10%) are not at all able. As already discussed, the high proportion of SMEs with zero employees means that, for a fairly significant proportion (22%), these obligations are not relevant to the running of their business.

Ability to comply with employment regulation

Q How well equipped do you think you are to comply with the range of employment regulations that come up in the course of running your business?



Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008

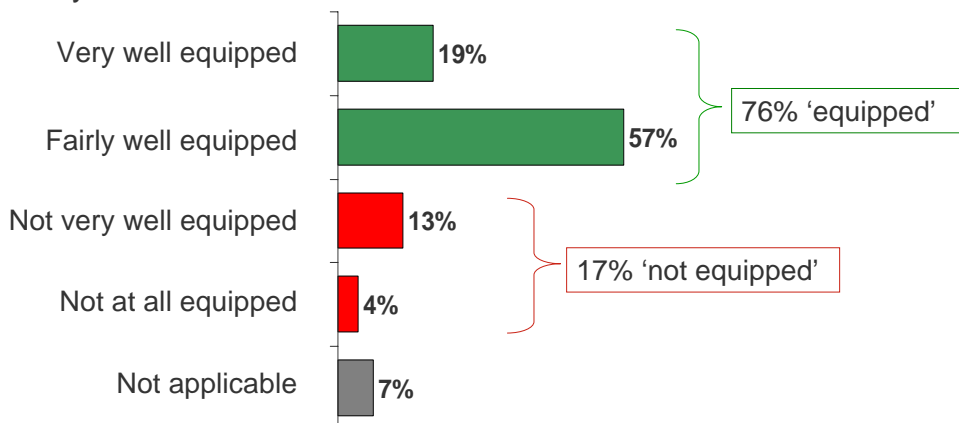
Ipsos MORI



As indicated by the fifth (22%) stating employment law is not applicable to them, it is worth considering only SMEs which employ staff. When zero-staff businesses are discounted, the proportion feeling equipped to comply rises to three-quarters (76%). Although, among this group, the percentage falls of those who assert that employment regulation is not a part of running their business, there remains seven per cent which say this is the case.

Employing SMEs' ability to comply

Q How well equipped do you think you are to comply with the range of employment regulations that come up in the course of running your business?



Base: All businesses with at least one employee (692), fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI



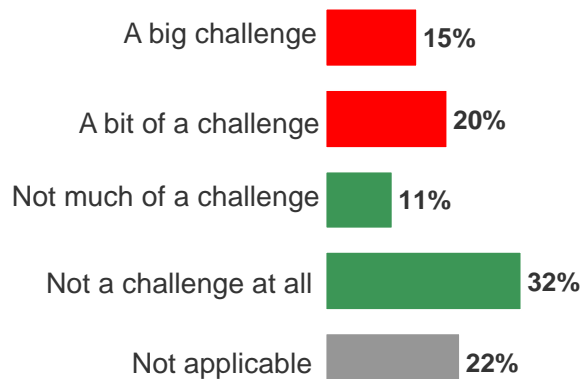
Small and medium SMEs are most likely to feel able to comply, with nine in ten (88%) and eight in ten (83%) respectively saying they are very or fairly well equipped. Conversely, SMEs with just one employee are most likely to feel they are not well placed to comply (32%), although it is worth noting that those without any staff are most likely to say this is not a task they face at all (28% saying it is not applicable).

Understanding what the requirements are to comply with employment regulation is clearly one area that impacts on an SME's ability (perceived or actual) to meet its obligations. Two-fifths (42%) of those who find it difficult to know what their obligations are say they are not very well or not at all equipped to comply, compared to one in five (22%) of those who find it easy knowing their obligations. Comprehension of regulatory duties is discussed further later in this chapter.

While a majority feel well *equipped* to comply with employment regulation, when compared to their other business priorities, such as competition and recruiting and retaining staff, over a third (35%) feel complying is a *challenge*, with one in seven (15%) considering it to be a big challenge. One in three (32%) do not see it as a challenge at all, with a further one in five (22%) stating it is not applicable to their situation.

Employment regulation – a challenge?

Q Compared to other issues, such as the level of tax, competition, or recruiting and retaining good staff, how much of a challenge would you say complying with employment regulation is for your business at the moment?



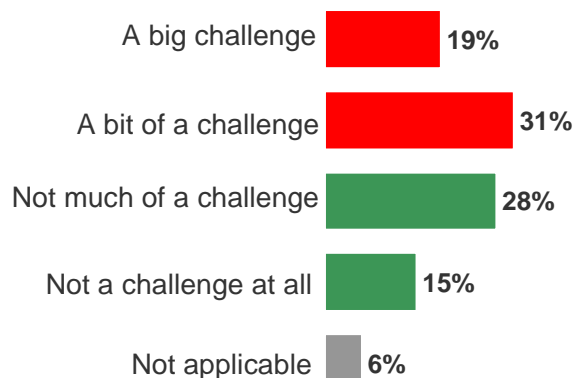
Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI



While it is worth taking into account the views of SMEs as a whole, this area of regulation is clearly more pertinent to businesses employing staff. For half (51%) of this group, complying with employment regulation is a challenge, while one in five (19%) see it as a big challenge.

Challenge of employment regulation for those with staff

Q Compared to other issues, such as the level of tax, competition, or recruiting and retaining good staff, how much of a challenge would you say complying with employment regulation is for your business at the moment?



Base: All businesses with at least one employee (692), fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI



Larger SMEs are most likely to view this area of their business as a big challenge, with a quarter of those with 50-249 employees holding this view. In contrast (and as perhaps would be expected), it is the smallest

SMEs – those with either one (35%) or no (39%) employees – who do not see employment regulation as a challenge at all.

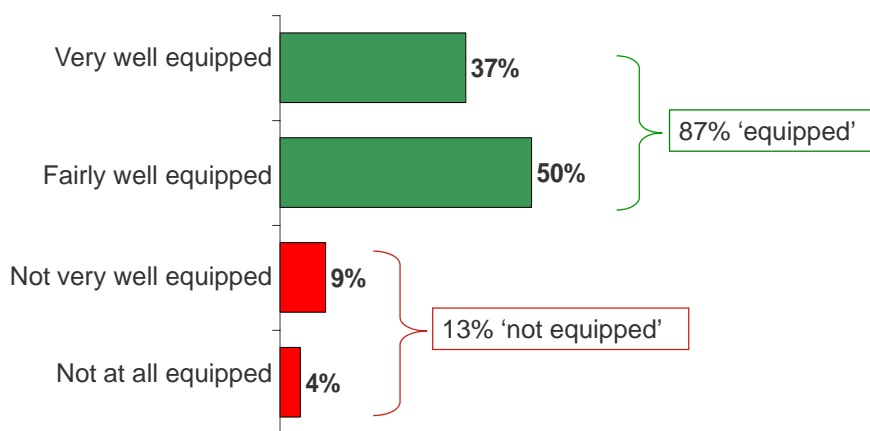
SMEs who find it difficult to understand employment regulations are also particularly likely to judge staying compliant as a big challenge (33% holding this view). Those with a greater comprehension of their duties, saying it is easy knowing what they are, generally say it is not much of a challenge or not a challenge at all (65%). However, even for this group, one in ten (11%) find complying a big challenge.

Ability to comply with health and safety regulation

SMEs feel much better positioned to comply with their health and safety duties than they do those related to employment. Around nine in ten (87%) say they are ‘well equipped’ to meet this challenge (compared to 53% for employment), with over a third (37%) stating they are ‘very well equipped’. Just one in seven (13%) feel that they are not equipped to comply.

Ability to comply with health and safety regulation

Q How well equipped do you think you are to comply with the range of health and safety regulations that come up in the course of running your business?



Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI



However, given the profile of SMEs in England and Wales – particularly the large number with no employees at all – it is important to ensure these findings are comparable. To do this it is worth considering only those SMEs which deem these areas of regulation to be relevant to their business. That is because, for 22% of SMEs (generally those with one or no employees), employment regulation is not felt to be an obligation pertinent to their situation (not a factor for health and safety).

When discounting those who state it is not applicable, the proportion saying they are equipped to meet the challenge of employment

regulation rises to two thirds (68%) but the proportion that are not very well or not at all equipped also rises, to a third (33%).

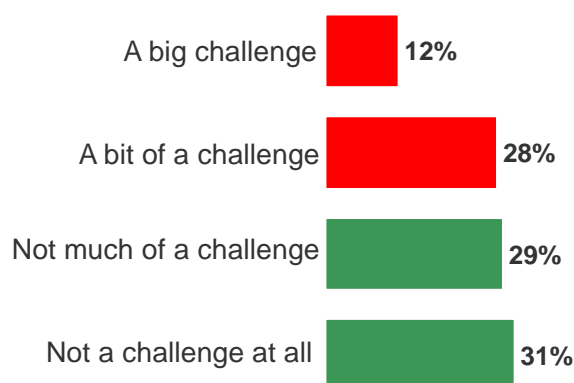
However, it should be noted that this varies significantly with the scale of the SME based on staff numbers. Two in five (39%) zero-employee SMEs and those employing one person (38%) feel not very well or not at all equipped, compared to one in five (18%) SMEs with 2-9 employees, one in ten (10%) employing 10-49 and one in seven (14%) with 50-249 staff.

Views on ability to comply are broadly consistent across industry sectors, with no significant differences apparent.

Although SMEs generally feel better equipped to comply with health and safety than employment regulation, they view the challenge of complying with health and safety in a broadly similar light as employment law. Two in five (40%) feel it is a challenge, with one in eight (12%) of this group considering it to be a big challenge. Three in ten (31%) do not believe it is a challenge at all when set against the other business duties.

Health and safety regulation – a challenge?

Q Compared to other issues, such as the level of tax, competition, or recruiting and retaining good staff, how much of a challenge would you say complying with health and safety regulation is for your business at the moment?



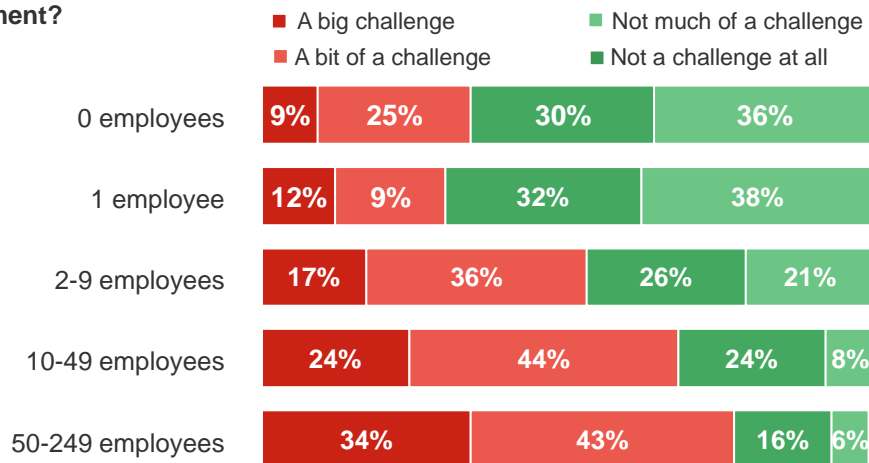
Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI



As is the case with employment regulation, small and medium companies are more likely than micro enterprises to find complying with health and safety a challenge. At least two thirds of SMEs with zero employees (66%) and those with one employee (70%) do not view it as a challenge. Conversely, a third (34%) of medium enterprises with 50-249 employees see this obligation as a big challenge.

Health and safety regulation – a challenge?

Q Compared to other issues, such as the level of tax, competition, or recruiting and retaining good staff, how much of a challenge would you say complying with health and safety regulation is for your business at the moment?



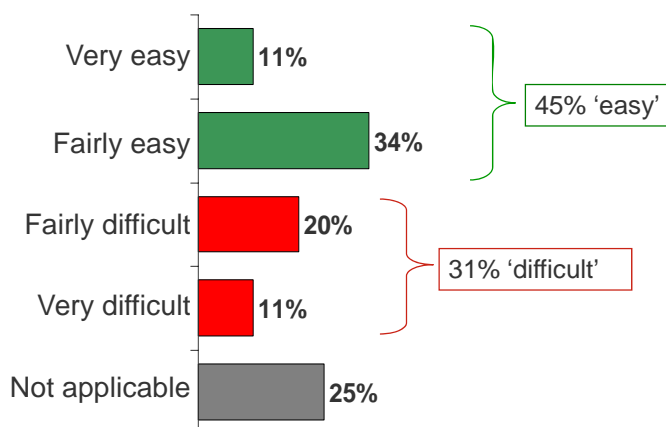
Ipsos MORI Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008

Understanding obligations

Less than half (45%) of SMEs say they find it easy to understand what their obligations are, with regard to employment regulation. Three in ten (31%), on the other hand, find it difficult, of which, one in ten (11%) consider it very difficult. A quarter say employment regulation is not applicable to their business.

Understanding employment regulation obligations

Q How easy or difficult do you find it to understand what your obligations are in terms of Employment regulation?



Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI

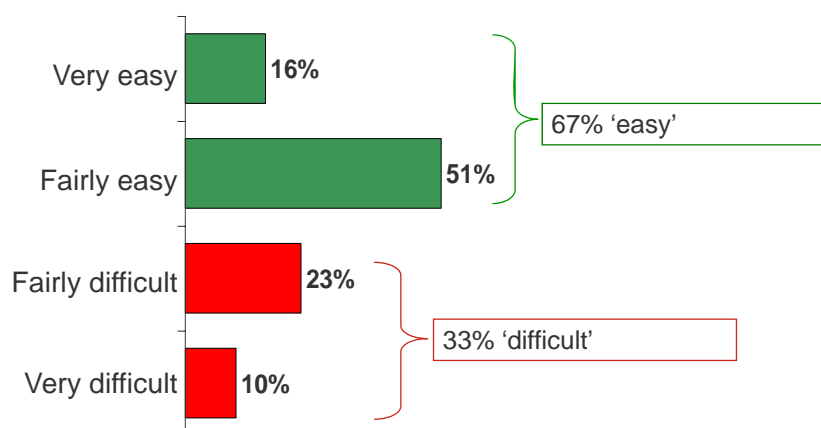
Again, if only looking at SMEs considering employment a duty for their business, the proportion saying 'easy' rises to six in ten (59%) and

those finding it difficult to four in ten (41%). Those who are reactive to regulation but do not go out of their way to comply, are most likely to say understanding employment regulation is very difficult (17% compared with just 4% of the proactive and 12% of those which do not feel they always do enough).

SMEs generally find comprehending their health and safety obligations more easy than those related to employment. Two-thirds (67%) would say it is easy, while the remaining third (33%) find it difficult. In common with findings elsewhere, one in ten struggle to grasp what is required of them.

Understanding health and safety regulation obligations

Q How easy or difficult do you find it to understand what your obligations are in terms of health and safety regulation?



Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI



There are no significant differences by size of the business, but older companies (20 years +) are most likely to consider it very easy to understand what their obligations are (25%). As with employment duties, 'reactive' SMEs are most likely (16%) to say they find it very difficult, compared to just three per cent of proactive SMEs and 12 per cent of those not doing enough. Moreover, proactive SMEs are most likely to find it very easy (24%).

4. Seeking guidance and advice

Chapter 4 looks at the areas of regulation which most commonly cause SMEs to seek advice or guidance, the current sources of this information, whether a fee is paid for this service and the preferred methods of receiving it.

Guidance sought on employment regulation

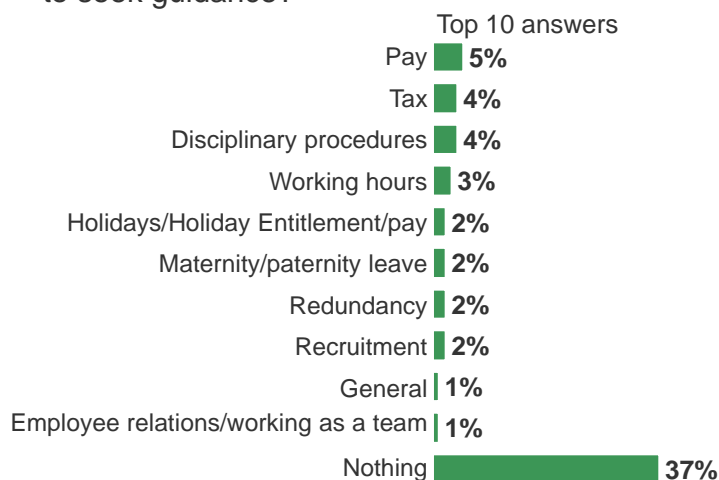
A significant proportion of SMEs (37%) report that they do not seek guidance on any employment issues. This is particularly the case among the smallest enterprises, with two in five (42%) of those with zero employees saying they do not request guidance. It is worth remembering that over a quarter (28%) of this group state that employment regulation is not an obligation they face. When looking only at SMEs with employees, the proportion saying no area of employment regulation causes them to request guidance, falls to a quarter (26%).

Another sub-group not seeking guidance are SMEs finding it 'easy' to understand their duties - over half (55%) do not look for this support (compared to 29% of those finding it 'difficult').

Where guidance is sought, the areas of employment causing most requests are pay (5%), tax (4%) and disciplinary procedures (4%).

Guidance required on employment

Q What kind of issues relating to employment cause you most often to seek guidance?



Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008

Ipsos MORI



In contrast to micro-enterprises, larger SMEs with 10 or more employees are much more likely to seek guidance on this area, as shown by the table below. A third (35%) of those employing 50-249 employees and three in ten (28%) employing 10-49 staff request guidance on disciplinary procedures.

Q What kind of issues, relating to employment, cause you most often to seek guidance?

2-9 employees	10-49 employees	50-249 employees
Pay (14%)	Disciplinary procedures (28%)	Disciplinary procedures (35%)
Disciplinary procedures (9%)	Maternity/paternity leave (10%)	Recruitment (8%)
Working hours (6%)	Redundancy (10%)	Maternity/paternity leave (6%)
Maternity/paternity leave (6%)	Pay (9%)	Redundancy (6%)
Recruitment (5%)	Recruitment (5%)	Keeping up to date with legislation (6%)

Source: Ipsos MORI

Base: All businesses (759)

One in five say they do not need guidance (22%) or that it is not applicable to their business (23%). Where guidance is sought, the internet is the most common source of the information, including government websites (18%), general websites (9%) and the Business Link website (4%).

Sources of guidance on employment

Q And where do you mainly look for guidance on employment issues?



Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008

Ipsos MORI



Consultants tend to be used more by larger SMEs (9% of SMEs employing 2-9, 19% employing 10-49 and 15% employing 50-249), while those with zero or one employee do not utilise these sources. SMEs with 10-49 and 50-249 employees are also more likely to use the Acas website (16% and 13% respectively). Medium sized enterprises are the group most likely to use solicitors (19%).

In line with earlier findings, SMEs employing fewer staff are less likely to require guidance, with three in ten (30%) of those without employees saying they do not need it, compared to just two per cent of those with 50-249 staff.

Guidance sought on health and safety regulation

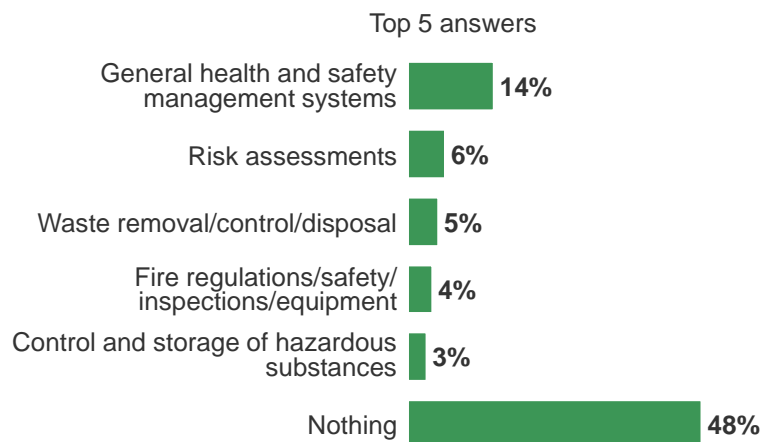
As already discussed, while health and safety is an area more relevant to SMEs than employment obligations, the vast majority (87%) feel well equipped to deal with the challenge of complying. This may go some way to explaining why an even larger proportion of SMEs (48%) say that they do not look for guidance on health and safety, when compared with employment.

As with the subject of employment, it is the smallest SMEs which generally do not seek this support. A third (32%) of those with 10-49 employees and one in six (16%) of those with 50-249 do not request guidance, compared to half of all SMEs with fewer than 10 employees.

Where guidance is asked for, it is most likely to be about general health and safety management systems, particularly for medium sized enterprises (24%).

Guidance required on health and safety

Q What kind of issues relating to health and safety cause you most often to seek guidance?



Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI

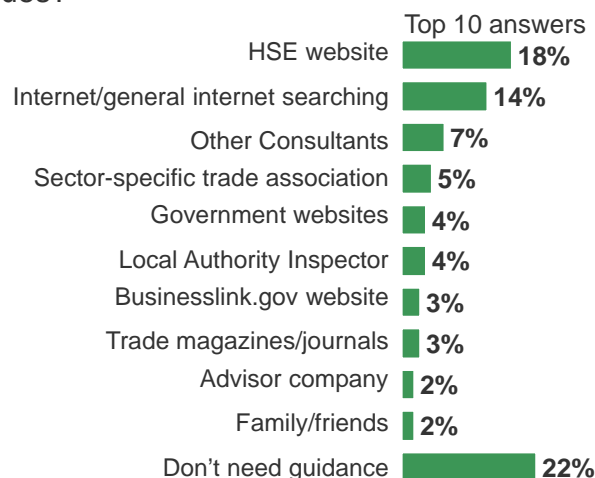


The smallest SMEs are most likely to feel they have no cause to seek guidance; half of SMEs without staff (51%) and just one employee (53%) state this is the case compared to two in five (45%) of those employing 2-9; one in three (32%) with 10-49 employees; and one in six (16%) employing 50-249. By sector, it is transport, storage and communication with the highest proportion (67%) taking this view.

In common with guidance regarding employment regulation, the internet is the most common source of information, with the HSE website (18%) the most cited source, followed by the internet for general searching (14%). The same proportion (22%) say they do not require guidance as do for employment.

Sources of guidance on health and safety

Q And where do you mainly look for guidance on health and safety issues?



Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008

Ipsos MORI



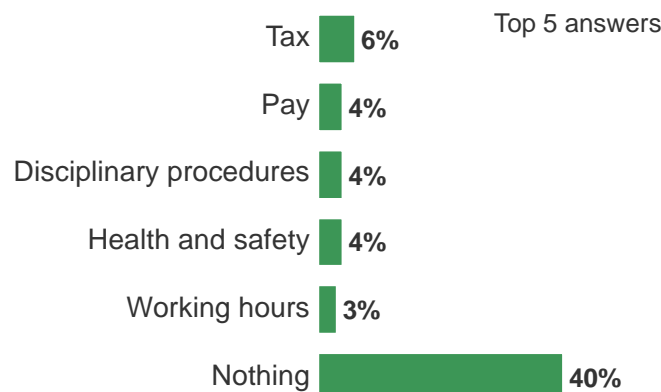
Three in ten (29%) SMEs who find it 'easy' to understand their employment obligations use the HSE website compared to just one in ten (9%) of those who say it is difficult, perhaps indicating this as a particularly useful source of information.

Specific advice on employment regulation

When asked about areas of regulation that cause SMEs to seek specific advice (rather than more general guidance, as already discussed), similar topics arise. Pay, tax and disciplinary procedures all receive mentions, although the largest single answer is that there is no area of employment regulation which leads to businesses seeking advice (40% take this view). This holds true if not including SMEs without staff; of businesses with employees, one in three (34%) say no particular area causes them to seek guidance.

Advice required on employment

Q What kind of issues relating to employment cause you most often to seek advice?



Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI



Larger SMEs are much less likely to say they do not currently request advice on employment law; just one in seven (15%) small enterprises and one in ten (9%) medium sized companies do not look for advice.

For larger enterprises, disciplinary procedures are most likely to cause SMEs to request advice, with over a quarter (27%) of those with 10-49 staff and two in five (40%) of those with 50-249 employees seeking help in this area.

The majority (77%) of those who feel they do not always do enough to comply do not look for advice. Over half (56%) of those finding it easy to understand their employment obligations say no areas or employment make them seek advice, compared to 38% of those who find understanding their obligations difficult.

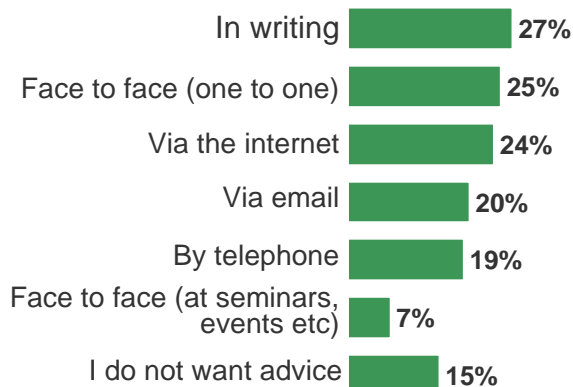
SMEs in financial intermediation, real estate and renting and business activities are least likely to seek advice (45% say no aspect of regulation causes them to do so).

Preferred communication channels

As indicated by the chart below, there is no one method of communicating advice that SMEs, as a group, particularly favour, instead they want advice to be given via a variety of channels. These include via written letter (27%), face-to-face on a one-to-one basis (25%), the internet (24%), email (20%) and telephone (19%).

Preferred routes of accessing employment advice

Q How would you prefer to receive advice on these issues?
[multiple response allowed]



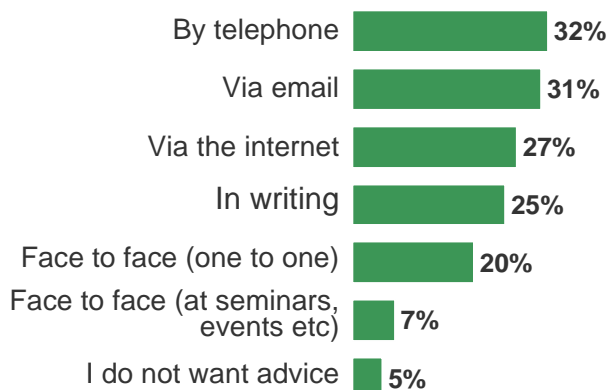
Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI



However, when looking at employing SMEs only, the telephone and email become relatively more popular; being the preference for a third (32% and 31% respectively). Furthermore, the proportion not wanting advice falls to one in 20 (5%).

Preferred routes of accessing employment advice

Q How would you prefer to receive advice on these issues?
[multiple response allowed]



Base: All businesses with at least one employee (692), fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI

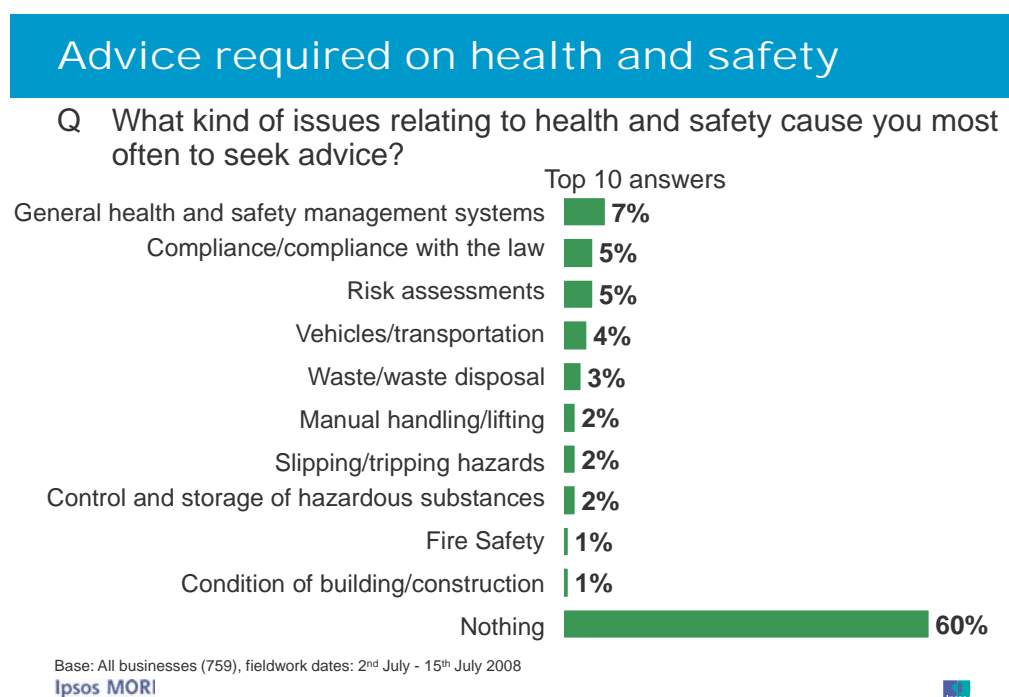


It is worth noting that, although two in five (40%) say they currently do not seek advice, a much smaller proportion (5%) say they do not actually want advice.

It is the larger SMEs which prefer email and telephone as ways to communicate advice to them, with at least three in ten advocating these methods; 31% of those with 2-9 employees, 37% of those employing 10-249 for email, 30% of 2-9 employees and 39% of 10-249 employees for telephone. Those with no staff or just one employee are most likely to say they do not want advice - 19% and 15% respectively, compared to just four per cent of SMEs with two employees or more.

Specific advice on health and safety regulation

The majority (60%) of SMEs have not had cause to ask for advice on any health and safety query. Where advice has been requested, general management systems are most commonly the cause (7%), followed by general compliance questions and risk assessments (both 5%).



Businesses with the fewest staff are least likely to have made any requests for advice, with two-thirds (64%) of those with just one employee or no staff at all claiming this. For medium enterprises, only one in seven (15%) say the same thing.

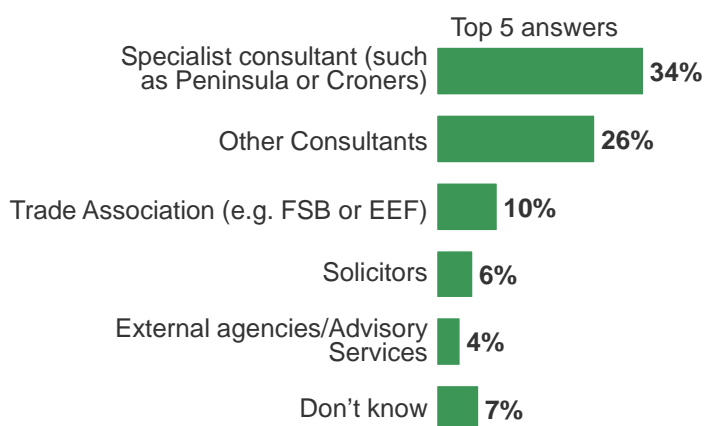
Paying for advice

One in five (20%) SMEs have paid for advice on employment or health and safety regulation, although the prevalence of this increases with the size of the enterprise, whereby two-thirds (65%) of businesses with 10-49 employees and three-quarters (75%) of those employing 50-249 staff have paid for this kind of support.

Specialist consultants, such as Peninsula and Croners, are the most popular provider of this guidance (34%), followed by other consultants who are used by one in four (26%). One in ten (10%) consult their trade association, such as the Federation of Small Businesses (FSB) or EEF.

Paid sources of regulatory advice

Q Who provides this paid service? (advice on how to comply with Health & Safety or employment regulations)



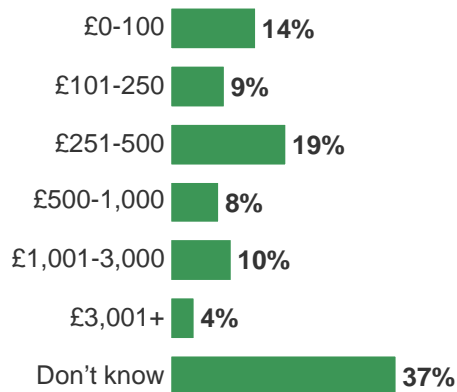
Base: All businesses paying for advice (352), fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI



The cost paid for this advice varies considerably, as indicated by the chart below, with one in seven (14%) paying up to £100 per year, one in five (19%) between £251 and £500 and one in ten between £1,001 and £3,000.

Annual cost of regulatory advice

Q On average, how much do you pay for this advice per year?



Base: All businesses paying for advice (352), fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI



As perhaps would be expected, the amount paid per year rises with the size of the business. One in five (22%) of those employing 50-249 employees pay more than £3,001 annually, although this rises to a third (33%) if those who do not know the amount are discounted.

5. Government guidance

This chapter covers awareness and use of government guidance, views of its usefulness and perceived barriers SMEs may face in accessing it. It also investigates potential future use of government guidance, cost thresholds for this service and which specific aspects of advice are deemed most important.

Awareness and use of current government guidance

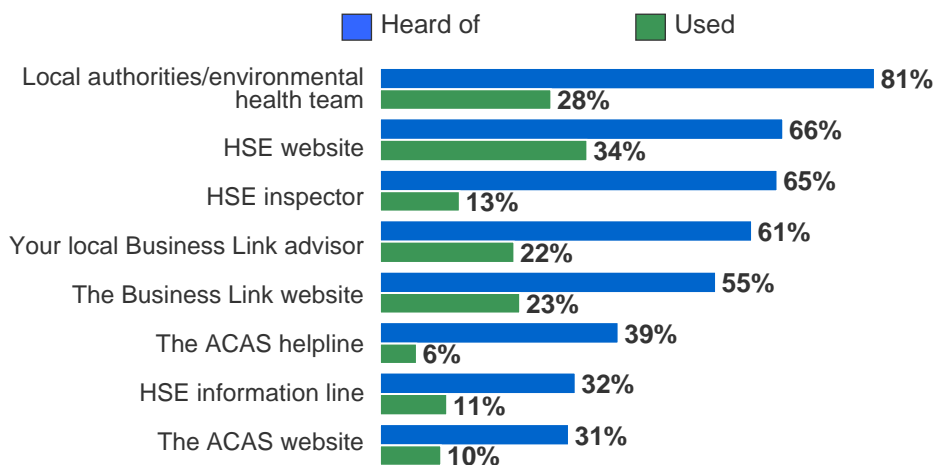
Local authorities and their environmental health teams are the government source of advice that SMEs are most aware of, with eight in ten (81%) having heard of them. The Health and Safety Executive (HSE) and Business Link (the websites and inspectors/advisors) are all generally well known, with at least half of all SMEs having heard of each. The HSE information line, however, is less well known with only one in three (32%) claiming to have been aware of it.

The chart below shows awareness and usage of each information source. The proportion using the service is based on all SMEs, regardless of their awareness of it.

The HSE website is the most used of all the avenues of government-provided advice, with half (51%) of all those having heard of it using the service, and a third (34%) of all SMEs receiving its advice. The Acas helpline, on the other hand, has the lowest conversion from SMEs knowing of its existence to going on to use its services, with just 15% of those who have heard of it having used it.

Awareness/use of Government sources of advice

Q Which of the following Government sources of advice have you heard of/used?



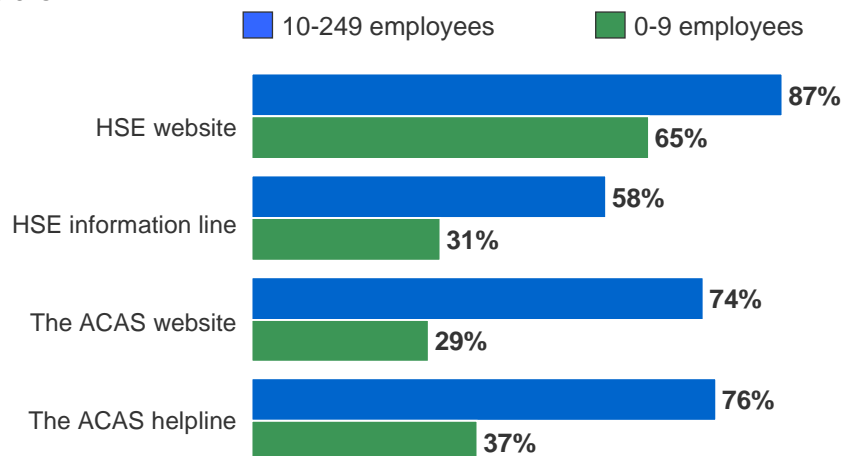
Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI



Across all forms of advice, other than local Business Link advisors, small and medium sized enterprises are more likely to be aware of their existence than micro businesses. This is particularly true of the website and information lines offered by Acas and the HSE, as indicated by the chart below.

Awareness of Government sources of advice

Q Which of the following Government sources of advice have you heard of?



Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI



SMEs with ten or more staff are considerably more likely to have used government-provided advice.

Moreover, SMEs which consider understanding their health and safety obligations 'easy' are more likely than those finding it difficult to have heard of the Acas helpline (46% of those finding it easy compared to 25% finding it difficult) and the website (40% versus 14% respectively). Furthermore, SMEs which find understanding their employment obligations 'easy' are more likely to be aware of the Acas website (40% versus 24% of those finding it difficult).

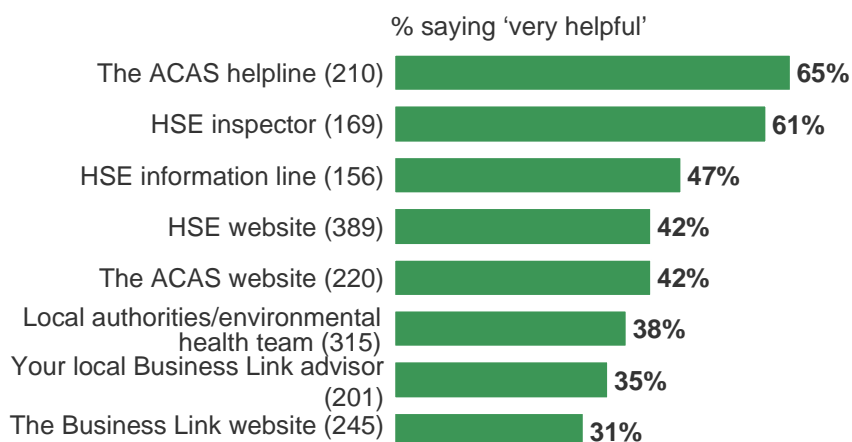
Small and medium sized businesses are also more likely to have used these advice services.

Helpfulness of government-provided advice

Government advice services are generally rated very well, particularly the Acas helpline and HSE inspectors, both rated as very helpful by at least six in ten (65% and 61% respectively). The Business Link advisors and local authority environmental health teams receive the lowest ratings over one in five (both 23%) rate them as not helpful.

Helpfulness of specific Government advice

Q How helpful do you find the advice offered by . .



Base: All businesses who have used each (bases in brackets), fieldwork dates: 2nd July - 15th July 2008

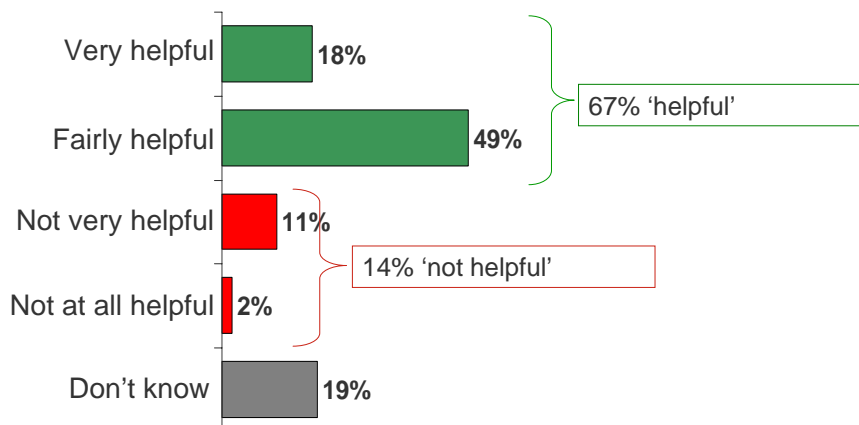
Ipsos MORI



When asked to consider Government advice more generally, the majority (67%) find it helpful. One in seven (14%) say they are not helpful while one in five (19%) do not know them well enough to give a view.

Helpfulness of Government advice

Q Thinking about all the sources of Government advice that you are aware of, do you generally find them . . . ?



Base: All businesses 759, fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI



Larger SMEs are most likely to view the service in a positive light, with one in three (32%) of those with at least 10 employees rating the service as *very* helpful. Single-employee businesses, however, are most likely to view Government advice as not at all helpful (18%). A significant proportion of SMEs who consider understanding their obligations difficult, do not receive the support they require from this advice - three in ten view the advice as not being helpful.

Barriers to using government advice

The vast majority of businesses (70%) do not feel there are any barriers preventing them from accessing government advice. Among those who do, the most common reasons given are that it is difficult to find (7%), it takes up too much time (7%) and the advice is too complicated to understand (6%).

Barriers to using Government advice

Q Is there anything that stops you from using sources of advice provided by the Government more than you do?



Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI

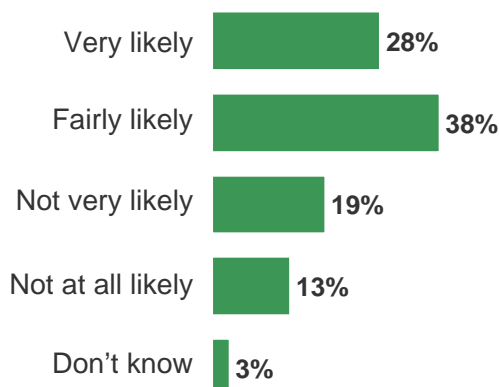


Future use of Government advice

Two thirds (65%) of SMEs express an interest in using a government-funded advice service, with three in ten (31%) saying it is unlikely they would.

Potential use of Government-funded advice

Q If a Government-funded or subsidised advice service from a reputed source was available to offer you specific advice on issues you raised, and provided certainty against financial penalties if the advice was challenged by an inspector or employment tribunal, how likely would you be to use it?



Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008
Ipsos MORI



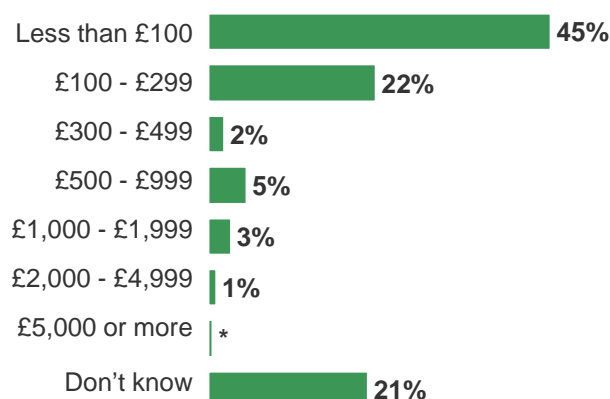
SMEs employing 10-49 members of staff appear most open to such a service, with over a third (35%) saying they are very likely to use it.

Of those likely to use this advice, there is a fairly even split between those prepared to pay (45%) and those unwilling to do so (52%). Perhaps unsurprisingly, larger SMEs, employing 10-249 people are more likely to be willing to pay (66% saying they are).

Almost half (45%) of the businesses willing to pay for this advice would only do so if it was at a cost of less than £100 per year, while a fifth (22%) say they would be willing to pay between £100 -£299.

Advice service cost thresholds

Q Roughly how much would you be prepared to pay per year for unlimited access to such a service?



Base: All businesses willing to pay for this advice (311), fieldwork dates: 2nd July -15th July 2008
Ipsos MORI



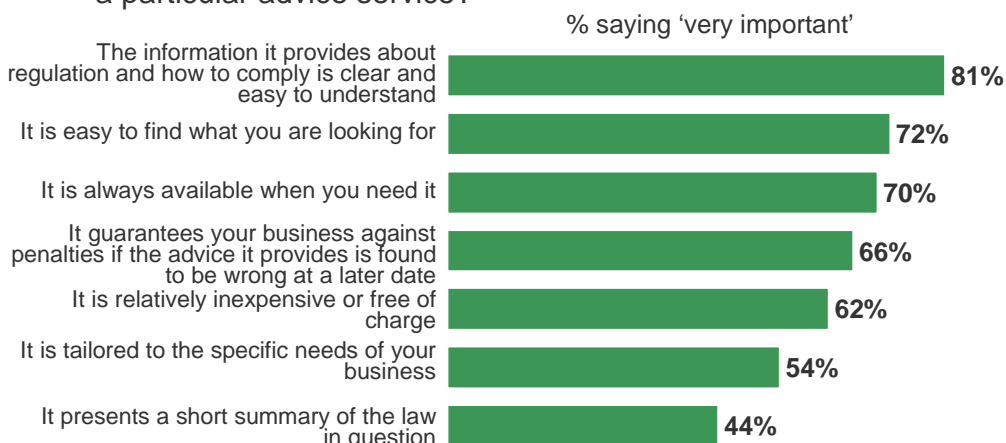
A significant proportion of smaller businesses (59% of zero employees) are willing to pay no more than £100 as an annual cost. Larger SMEs, however, have higher budgets; at least a third being able to pay at least £1,999 (36% of those employing 10-49 and 33% employing 50-249).

Important features of an advice service

The feature of any advice service which is the most salient to SMEs is that the information provided is clear and easy to understand, highlighted as being very important by four in five (81%). This is followed by it being easily and readily obtainable (cited by 72% and 70% respectively).

Importance of advice service features

Q Finally, I am going to read out a number of factors that may or may not be important in making you decide whether or not to use a particular advice service?



Base: All businesses (759), fieldwork dates: 2nd July - 15th July 2008

Ipsos MORI



This finding is corroborated when SMEs are asked to name only one factor as being the most important. A third (36%) refer to the clarity and simplicity of the information while one in six (16%) require it to be easy to find. These findings hold true across the different types of business, with no significant differences.

Most important features of advice

Q Can you tell me which one of these factors is most important to you?



Base: All businesses who said more than one factor was very important (692), fieldwork dates: 2nd July - 15th July 2008

Ipsos MORI



6. Cluster Analysis

To better understand how SMEs approach regulation and compliance towards it, cluster analysis was carried out on the survey results. This aims to investigate whether, and how, businesses naturally group according to their attitudes and approaches to compliance. It enables us to distinguish between different groups of SMEs who, within each group, share similar views on different aspects of dealing with regulation but, between each group, differ markedly in their attitudes. Once these “clusters” of SMEs have been identified, the characteristics of each can be examined and their demographic profiles compared.

The analysis was conducted in three stages:

1. Factor analysis
2. Cluster analysis
3. Profiling

1. *Factor Analysis*

This is a statistical data reduction tool that enables the selected questions to be simplified into a smaller number of manageable themes or “factors” without the loss of too much information. Factor analysis will group together those questions that are answered in a similar way (i.e. strong association/correlation).

Six “factors”, or themes, emerged from this analysis:

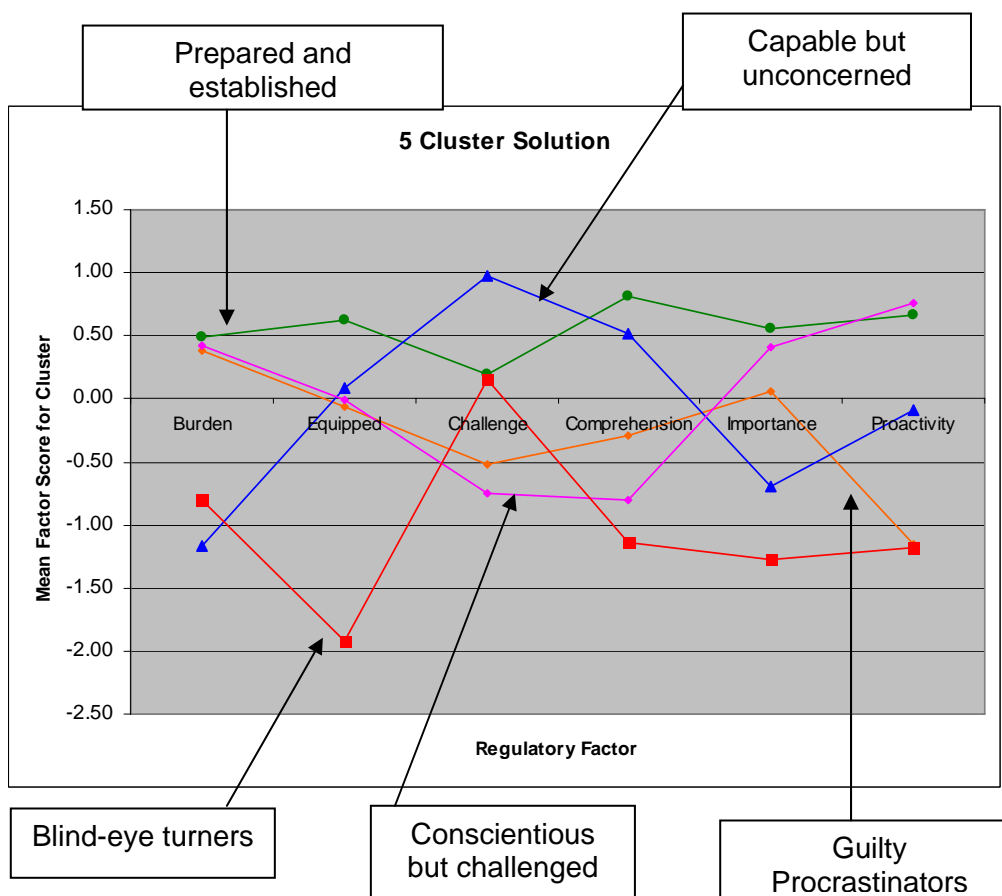
- F1 – The burden of complying with regulation (Q7 and Q15)
- F2 – Perceptions of ability to comply with regulation (Q8 and Q16)
- F3 – The challenge of complying with regulation (Q9 and Q17)
- F4 – Comprehension of regulatory obligations (Q10 and Q18)
- F5 – Importance of complying with regulation (Q22)
- F6 – Proactivity in dealing with regulation (Q23)

2. *Cluster Analysis*

The factor analysis described above allocates a score to each respondent in the survey for each of the six factors or themes. Using cluster analysis, it is then possible to “cluster” similar SMEs according to their scores on each of the 6 factors. Using this approach, five “clusters” or segments were identified (figures in brackets show what proportion fall into these categories based on unweighted and weighted data):

- i. **Prepared and Established (17%, 29% unweighted):** This group are very well equipped to comply with regulation, both in terms of knowledge and resources. Dealing with regulation is a regular task and, due to the importance they attach to complying, they take proactive steps to maintain high standards. Furthermore, they are most likely to be willing to use government guidance (49% saying 'very likely').
- ii. **Guilty Procrastinators (14%, 19% unweighted):** These SMEs realise the importance of compliance and, for them, it is a substantial burden. However, they feel it is a challenge but are not taking steps to remedy their shortcomings.
- iii. **Capable but unconcerned (41%, 20% unweighted):** These SMEs deal with regulation most infrequently and, therefore, do not perceive complying with regulation as a high priority. Despite this, they feel well placed to comply, understanding their obligations and are the least likely of the five groups to feel regulation is a challenge.
- iv. **Conscientious but challenged (10%, 22% unweighted):** These SMEs recognise the importance of complying with the law and feel they are proactive in making sure this is the case (39% of this group have paid for guidance). However, they perceive it as a challenge, particularly in understanding their obligations.
- v. **Blind-eye turners (18%, 10% unweighted):** These SMEs are most indifferent towards compliance, giving it least priority of the five groups and admitting they could be doing more to be compliant. Comprehension of their duties is a real problem and, resultantly, they are most likely to feel ill-equipped to deal with it. However, they are also least likely to be willing to use government guidance (22% saying they are 'not at all likely' to).

The chart below shows how each of the five clusters scored on each of the six factors:



This shows, for example, that the **capable but unconcerned** are characterised by a low factor 1 score (burden of dealing with regulation), a high factor 3 score (the challenge of dealing with regulation) and a fairly high factor 4 score (comprehension of regulation obligations)¹.

3. Profiling

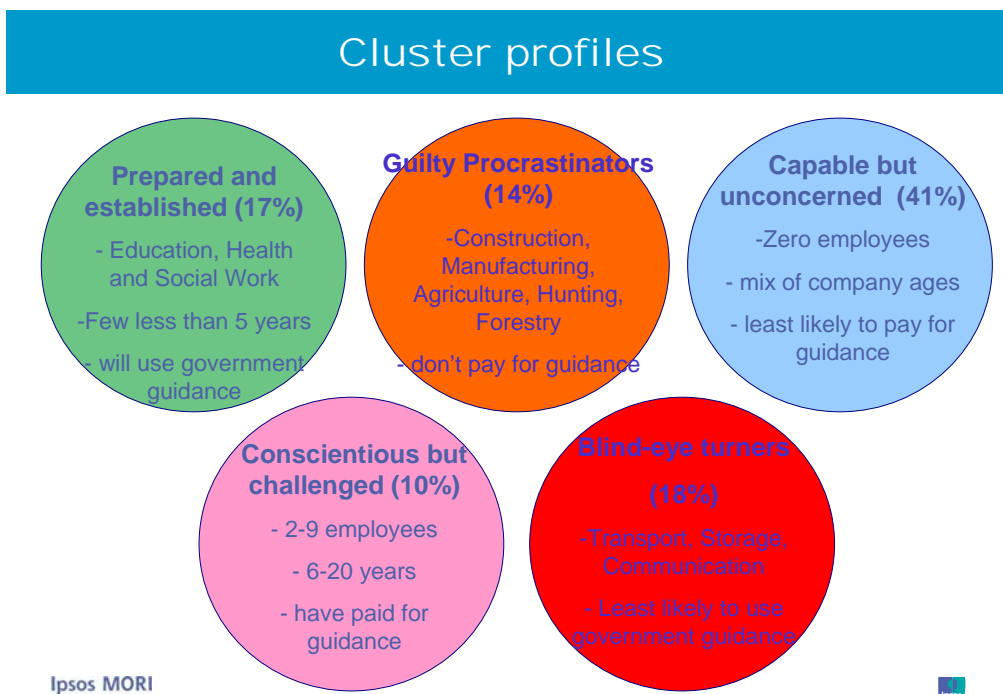
The demographic profile for each of these six respondent clusters or segments can then be examined to provide a description of each. The cluster analysis is run using data weighted to the national profile.

The chart below summarises each of these five business clusters on the basis of their “dominant” characteristics (i.e. those characteristics that differentiate them from the other clusters). It is important to note that these five clusters are not mutually exclusive: while the characteristics attributed to each cluster or segment are relatively more common among this sub-set than among respondents generally, this does not imply that all members of each sub-set share exactly these

¹ Please note that these selected names are generalisations, and reflect the cluster averages as opposed to the score of each and every member of the cluster. For example, not all 'Capable yet unconcerned' SMEs give regulation a low importance score, but we can say that (in terms of the six-dimensional profile) the members of this group are more similar to each other than members of a different group.

same characteristics nor that respondents with some of these characteristics do not appear in other clusters.

The chart below shows the predominant characteristics of each cluster:



Please note that the above clusters use a 90% confidence interval – that is, the chances are 90 in 100 that the ‘true’ value will fall within a specified range. The confidence with which we can make this prediction is usually chosen to be 95%. In this case, a slightly lower confidence interval has been selected in order to maximise the demographics that can be included in the model. This does mean that results are slightly less reliable than at a 95% confidence interval, but reliability is satisfactory for the purpose of providing a good indication of cluster attributes.

The qualitative research commissioned by BERR identified four main groups that SMEs could broadly be categorised into, based on their approach to complying with regulation. These are:

Group 1: Those who wish to comply and actively seek information and guidance to assist them or who pay consultants to ensure they are compliant;

Group 2: Those who wish to comply but believe it is too difficult;

Group 3: Those who believe they run their business in a ‘decent’ fashion and hope for the best, not seeking guidance until something goes wrong; and

Group 4: Rogue businesses who have no intention of complying.

The cluster analysis findings broadly support these categorisations and links can be drawn between the two different analyses - the table below showing possible correlations. For example, Group 4 – rogue businesses - can most closely be compared to what we have called the ‘blind-eye turners’, the group least concerned with regulation yet also least equipped to deal with it.

Previous research	BERR qualitative	Cluster analysis
Group 1		Conscientious challenged
		Prepared and established
Group 2		Guilty procrastinators
		Conscientious challenged
Group 3		Capable but unconcerned
Group 4		Blind eye turners

Group 2 – who wish to comply but believe it is too difficult to do so – could perhaps be considered as falling into two further subgroups; those proactive in actively seeking out the support they need to comply (such as the Conscientious but challenged) and those who are not (such as the Guilty procrastinators).

Appendices

A1. Sample Profile

Sample profile			
	Number	Unweighted	Weighted
	<i>N</i>	%	%
Total	759	100	100
Sector			
Construction; Manufacturing; Agriculture, Hunting and Forestry, Fishing; Mining and Quarrying, Electricity, Gas and Water Supply	151	20	20
Transport, Storage and Communication	151	20	20
Wholesale and Retail Trade, Repairs; Hotel and Restaurants; Other Community, Social and Personal Services Activities	154	20	20
Financial Intermediation; Real Estate, Renting and Business Activities	152	20	20
Education; Health and Social Work	151	20	20
Business Size			
0 employees	67	9	71
1 employee	34	4	3
2-9 employees	293	39	21
10-49 employees	210	28	4
50-249 employees	155	20	1
Length of time business has been in existence			
Less than a year	11	1	1
1-3 years	31	4	4
4-5 years	52	7	7
6-20 years	333	44	44

	Number	Unweighted	Weighted
	<i>N</i>	%	%
More than 20 years	332	44	44
Branch/Headquarters			
Branch	133	18	18
Headquarters	547	72	72
Gender			
Male	494	65	65
Female	265	35	35
Region			
North East	38	5	5
York and Humber	81	11	11
East Midlands	67	9	9
East	84	11	11
London	97	13	13
South East	129	17	17
South West	92	12	12
West Midlands	51	7	7
North West	77	10	10
Wales	43	6	6

Source: Ipsos MORI

A2. Copy of advance letter sent on request to businesses in the sample



June 2008

Dear Sir/Madam

Seeking your views on Government guidance to small and medium sized enterprises

I am writing to ask for your help in a forthcoming telephone survey to establish current attitudes and opinions towards Government guidance and advice to small and medium sized enterprises on issues of regulatory compliance. Your participation in the project will help us to ensure the information provided on regulation is tailored sufficiently to the needs of small businesses, helping them comply with employment and health and safety regulation.

Ipsos MORI, the independent research organisation are carrying out a survey as part of the Anderson Review, an independent review led by Sarah Anderson announced in the Budget, which is looking at how Government guidance can better serve businesses. The telephone interview will take no more than 15 minutes and we would very grateful if we could include your opinion in this important piece of research.

The data collected in this survey will remain confidential and the information provided will be used only for research purposes. Ipsos MORI is a member of the Market Research Society (MRS) and, as such, strictly abides by the MRS Code of Conduct (www.mrs.org.uk). All responses will be treated in the strictest confidence and reported in a way that cannot identify any individuals or their organisation.

An Ipsos MORI interviewer will be contacting you shortly to arrange a convenient time to conduct the telephone interview. If you have any queries regarding this research, please do not hesitate to contact Matthew Evans at Ipsos MORI on 0207 347 3000.

Yours sincerely

Matthew Evans

Research Executive

A3. Interviewer Instructions

Business Perceptions of Government Guidance – Anderson Review

Background

This is a study we are conducting for the Better Regulation Executive as part of the Anderson Review, which is looking at how Government guidance can better serve businesses. The purpose of this survey is to explore views on the guidance and advice available to help small businesses comply with employment and health and safety regulation.

Purpose of survey

The survey results will provide evidence for the Anderson Review which will make recommendations to Government in the autumn on ways of improving the way businesses are supported through the advice and guidance provided by the Government. It's very important that we get the views of a wide range of businesses so that we can be sure that the results of the survey are representative of business views as a whole.

Who to speak to

The survey is among small and medium sized businesses, with less than 250 employees, across a range of industry sectors. It is important that we speak to the person who is responsible for complying with, or taking decisions on, issues of health and safety and employment law. This may or may not be the business owner - the sample contacts are the owners and Directors of small businesses. You may, therefore, need to be referred to the correct contact.

Sample contains both headquarters and regional offices.

Quotas

We are setting quotas on number of employees and industry sector, as below. These are driven from the sample rather than the script. We will also keep an eye on the regional split, but there are not specific quotas set on this.

Interviews required					
Sector	Staff Numbers				Total
	0-1	2-9	10-49	50-249	
Construction; Manufacturing; Agriculture, Hunting and Forestry, Fishing; Mining and Quarrying, Electricity, Gas and Water Supply	20	70	30	30	150
Transport, Storage and Communication	20	70	30	30	150
Wholesale and Retail Trade, Repairs; Hotel and Restaurants; Other Community, Social and Personal Services Activities	20	70	30	30	150
Financial Intermediation; Real Estate, Renting and Business Activities	20	70	30	30	150
Education; Health and Social Work	20	70	30	30	150
	100	350	150	150	750

Questionnaire

There is just one version of the questionnaire and it is very straightforward.

The questionnaire is completely routed for you, however please be sure to read out questions carefully, especially when explaining any instructions.

Apart from 'other specify' questions, there is only one open-ended question (Q37 at the end of the interview) – please probe fully.

Queries

Please contact Matt Evans (0207-347-3004) if you have any questions.

Thank you and good luck

A4. Questionnaire

**Business Perceptions of Government Guidance
Final Questionnaire**

Introduction and screening

IF SWITCHBOARD: Good morning/afternoon, may I speak to [RESPONDENT NAME / TITLE]?

IF SECRETARY: Good morning/afternoon. May I speak to [NAMED CONTACT –]. My name is [INTERVIEWER NAME] from Ipsos MORI

IF ASKED: We are carrying out a survey as part of the Anderson Review, an independent review led by Sarah Anderson announced in the Budget, which is looking at how Government guidance can better serve businesses. The purpose of this survey is to explore your views on the guidance and advice available to help you comply with employment and health and safety regulation. We need to speak to the person who is responsible for complying with, or taking decisions on, these issues.

ONCE CONTACT WITH SAMPLE REPRESENTATIVE ACHIEVED:

Good morning / afternoon, I'm calling from Ipsos MORI, the independent research organisation. We are carrying out a survey as part of an independent review led by Sarah Anderson, announced in the Budget, which is looking at how Government guidance on regulations can better serve its business users, such as you. The purpose of this survey is to explore your views on the guidance and advice available to help you comply with employment and health and safety regulation. The survey results will provide evidence for the Anderson Review which will make recommendations to Government in the autumn on ways of improving the way businesses are supported through the advice and guidance provided by the Government. It's very important that we get the views of a wide range of businesses so that we can be sure that the results of the survey are representative of business views as a whole.

IF REFERRAL: May I please have the name and contact telephone number for the person who is responsible for complying with, or taking decisions on, employment and health and safety regulation? [REPEAT INTRODUCTION AS NECESSARY]

The interview should take no more than 15 minutes

YES – continue

NO – terminate

INTERVIEWER: PLEASE MAKE APPOINTMENT IF CONTACT IS NOT AVAILABLE AT TIME OF INITIAL CALL.

QA: We will be asking about regulations in relation to employment law and health and safety law. REPEAT ABOVE IF NECESSARY. Are you the

person responsible for complying with, or taking decisions on, employment and health and safety regulation?

OK to Continue GO TO Q1

Objections raised THANK AND CLOSE

Referred to another person Take name and telephone number for person with whom it would be most relevant to conduct the interview – repeat introduction as necessary.

GO TO Q1

THANK AND CLOSE

QB: INTERVIEWER - RESPONDENT OK TO CONTINUE?

Yes - Proceed with interview

No - Refusal

Back to SMS menu (make appt. etc)

Demographics

Before we begin, can I just confirm a few details about you and your business or organisation? This information will be used for analysis purposes only – neither you nor your organisation will be identified in the results.

Q1. As far as you know, roughly how many people are employed in the business organisation? Please include anyone who works for the business/organisation, even if they work in a different location or plant to you. Please do not include any proprietors, partners or directors who do not receive a salary.

0

1

2-9

10-49

50-249

250 or more THANK AND CLOSE

Q2. Roughly how long has your business been in existence? SINGLE CODE ONLY

Less than a year

1-3 years

4-5 years

6-20 years

More than 20 years

Q3. What is your specific job title? SINGLE CODE ONLY

Owner/Partner

Chief Executive

Managing Director

HR Manager
National Director/Official
Finance Director/Manager
Company Secretary
In-house lawyer
Facilities Director/Manager
Senior Director
Health & Safety Manager
Manager of premises/branch
Catering Manager
Operations Director/Manager
Office Manager
Technical Director/Manager
Regulatory Compliance Manager
Other (specify)

Q4. Are you based in a branch of your business or in its headquarters? SINGLE CODE ONLY

Branch
Headquarters
Other

Complying with regulation

Now I am going to ask you some questions about complying with Government regulation. By “regulation”, I mean Government rules on employment, health and safety at work, planning, food safety and so on. The questions do not refer to matters relating to tax and VAT.

Q5 Thinking about all the different types of regulation that you have to deal with, which one of the following broad areas is the most time-consuming for your business? READ OUT. SINGLE CODE ONLY

Q6 And which of these broad areas is the most costly for your business? READ OUT. SINGLE CODE ONLY

Employment
Health and safety
Food safety
Planning
Environmental
Trading standards
Waste
Other (please specify)

Now, I'm going to ask you about complying specifically with employment regulation.

Q7 How often does your job involve tasks associated with complying specifically with employment regulations? Is it ...
READ OUT

- Daily
- Weekly
- Monthly
- Quarterly
- Annually
- Less often
- Never
- Don't know

Q8 Thinking about your own knowledge and experience of dealing with employment issues, how well equipped do you think you are to comply with the range of employment regulations that come up in the course of running your business? Are you ...?

- Very well equipped
- Fairly well equipped
- Not very well equipped
- Not at all equipped

Q9 Compared to other issues, such as the level of tax, competition, or recruiting and retaining good staff, how much of a challenge would you say complying with employment regulation is for your business at the moment? Is it ...?

- A big challenge
- A bit of a challenge
- Not much of a challenge
- Not a challenge at all

Q10 How easy or difficult do you find it to understand what your obligations are in terms of Employment regulation?

- Very easy
- Fairly easy
- Fairly difficult
- Very difficult

Now I am going to ask you about the guidance you use to help you comply with employment regulations. By guidance, I mean information already published by the Government or advisers, on websites or in hard copy that covers the general requirements of regulation. I do not mean information you receive in response to a specific question you have asked – we'll be asking about this separately in a minute.

Q11 What kind of issues relating to employment cause you most often to seek guidance? DO NOT PROMPT. MULTICODE.

- Recruitment
- Disciplinary procedures
- Pay
- Pensions
- Working hours
- Maternity/paternity leave
- Redundancy
- Other (please specify)
- Nothing

Q12 And where do you mainly look for guidance on employment issues? DO NOT PROMPT. MULTICODE.

- Acas website
- BusinessLink.gov website
- Government websites
- Trade association - Federation of Small Businesses (FSB)
- Trade association – EEF (the industry body for engineering and manufacturing employers)
- Trade association – sector-specific association
- Solicitors
- Accountants
- Don't need guidance
- Other (please specify)

Now I'm going to ask you about advice. By advice, I mean answers to a specific question you have asked, relevant to your business situation. This may be from a helpline or a professional adviser.

Q13 What kind of issues relating to employment cause you most often to seek advice? DO NOT PROMPT. MULTICODE.

- Recruitment
- Disciplinary procedures
- Pay
- Pensions
- Working hours
- Maternity/paternity leave
- Redundancy
- Other (please specify)
- Nothing

Q14 How would you prefer to receive advice on these issues?

- Face to face (one to one)
- Face to face (at seminars, events etc)
- In writing
- Via email
- Via the internet
- By telephone

Now, turning to health and safety regulation...

Q15 How often does your job involve tasks associated specifically with complying with health and safety regulations? Is it ...
READ OUT

- Daily
- Weekly
- Monthly
- Quarterly
- Annually
- Less often
- Never
- Don't know

Q16 And, thinking about your own knowledge and experience, how well equipped do you think you are to comply with the range of health and safety regulations that come up in the course of running your business? Are you ...?

- Very well equipped
- Fairly well equipped
- Not very well equipped
- Not at all equipped

Q17 Compared to other issues, such as the level of tax, competition, or recruiting and retaining good staff, how much of a challenge would you say complying with health and safety regulation is for your business at the moment? Is it ...?

- A big challenge
- A bit of a challenge
- Not much of a challenge
- Not a challenge at all

Q18 How easy or difficult do you find it to understand what your obligations are in terms of health and safety regulation?

- Very easy
- Fairly easy
- Fairly difficult
- Very difficult

Q19 What kind of issues relating to health and safety cause you most often to seek guidance? As earlier, by guidance, I mean information already published by the Government or advisers, on websites or in hard copy that covers the general requirements of regulation. DO NOT PROMPT. MULTICODE.

- General health and safety management systems
- Risk assessments (as separate category)
- Slipping/tripping hazards
- Provision and use of safety equipment
- Vehicles/transportation
- Moving parts of machinery
- Control and storage of hazardous substances
- Display screen/VDU assessment
- Electricity and electrical equipment
- Noise and/or dust

- Other (please specify)
- Nothing

Q20 And where do you mainly look for guidance on health and safety issues? DO NOT PROMPT. MULTICODE.

- HSE website
- Businesslink.gov website
- H&S Inspector
- Institute of Occupational Safety and Health
- Croner
- Other Consultants
- Local Authority Inspector
- RoSPA
- FSB
- Don't need guidance
- Other (please specify)

Q21 What kind of issues relating to health and safety cause you most often to seek advice? By advice, I mean answers to a specific question you have asked, relevant to your business situation. This may be from a helpline or a professional adviser. DO NOT PROMPT. MULTICODE.

General health and safety management systems

Risk assessments (as separate category)

Slipping/tripping hazards

Provision and use of safety equipment

Vehicles/transportation

Moving parts of machinery

Control and storage of hazardous substances

Display screen/VDU assessment

Electricity and electrical equipment

Noise and/or dust

Fire safety

Other (please specify)

Nothing

I now want to ask you some questions on regulation more generally. Please consider both Health and Safety and employment law when responding to these questions.

Q22 How important to your business is complying with regulation among the range of business responsibilities you deal with?

Crucial

Very important

Fairly important

Not very important

Not important at all

Q23 Which of the following best describes your business's position in relation to dealing with regulation?

I am always proactive in making sure we are compliant

I respond to requirements but don't go out of my way to be compliant

I don't always feel we are doing enough to be compliant

None of these (do not read out)

Q24 Do you ever pay for advice on how to comply with regulations in the areas of either employment or health and safety?

Yes

No

Don't know

IF YES AT Q24. OTHERWISE GO TO Q28

Q25 Who provides this paid service? MULTICODE OK

Trade association (such as the Federation of Small Businesses or EEF)

Specialist consultant (such as Peninsula or Croners)

Other Consultants

Solicitors

Other (please specify)

Q26 On average, how much do you pay for this advice per year?

CODE AMOUNT

IF UNSURE, PROBE FOR BEST ESTIMATE

ASK FOR EACH MENTIONED AT Q25

Q27 Does the fee you pay to the [insert from Q25] cover any costs you incur if you follow the advice you receive and are then found to be in breach of regulations by an inspector or have a claim made against you at an employment tribunal?

Yes

No

Don't know

Government provided advice

Now I'd like to ask you about sources of advice -provided by the Government on employment and health and safety issues.

Q28 Which of the following Government sources of advice have you heard of? IF HEARD OF: Have you used it?

Your local Business Link advisor
The Business Link website
The ACAS helpline
The ACAS website
HSE website
HSE inspector
HSE information line
Local authorities/environmental health team
Heard of: Yes/No
Used: Yes/No

ASK FOR EACH SERVICE USED AT Q28

Q29 How helpful do you find the advice offered by [insert service from Q28]? Is it ...

Your local Business Link advisor
The BusinessLink.gov website
The ACAS helpline
The ACAS website
HSE website
HSE inspector
HSE information line
Local authorities/environmental health team

Very helpful
Fairly helpful
Not very helpful
Not at all helpful
Don't know

ASK ALL

Q30 Thinking about all the sources of Government advice that you are aware of, do you generally find them ...?

- Very helpful
- Fairly helpful
- Not very helpful
- Not at all helpful
- Don't know

Q31 Is there anything that stops you from using sources of advice provided by the Government more than you do? DO NOT PROMPT. MULTICODE

- Don't know where to find it
- Difficult to find the information I'm looking for
- Too general/doesn't address specific problems
- Too detailed
- Too complicated/difficult to understand
- Can't be relied on with tribunals/inspectors
- Comes with a legal disclaimer
- Other sources are more helpful/easier to use
- Fear of it leading to enforcement action or some other type of action or penalty
- Other (please specify)

ASK IF HEARD OF BUT NOT USED BUSINESSLINK.GOV WEBSITE (Q28) OR USED IT BUT FOUND IT NOT VERY OR NOT AT ALL HELPFUL (Q29)

Q31a You said you haven't used the BusinessLink.gov website/don't find the BusinessLink.gov website helpful. Why is this? DO NOT PROMPT. MULTICODE.

Poor reputation (because associated with bad experience of Business Link advisors)

Poor reputation (other)

Don't know where to find it

Difficult to find the information I'm looking for

Too general/doesn't address specific problems

Too detailed

Too complicated/difficult to understand

Can't be relied on with tribunals/inspectors

Comes with a legal disclaimer

Other sources are more helpful/easier to use

Fear of it leading to enforcement action or some other type of action or penalty

Other (please specify)

Q32 If a Government-funded or subsidised advice service from a reputed source was available to offer you specific advice on issues you raised, and provided certainty against financial penalties if the advice was challenged by an inspector or employment tribunal, how likely would you be to use it?

Very likely

Fairly likely

Not very likely

Not at all likely

Don't know

IF VERY OR FAIRLY LIKELY AT Q32:

Q33 Would you be prepared to pay a fee for such a service?

Yes

No

Don't know

IF YES AT Q33:

Q34 Roughly how much would you be prepared to pay per year for unlimited access to such a service? DO NOT PROMPT

Less than £100

£100-£299

£300-£499

£500-£999

£1,000- £1,999

£2,000-£4,999

£5,000 or more

Don't know

ASK ALL

Q35 Finally, I am going to read out a number of factors that may or may not be important in making you decide whether or not to use a particular advice service? For each one, can you tell me whether it is ... ROTATE ORDER

The information it provides about regulation and how to comply is clear and easy to understand

It is easy to find what you are looking for

It is always available when you need it

It is tailored to the specific needs of your business

It guarantees your business against penalties if the advice it provides is found to be wrong at a later date

It is relatively inexpensive or free of charge

It presents a short summary of the law in question

Very important

Fairly important

Not very important

Not at all important

IF MORE THAN ONE FACTOR IS VERY IMPORTANT AT Q35

Q36 Can you tell me which one of these factors is most important to you? READ OUT ALL FACTORS THAT WERE VERY IMPORTANT. SINGLE CODE ONLY

List factors from Q35

All the same

Don't know

Q37 Are there any other factors that I have not mentioned that are important to you in deciding whether or not to use a particular advice service? DO NOT PROMPT. OPEN-ENDED

A5. Statistical reliability

The respondents to this survey are only samples of the total 'population' of the business community. This means that we cannot be certain that the figures obtained are exactly those we would have if everybody had been interviewed (the 'true' values). We can, however, predict the variation between the sample results and the 'true' values from a knowledge of the size of the samples on which the results are based and the number of times that a particular answer is given. The table below illustrates the predicted range for different sample sizes and percentage results at the '95% confidence interval' – i.e. the confidence with which we can make this prediction is 95%, that is, the chances are 95 in 100 that the 'true' value will fall within a specified range.

An indication of approximate sampling tolerances are given in the table below.

Overall statistical reliability			
<i>Size of sample on which survey result is based</i>	<i>Approximate sampling tolerances applicable to percentages at or near these levels</i>		
	10% or 90%	30% or 70%	50%
759	2	3	4
1,000	2	3	3

Source: MORI

Strictly speaking the tolerances shown here apply only to random samples; in practice good quality quota sampling has been found to be as accurate.

For example, with a sample of 759 where 30% give a particular answer, the chances are 19 in 20 that the 'true' value (which would have been obtained if the whole population had been interviewed) will fall within the range of plus or minus 3 percentage points from the sample result.

When results are compared between separate groups within a sample, different results may be obtained. The difference may be 'real', or it may occur by chance (because not everyone in the population has

been interviewed). To test if the difference is a real one – i.e. if it is ‘statistically significant’, we again have to know the size of the samples, the percentage giving a certain answer and the degree of confidence chosen. If we assume the ‘95% confidence interval’, the differences between the two sample results must be greater than the values given in the table below:

Statistical reliability between subgroups			
<i>Size of sample on which survey result is based</i>	<i>Approximate sampling tolerances applicable to percentages at or near these levels</i>		
	10% or 90%	30% or 70%	50%
100 vs. 100	8	13	14
100 vs. 250	7	11	12
100 vs. 500	7	10	11
250 vs. 250	5	8	9
250 vs. 500	5	7	8
500 vs. 500	4	6	6

Source: MORI

For example, if 42% of SMEs in operation for less than five years give a particular answer compared with 54% which have been in operation for over 20 years, both with sub-samples of around 250, the chances are 95 in 100 times that this 12 percentage point difference is significant (ie greater than 9 points), which could not have happened by chance.