

## **Benchmarking positive for business**

*Phil O'Reilly*

The Business NZ – KPMG survey of compliance costs has now been operated for four years. As a result we can now begin to see longer-term trends emerging, one of the reasons for running an annual survey with a large sample (over 1,400 businesses this year) using consistent question lines.

Unfortunately the 2006 results show the compliance burden continuing to grow: of the six grouping of businesses by size, only one showed a (minor) reduction in compliance costs. Four groupings showed an increase and one stayed the same.

Small businesses are still harder hit by the weight of regulation. Firms with less than 10 employees face compliance costs averaging around \$3,000 per employee per year.

But larger companies with more than 50 employees have compliance costs of less than \$1,000 per employee per year.

When you consider that the vast majority of New Zealand businesses are small ones you can see how important it is help reduce that \$3,000 cost per employee per year.

That amount is the administrative and time cost of complying with laws and regulations, quite apart from their substantive cost - for example, the time and resources involved in working out tax or holiday payments, as opposed to the amount of tax or holiday pay to be paid.

It includes, among other things, the cost of hiring outside advisors to cope with regulation. This is an increasing cost. This year's survey revealed that more than 40% of all compliance costs are for tax issues. The respondents are telling us that tax is becoming too complicated for the average person to deal with. Making tax regulations simpler would be a great way of helping small businesses grow and prosper.

After tax, the next biggest concern is employment law compliance – the cost of complying with the Employment Relations Act, Holidays Act and Health & Safety in Employment Act. Respondents' comments indicated they were unhappy in particular with the complicated work imposed by the Holidays Act and by the provisions of the Employment Relations Act that allow for spurious grievance claims.

These are all quite negative messages to be delivering to officials and lawmakers. However, the depth of information that can be gleaned from the survey makes it possible to have positive, informed dialogue about useful areas for review. Rather than using the survey data to browbeat policymakers, it is more fruitful to use it as a conversation starter and catalyst for positive change.

The Commerce Minister Lianne Dalziel is certainly engaged in that conversation in a positive way and is pursuing regulatory review in the same manner. Information from this year's compliance cost survey will be a useful addition to the data under consideration in that review.

Another positive to emerge from the survey is the component on the helpfulness, or otherwise, of government agencies that administer business regulations. Though some agencies came in for a bit of criticism, all agencies came out on the 'helpful' side of the scale. The Companies Office again starred as the agency voted 'most helpful', for the fourth year in a row. Its website, call centre and procedures were widely commended by respondents.

Other agencies have been quietly improving their rankings over the period the survey has been operated. It's good to know the survey is acting as a catalyst for administrative improvement.

One final positive - this year's survey included a new question asking respondents who had contacted government agency call centres whether they had received a useful answer on their first call. The encouraging answer was 62%. This kind of specific, hard data is most useful as a benchmark for continuing improvement.

The Business NZ – KPMG compliance cost survey is already producing positives in its first four years of operation and its use for future benchmarking will be of ongoing value in the quest to get a better environment for business.

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