

Center for American Progress Action Fund



Testimony before the Senate Budget Committee on “Improving Regulatory Performance: Lessons from the United Kingdom”

Jitinder Kohli
Senior Fellow, Center for American Progress Action Fund
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Mr. Chairman, members of the taskforce, I am pleased to be here to talk about the U.K. experience with regulatory performance.

There are two points I should note at the outset. First, while I have expertise on how government can reform regulation, I am inexperienced on the U.S. regulatory context and debate. My work in Washington has intentionally had a different focus, and so others who have expertise in the U.S. context should determine the extent to which the experience of the United Kingdom is relevant here. Second, these are my personal views and are not necessarily those of my colleagues at the Center for American Progress.

The United Kingdom has had a policy framework on regulatory reform in place for 25 years, and over those years, there has been a considerable evolution of the policy. In this testimony I focus on the period from 2005 to 2009, when I was the chief executive of the Better Regulation Executive. As such, I was the lead official in the British government responsible for regulatory reform.

The context in the United Kingdom was similar to that in many European nations and did not suffer from the polarization around the issue of regulation that you appear to have in this country. There was broad consensus that regulation played an essential role in providing protections for our citizens and quality of life. No one argued that we did not need regulations to protect workers, or consumers, or provide clean air and water, and there was even agreement that regulation was needed to tackle emerging challenges such as climate change. And yet British business often claimed that there was too much regulation, and in many cases regulatory oversight felt like mere bureaucracy. As a result, they called on government to reduce the burden.

Meanwhile, as technology, science, and cultural norms developed, groups such as environmentalists, consumer groups, and trade unions reasoned that new regulations were needed to provide better protection against risks to society. Politicians found themselves caught between these two forces—both of which they wanted to satisfy.

In 2005 the British government launched a new initiative to reform regulation. Developed jointly by then-Prime Minister Tony Blair and Chancellor of the Exchequer Gordon Brown, this initiative tried to look at the issue in a new manner. The starting point was a belief that it was possible to build a system of “better regulation.” The idea was that instead of government allowing itself to be caught between those who wanted more regulation and those who wanted less regulation, government’s role was to find ways to simultaneously maximize regulatory protection while minimizing unnecessary regulatory burden. For example, if a regulatory agency could focus inspection resources on those businesses that posed the greatest risk, it might be able to reduce the overall cost to business and improve regulatory outcomes. Effective regulation could also improve respect for rules among the regulated and positively change the perception of government among businesses. There are five key takeaways from the British experience.

First, many who work in government know that “**what gets measured gets done.**” But even though British politicians had made numerous statements in the past that they were committed to reducing the regulatory burden, they had never instigated a process of measuring regulatory costs. In 2005 the U.K. government promised that as part of the Better Regulation agenda, it would reduce the annual administrative costs of regulation by £3.5 billion (around \$5.5 billion) within five years. Britain’s gross domestic product is about seven times smaller than the United States, so that’s equivalent to around \$40 billion. This target covered costs such as form filling, inspections, providing information, and recordkeeping, but not the direct costs of providing protections such as purchasing safety equipment for workers.

To achieve this objective, each agency had to make a contribution to the overall goal, which led each one to look hard at the regulations they were currently administering, and to find ways to make them easier for business. Technology helped enormously because at many agencies, the main way to save money was to replace paper forms with electronic systems. Not only did this save business money but it also helped agencies as it was much easier to process data collected electronically. In total there were more than 300 different measures taken across around 20 agencies. Every year each agency published a progress report setting out how much they had saved business. Independent panels including business representatives validated the claimed savings.

One important effect was that government agencies faced real incentives to look at existing regulations and how they could be improved. That was a new experience for many government officials; in the past, the main focus of attention was on new regulatory approaches. As political debate was largely focused on whether and how to respond to calls for new regulations to deliver protections, that was where the energy of government employees was also focused. By insisting that each regulatory agency also look for ways to improve the way existing regulation worked, we were able to ensure that agencies also put significant energy in finding ways to streamline existing regulations.

This initiative, focused on existing regulation, complemented measures that were focused on new regulatory proposals. For proposed regulations it remained important to carry out impact assessment to establish costs and benefits of regulatory proposals. Like the United States, the United Kingdom had in place systems and processes to consider the benefits and costs of proposed regulations (which also covered legislation). This was an important foundation for the reforms that we carried out.

Second, **regulation needs to be sensitive to the needs of small businesses.** To achieve that, government officials need to understand the perspective of small firms. Small businesses told government they believed in what most regulations were trying to achieve. They did not want to harm their workers, or their consumers. But they struggled to work out what the law actually required them to do.

Many hired consultants to help them but these consultants sometimes made money by exaggerating the requirements. Some businesses did nothing and hoped they would not be caught out. It was striking how poor government guidance was—long, complex documents written in legal rather than plain English, and covered in disclaimers. Few officials in the agencies even knew how difficult it was to make sense of their own guidance or how hard it was to find documents on their own websites. So the government issued a code of practice on what good guidance looked like and regulators worked to make their guidance and websites accessible and useful for small businesses.

Third, **regulators need to be accountable as well.** Regulators spent considerable time checking that business was complying with laws to protect the environment or safeguard worker safety. But no one ever spent time checking to see whether the regulators were doing all they could to minimize burdens while maintaining consumer, labor, and other protections. So the government set out eight principles of modern regulation (such as “no inspection should take place without a reason”) and then reviewed officials against these principles. Review teams often included senior staff from other regulators along with independent experts. They published reports describing how each regulator was performing and set out recommendations for further improvement.

Fourth, government needs to better **solicit input from business and citizens** on where to focus its energy when seeking to improve existing regulation. Business, for example, complained about delays and inconsistencies in the United Kingdom’s land-use planning system (approvals that needed to be sought before new construction projects could commence) and international surveys demonstrated that was a weakness by international standards. So the government conducted a major review working with business and local government to see what improvements could be made to the process.

Similarly, business and trade unions were unhappy that a law that had been intended to reduce the number of employment disputes that went to court had had the opposite effect. So government agencies worked with them to come up with a better way forward. In each case government was clear that protecting the public was essential but if there was a more effective and less frustrating way to do so, it should be adopted.

Lastly, the U.K. experience showed that government needs a **strong institution charged with improving regulation**. What we were trying to do in Britain was an enormous change of focus across dozens of regulatory bodies—and that’s far fewer bodies than you have here. To succeed, we needed a strong group of people in government charged with driving all this reform forward. So we built an agency with a clear mission to maintain protections for the public while minimizing unnecessary costs of existing and new regulations. We looked far and wide for the best people (at one point, there were a dozen nationalities working in the Better Regulation Executive office) and fostered a culture of constant improvement. We were always looking for ways to improve our strategy to achieve our goals and constantly sought the advice of business, consumer groups, trade unions, regulators, the legislature, and colleagues in other countries.

The U.K. initiatives over this period were effective. The target to reduce administrative burdens by £3.5 billion was met. And there was a noticeable improvement in the perception of regulation. By 2010, 47 percent of businesses said that understanding what they needed to do to comply with regulations was straightforward—10 percent higher than in 2007.¹ The Organisation for Economic Co-operation and Development reported in 2010 that progress in Britain was “groundbreaking by international standards.”²

The new government that took office in Britain last year has built on the reforms instituted by the last administration as you have heard earlier from Graham Turnock and Johannes Wolff. Measurement is at the heart of the “one in, one out” regime. The new government is also redoubling efforts to listen to the views of the public and businesses when deciding which existing regulations to review. And there is a special focus on ensuring that regulations are sensitive to the needs of small business.

In concluding, I want to underline that international comparisons in this area are difficult. Not only is the institutional context different—the United Kingdom has a parliamentary system of government, and as a member of the European Union much of our legislation comes from Brussels. But we also have a very different regulatory culture with broad, bipartisan acceptance of the importance of regulation in safeguarding the public at large. One example of that is on climate change, where business and politicians largely agree that government needs to take decisive action. I will leave it to others to determine the extent to which, if at all, the U.K. experience is valuable in American context.

Endnotes

¹ National Audit Office, “Business Perceptions Survey 2010” (2011), available at http://www.nao.org.uk/publications/1011/business_perceptions.aspx.

² “Executive Summary,” available at <http://www.oecd.org/dataoecd/61/60/44912018.pdf>.