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### **Frequently asked questions regarding the Standard Cost Model**<sup>1</sup>

#### **Could you provide the analysis behind the estimate of a 1.5% increase in GDP as a result of a 25% reduction in administrative burden?**

The Dutch Bureau for Economic and Policy Analysis (CPB) calculated the effects of a reduction of administrative burdens of 25% (as planned by the Dutch government). This equals more than € 4 billion of the total administrative burden in Holland of € 16.4 billion (per 01/01/03). In its model the Bureau used the assumption that all reduction options are effectively an increase of the efficiency of labour.

The results were as follows. Reduction of burden increases efficiency. More efficiency means the administrative work can be done with less labour. In the short term this cuts production costs and employment. But it also cuts market prices. Subsequently, the competitive position of Holland increases, because exports, investments and production increase. Lower market prices, however, also result in lower wages. This will almost certainly lead to a drop in nominal household income, but on average falling market prices may nevertheless result in a slight upswing in real disposable income, which will help to stimulate consumption growth.

The increased competitive position compensates almost all negative effects that arise in the short term. In the long term employment and consumption will increase and consequently the GDP will rise. Both business society and consumer will benefit.

For more extensive and detailed information, see the document "Memorandum of the Dutch Bureau for Economic Policy Analysis" (2004), available on the website [www.compliancecosts.com](http://www.compliancecosts.com)

#### **Can the SCM methodology identify the unnecessary costs as opposed to the overall costs of paperwork to comply with information requirements from the government?**

On the basis of the SCM tool an overview of the total information obligations can be created. The SCM makes transparent per law which information obligations are imposed. This results in a detailed overview of requirements which can next be used to calculate the administrative burden. This calculation allows, via scrutiny of the outcomes, to determine which obligations could be reviewed as inefficient. The SCM is an aid in this process, especially because it can be used

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<sup>1</sup> Compiled by IPAL (Dutch Legislative Burden Department), an interdepartmental project directorate, part of the Ministry of Finance. More information available on [www.compliancecosts.com](http://www.compliancecosts.com)

to calculate the burden that results from alternatives (other regulations, implementation options). It does not replace the political decision making process that is required to verify whether an obligation is unnecessary or obsolete.

**How do you assess the overall impact on businesses/the economy of changing regulation/legislation to reduce paperwork in Holland?**

In Holland for all proposed simplification measures the effects in terms of administrative burdens are calculated ex ante. For proposed new legislation expected burdens are calculated ex ante as well. New/changed legislation that is adopted is processed in the existing model (the so called zero based measurement, that is upheld by each ministry per law). This provides an overview of how the level of administrative burden is developing over time.

In Holland concrete reduction measures are identified and developed in close cooperation with the relevant businesses. This cooperation provides the government the possibility to collect information about the real world impact of the different simplification processes on businesses and to make these effects substantial.

Furthermore, the target of 25 % is a net target (additional burdens that appear in the coming years will be compensated for by the department responsible). The measurement of administrative burden is therefore also incorporated in the Dutch Impact Assessment. In this Impact Assessment different kind of effects of proposed legislation are mapped out, like social effects, environmental effects and economic effects. The focus in the Impact Assessment goes beyond administrative burden. All effects are balanced in the political decision making process. The outcomes of the Impact Assessment form an aid in this process. The fact that a new law will increase the administrative burden in itself is not a reason to block the legislation, although the additional burden will have to be compensated somewhere else.

**How does the model determine the “efficient” way/cost of carrying out activities to fulfil information obligations? Is the estimate of the “efficient” cost typical for businesses?**

A goal of the government is to provide an efficient way by which companies can comply with their information obligations. This will not be determined on the basis of the most efficient firm, but on a firm or a selection of firms, representative for the context.

A frequently used approach is the determination of a “typical firm”. In this approach the law is the starting point. The standard costs businesses make to fulfil the obligations laid down in the law are calculated. These are not the costs from a business economics point of view. E.g. opportunity costs or costs of inefficiencies are not taken into account. The SCM does not reckon with benefits at firm level as a result of complying (e.g. lower tax payments or subsidies) and marginal costs. It only quantifies the costs that would disappear if the law was repealed. The model employs a public administrative point of view. On the basis of the relevant information requirements is determined how much time it costs to fulfil the obligation. The goal is this on the basis of a “typical firm”.

The concept needs some explanation. From the business economics perspective there are no typical firms. The construction of this artefact is however necessary in order to measure administrative burden from the public administration perspective. In case administrative burdens of a specific law have to be measured the respondents (i.e. businesses or their representatives) are selected. The SCM does not make use of random samples to select respondents for time measurements. The selection of typical firms depends primarily on the legal specifications of the law under surveillance.

The total population of enterprises affected by a law is partitioned into a limited number of groups of typical firms, according to the legal specifications in that law. During the selection process of enterprises for in-depth interviews these different forms of practice are taken into account. All different (but more or less common) types are selected in a substantial rather than a representative manner. Corrections for over- or under-representativeness are made at a later stage (re-weighting with the correct population figures). The experts validate the rationale behind the selection of typical firms. Consequently, in-depth interviews are held with a number of enterprises per group.

The determination of a “typical firm” can be illustrated by an example. The Annual Account Act obliges enterprises to prepare an Annual Account. The type of account (simple or long) enterprises have to prepare, depends on enterprise characteristics as defined in the Act: number of employees and total revenues. The number of enterprises to be interviewed will be selected as follows. First, desk research showed that 40 percent of the enterprises have the obligation to conduct a simple account while the other 60 percent has to conduct a long account. Second, for estimating the compliance cost it was important to estimate the percentage of enterprises that hire an external party to prepare the annual account; 75 percent of the enterprises board out this obligation to an accountant or an administration office. On the basis of these 2 criteria 4 types of typical firms can be distinguished and the interview sample could be constructed as follows (the table presents the number of enterprises per category).

	Simple	Long	Total
Board out obligation	6	9	15
Enterprise conducts obligation	2	3	5
<b>Total</b>	<b>8</b>	<b>12</b>	<b>20</b>

In this example, 15 interviews would provide information regarding enterprises that board out the obligation, 12 interviews would provide information regarding the “long” account, etc.

**How exactly does the SCM differentiate between the costs of “normal business” and the costs imposed by legislation?**

International evidence shows that about 60 percent of total administrative costs of enterprises originate from routine business administration activities such as procurement, warehousing, sales administration and general record keeping. The rest of the administrative activities, accounting for 40 percent of the total administrative cost, are compulsory and are carried out in order to meet

information obligations imposed by legislation. It is important to note that some of the compulsory administrative activities add some value to the enterprise itself by way of providing specific and valuable information at the level of the enterprise. For this reason, firms would carry out these activities even without legislation.

Within the SCM approach all administrative activities enterprises have to carry out and that are imposed by legislation are labelled as administrative burdens. This is the so-called integral approach of administrative burdens. Following this approach it does not matter whether the enterprises would carry out these activities even if there were no legislative requirements to do so. From a business economics perspective it would be better to define administrative burden being the costs of administrative activities enterprises would not carry out if there were no legislative requirements to do so. This is the so-called marginal perspective of administrative burden. However, there is a lot of empirical evidence that almost no entrepreneurs are capable imagining a world without legislation. From that practical reason the SCM favours a more integral approach of administrative burden. A more fundamental reason to do so is, that - from a public administrative perspective - the only important question to be answered is: Are the enterprises legally obliged to carry out certain administrative activities to transfer information or not? But what about the costs of regular bookkeeping, like routine business administration? How could these costs be separated from administrative burdens? In order to avoid the intermingling of the costs of routine business administration with the costs of legally obliged information transfers, it is assumed that every firm complies with the general obligation of adequate bookkeeping. As a consequence every firm keeps a record of its assets and liabilities and has to keep a General Ledger. To separate between the costs of routine business administration and administrative burden, each measuring of administrative burden has to start when the General Ledger is finalised and closed. If the information obligation requires information that is already available in the registers of the regular bookkeeping, only the costs of gathering this information, checking and sending it are administrative burdens. In this case, the measurement starts after the General Ledger is closed. On the other hand, if information is required which does not belong to the registration of the regular bookkeeping all costs of producing, calculating, checking, sending, archiving etc. the necessary information is considered to be burden. In this case the measurement starts from scratch.

Some administrative costs companies will always make. No matter if there is legislation in force that imposes an official obligation. It has been argued that in the Dutch approach all legislation containing information requirements is quantified. No matter if companies would provide the information anyway. For companies in practice not much would change if such a law would be repealed. But in this situation it does indicate that such a rule is unnecessary. And its repeal would still lead to positive side effects, because inspection on compliance by the government can be omitted for example. That relieves the government. Furthermore, companies that do not have the obligation to provide information in a format prescribed by law, have an incentive to lower administrative costs. For example, by organizing administrative activities more efficiently.

**Financial Accounting figures prominently on the Dutch Top 10 of fields of legislation that give rise to excessive burdens. Could you provide clarification on this?**

The Top 10 of legislation containing substantial administrative burdens is in Holland as follows: (1) VAT, (2) financial accounting, (3) product & safety requirements, (4) tax on wages/salaries, (5) national health service act, (6) employees' insurances, (7) act on conservation of nature, (8) income tax, (9) pricing of products, (10) working conditions.

These ten topics contain substantial burdens for several reasons. Sometimes the law prescribes a lot of information requirements which subsequently leads to high administrative burden. It is also possible that the target group (e.g. number of businesses) of the law is very substantial or that the frequency for delivering the information is high. This can lead to substantial burdens as well, even if there are no substantial information requirements involved. Sometimes the government provides enterprises with only an inefficient way to provide the information (for example pricing, labelling). This can lead to substantial burdens as well. These are just a few examples, but the bottom line is that high administrative burdens are not per definition excessive. Often information obligations are necessary to have a checks and balances system and to deliver input for enforcing authorities. However, an analysis of the report sheet of a law (in which are noted down the information requirements involved and the related calculations) can provide indications how to improve processes and reduce burdens.

**Can a more specific distinction be made between cases in which the performance level can remain constant after the reduction of burdens?**

The basic goal of the Dutch approach is to provide an efficient way to fulfil information requirements without changing the goal of the law. Moreover the approach starts with the belief that a legal prescription will have a higher compliance rate when it is not burdened with unnecessary or excessive information requirements.

An example. Enterprises have to provide the government information about their annual account. This obligation is imposed by the Annual Account Act. In Holland the ministry of Justice is developing an ICT system by which the importation of information for the annual account will be standardised. This open source standard for administrative software and data transmission simplifies communication between the government and business environment. Imported information can be used for multiple purposes: tax declaration, obligations in the field of statistics, collection of fees for employees' insurance. With standardised definitions information has to be collected only once. This reduces related administrative burden tremendously, while the content of the information asked and the content of the related accounting rules remain the same.

Sometimes, however, certain information requirements are regarded as unnecessary to save the public interest. An example. In Holland the law prescribes that all jewellery with silver or gold has to be hallmarked by a metals hallmarking organisation. The threshold is set on 0.5 gram for gold and 1 gram for silver. This implies that relatively cheap earrings that are sold for only a few

euros have to be hallmarked as well. The related administrative burden for an entrepreneur is that all jewellery has to be packed and sent to the hallmarking organisation with accompanying forms. For expensive jewellery or cutlery that seems logical, but for cheap items one can argue about it. In neighbouring countries the threshold is set much higher. Cheap earrings do not need hallmarking there. Statistics shows that in these countries not more fake items appear on the market, which means the public interest, protection of the consumer for fake items, is still guaranteed. Holland now intends to raise the thresholds as well, which will lead to a reduction of burden. For this change national legislation has to be adapted.

**Two approaches using the SCM are made: a “quick scan” and a “baseline” approach. What exactly is covered in both approaches?**

The quick scan approach is also called the top-down approach. The idea of this approach is to get a broad insight in the administrative costs related to a certain law or policy area. It is not a way of getting a detailed insight in specific information requirements. The quick scan approach consists of desk research, eventually in combination with some telephonic consultation of experts.

The baseline approach is also called the bottom-up approach. Herein all kinds of effects that meet the definition of administrative burdens are mapped out in a detailed way.

The Dutch experiences show that the bottom-up approach appears to be less influenced by perceptions of respondents in interviews than was the case with the top-down approach. The same holds for the possibilities to detail the results: the bottom-up approach allows much more details in messages and administrative activities than the top-down approach.

The bottom-up approach is more accurate and effective, while the top-down approach is much cheaper for all parties involved. Which methodology is the best, depends on desired use of the results. The top-down approach is superior in case of quick scans (for instance in Impact Assessments, in a phase where not much information about the implementation of the law is available). Or in order to find the big fishes and/or to create awareness in a specific field. The bottom-up approach is superior in case of reaching social support of involved parties in order e.g. to look for proposals to reduce administrative burdens.

**As the SCM data are highly aggregated, is more information available on the distribution of costs between reporting, labelling, registration, etc.?**

The SCM can provide information on different levels: per law and highly aggregated. In order to make the zero based measurements each and every law imposed by the central government was screened on the presence of information obligations for enterprises. Next, the selection of laws was scrutinized more closely. Per law/article the imposed information requirements were identified and the actions that together form that information requirement. After that, the information requirements and actions were quantified.

On the basis of the results of the measurements an overview of the distribution of costs can be created. In Holland an aggregated overview of the distribution of

costs across all zero based measurements is not available yet, though can be filtered out of the measurements.

**How can the Dutch methodology take account of the costs of non-compliance? In other words, the benefits of regulation.**

The SCM methodology is used as a part of a broader cost/benefit approach. It fills in details on compliance that are often overlooked (in the traditional cost/benefit approach), while businesses perceive these costs as particularly important. Administrative burdens, for instance, are calculated as part of an Impact Assessment. The outcomes of the Impact Assessment provide an overview of the benefits and costs of regulation. These benefits and costs are balanced in the decision making process.

Via measurement the administrative activities/costs are made visible and transparent. Usually an analysis or an Impact Assessment shows that certain activities/costs are necessary to meet the political goal, but sometimes it also turns out that it can be organized differently.

**How can the SCM methodology prevent an exaggeration of the cost calculation?**

In order to prevent exaggerations in the calculations specific and accurate outcomes are needed. It is not just to rely on subjective information from companies, but to get information from different sources. In several ways, the outcome of calculations is cross-checked (for instance with standard quantities available).

The results of the SCM used in Holland are very specific and detailed. The focus of the SCM is on the measurement of administrative burden of a specific law for a given type of businesses. In case of the baseline version (bottom-up) of the SCM results become available for the whole of an individual law; for every single information obligation, being part of this law and for every single administrative activity, being part of the specific information obligation.

In case of the quick scan version (top-down) of the SCM results will become available for the whole of an individual law only.

Depending on whether the law is generic in kind (all sectors and size classes) or specific in kind (a specific sector and/or a specific size class), the SCM produces results for:

- The whole private sector (aggregate of all sectors and size classes), in case of a generic law;
- The specific sectors and/or size classes, in case of a specific law.

Some examples:

- The Law Annual Accounting is not specific for a sector. The relevant population exists of all companies with limited juridical responsibility: Ltd's. The levelling up of the relevant criteria with 20% resulted in a reduction of AB for all involved companies of about 200 million euro;

- The VAT Law is not specific for a sector. Levelling of the yearly notice criteria for paid and received VAT from 450 to 900 euro resulted in an reduction of 30 million euro;
- A simplification of the sheets the Dutch Banking sector is obliged to use in order to report about their activities to the Dutch Government resulted in a reduction of burdens of 40 million euro. This is an example of a sector specific information obligation.

Accuracy is another important issue. To validate the content of the model in general it is important to distinguish between the predictive validity, the reliability and the representativeness.

- The predictive validity. This means that the chosen indicator should be a really good predictor of administrative burden of enterprises. In other words, an indicator should be relevant and should reflect what one is trying to measure in an accurate way;
- The reliability. This refers to the precision and stability of the indicator. Reliability refers to the capacity of an indicator to produce approximately the same results in case of repeated measurements;
- The representativeness. This refers to the question whether the results of a measurement of the administrative burden are representative for the population of the addressees of that specific regulation.

This will be explained on the basis of the SCM formula  $P * Q$ .

Parameter Q: Number of entities \* Frequency

The number of messages for a specific law is a function of the number of entities (enterprises, employees, transactions etc.) involved and the frequency of the report (per month, quarter, year or event driven, e.g. hiring or firing employees, birth, transport or dead of animals). It appears that:

- The numbers of entities according to the SCM model are valid, reliable and representative because they result from specific reading of the text of the law in order to detect the kind of entities that are subjected to it. The next step is to look for the precise numbers of the relevant entities by consulting available official, public registers or statistics. If the wanted number of entities is not available in public registers or statistics, the wanted number of entities will be produced by expert estimations. In doing so the risk of wrong interpretation/perception by respondents (entrepreneurs) and or sample errors in case of mail surveys can be reduced optimally.
- The frequency of reporting is valid, reliable and representative for the same reason. Calendar driven frequencies result from reading the law. Event driven frequencies result from consultation of public registers, statistics and/or expert estimates.

Parameter P: Time \* Tariff

The price of administrative burden is a function of the time needed to comply with a specific information obligation and the hourly tariff of the type of employee (qualification) needed to carry out the related administrative activities. It appears that:

- The time needed to comply according to the SCM model is valid, reliable and representative. It is important to be aware that the SCM is not after finding the net administrative burden of enterprises from the business economics perspective.<sup>2</sup> As been mentioned, the SCM does not reckon with e.g. opportunity costs, benefits at firm level as a result of complying and marginal costs. The SCM reckons only the administrative burden resulting from an average efficient way of complying with the information obligation as such. This is a public administrative perspective. The rationale of this approach is that the effectiveness of a burden reduction policy is the responsibility of the public sector in the first place. For that reason information on the real way of compliance – which is hardly impossible to gather – is irrelevant. From the perspective of the public sector one should get informed about that part of administrative burden resulting from the law itself (exogenous determinants) and which cannot be influenced by entrepreneurial behaviour (endogenous determinants). It seems reasonable to assume that competition will cause an efficient way of compliance on average. To establish an average, efficient way of compliance the administrative activities necessary to comply with a specific information obligation are unravelled in order to create a blueprint for this information obligation. Expert consultation is an important element of this process. The face-to-face interviews with relevant respondents of businesses to gather information about the time necessary to comply are based on these blue-prints of information obligations. When the face-to-face interviews are finished, the first results are analysed and standardised. The time resulting from this standardisation process is checked in expert meetings to reduce the risk of misinterpretations and/or misperceptions by respondents.
- The SCM looks for the parameters which belong to an efficient way of compliance. This is very helpful to avoid the mission impossible to find representative burden figures that reckon the business economics perspective. In the latter case, one should need very large samples (sector and size class stratified) and even then the quality of the answers could be questioned. Even enormous samples cannot overcome problems of misinterpretations and dominance of perceptions. There is a lot of empirical evidence that enterprises are not capable to detect the correct administrative burden figures from their own regular business administrations. The major problem is that administrative costs are hidden costs, which ask for special techniques to be found. The SCM is such a special technique/instrument.
- Administrative burden resulting from the SCM is representative for an average efficient way of complying with a specific information obligation that belongs to certain types of firms, the so-called “typical firms”. A typical firm is representative in this context, because additional costs due to inefficient ways of compliance are not directly caused by the regulation and should therefore not be stated as compliance costs. That is why the measured costs are standardised: an experienced consultant determines a justifiable median of the measured cost factors per typical enterprise. The group of experts validates (or proposes changes to) the results. Using standardised rather than average compliance costs

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<sup>2</sup> Consulting a tax advisor generates costs (AB) but can also lead to reduced tax payments

basically implies that the perspective of public administration is prevailing instead of the angle of business economics;

- The hourly tariffs according to the SCM model are valid, reliable and representative. During the face-to-face interviews in the field the respondents (i.e. representatives of businesses) were asked about the qualification level that is necessary to comply with in an adequate way: low skilled, medium skilled or high skilled/management level. During the interview the interviewer will ask for the relevant average hourly tariffs (labour costs and some percentage for overhead costs). In order to avoid errors, the results are always checked with regular statistics about wages and labour costs, which are available mostly by sector and size classes. In the longer term these tariffs were standardised much more in order to avoid too much different wage levels causing a lack of transparency. A few different wage levels are sufficient as well when applied consistently and in a uniform way.

**Does the Dutch government think that prioritising regulatory initiatives mainly on the basis of a cost calculation will create the most competitive knowledge based economy?**

The Dutch government does not prioritise its regulatory initiatives mainly on the basis of a cost calculation. The Dutch approach to regulatory reform is much broader than that and takes other issues of competitiveness and quality of legislation into account. In that respect the Dutch approach is not much different from that in other member states. Holland does, however, introduce specific information on administrative burdens in the cost/benefit analysis of regulatory initiatives.

In the Dutch vision legislation should not be unnecessarily burdensome or inefficient. Unnecessary or inefficient burdens restrict entrepreneurship and economic growth, while not delivering any benefit. In that sense, keeping administrative burdens to a minimum where possible is in Holland considered a vital element to create the most competitive knowledge based economy.

In practice it seems difficult to assess whether legislation is unnecessarily burdensome. Often quantified information lacks. The SCM is a tool by which information requirements can be mapped out and the costs of fulfilling these requirements (or their alternatives) can be calculated. The SCM makes transparent in a detailed way the administrative activities and costs. This provides the decision makers important supportive information in the decision making process. It enables them to steer on administrative burdens. In Holland this was experienced as practically impossible to do without actual cost calculations.

**Could you explain more about the instruments used for collecting data, like the interview, stopwatch method, etc.?**

The Dutch zero based measurement is a combination of several instruments for collecting data:

- Desk research; study of law to find the information obligations. Major activities are reading and interpreting the law in order to create a

preliminary judging where to separate from regular business administration and making a first proposal for the blue-print of administrative activities;

- Discussion with representatives of relevant business circles and government to verify and to create support for the list of messages and some expert interviews to check the blue-print of administrative activities;
- Field research (face-to-face interviews) to collect price parameters, like time parameters from businesses, bookkeepers, controllers and accountants);
- Desk research for collecting parameters like the number of entities (enterprises, employees, transactions, animals etc.) in the relevant field (enforcing institutes like tax authorities, social insurance agencies, bureaus of statistics, chambers of commerce etc.).

The “normal face-to-face interviews” and/or the “stop watch method” refer to the field research to collect time parameters only. During the experimental phase (1992-1994) of the SCM, then called Mistral®, several methods of collecting time parameters bottom-up were tested, e.g. multi-moment, registration by the respondents themselves, stopwatch and time registration by computer.<sup>3</sup> At the same time several top-down instruments to collect time parameters were tested, such as mail questionnaires, structured face-to-face interviews by trained and qualified researchers and structured face-to-face interviews by external (outsourcing) bookkeepers and accountants. These instruments were evaluated/tested on three criteria: accurateness of the time measurement, the content of the results (more or less distortion by perception, possibilities to detail) and cost-effectiveness.

In 1994 these instruments were tested in a laboratorial setting in which participated some 40 respondents of businesses. The major result of these laboratorial experiment was that the results of the bottom-up approach were more accurate than those of the top-down approach. In detail:

- The variation of the time parameters resulting from a top-down approach were larger than in case of a bottom-up approach;
- After a correction for outliers (4 highest and 4 lowest results) the time measurements of the bottom-up approach appear to be much more stable than those resulting from the top-down approach;
- The coefficients of variation of the bottom-up approach were smaller than those of the top-down approach;
- After correction for outliers, the variation coefficients resulting from the bottom-up approach were much more stable than those resulting from the top-down approach;
- The bottom-up approach of time parameters after the bottom-up approach showed a better fit to the Lorenz curve than was the case for the top-down approach.

The stopwatch instrument has been used only three times during a period of about 10 years. Only in case of very high quantities (large numbers of entities and a high frequency) in combination with very detailed administrative activities it

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<sup>3</sup> EIM Business Policy Research was involved in the experimental phase

could be relevant to use the stopwatch instrument to be sure that the time measurements are as correct as possible. During face-to-face interviews most respondents think in categories of one minute or more. Especially, when the numbers of entities are 10 millions or more and it is expected that some administrative activities with a high frequency take less than 1 minute to carry out the stopwatch instrument is advised. But as already has been said, in the Netherlands this happened only three times in a period of 10 years. In almost all cases the face-to-face interview appears to be good enough for accurate time measurements.

### **What is the error margin of the Dutch zero based measurements?**

The SCM is a Standard Cost Model. The process of standardization applies to the price parameters (P): time necessary to comply and the hourly tariffs to reflect an average effective way of compliance by selected typical firms. The quantity parameters (Q) are the result of a standardization process. To explain the quality of the figures it is helpful to distinguish between the variables referring to quantities (Q) and that referring to prices (P).

Especially the quantity parameters of the SCM, referring to the numbers of entities, are derived from official public registers (e.g. tax registers, social security registers etc.) and/or official statistics (e.g. from National Bureau of Statistics, from the Chambers of Commerce and EUROSTAT). Depending of the type of register or statistic there are the normal, acceptable error margins. The quantity parameters reflecting periodicity (e.g. monthly, quarterly or yearly) result from the text of the law. There are no error margins and highly accurate.

The price parameters of the SCM are the time needed to carry out a specific information obligation and the hourly tariffs. The hourly tariffs used in the SCM result mostly from official wage and labour costs statistics. To verify, during the interviews questions are asked about the qualification level that is needed to carry out the administrative activities and the normal hourly tariffs that belong to that qualification level. However, in standardizing the results the hourly tariffs are framed into the official wage and labour costs figures. These statistics have normal and acceptable error margins in it.

The time needed to carry out specific administrative activities is more complicated to explain. The base of the applied public administrative perspective is the assumption of average efficient compliance of the information obligation. To find this, a blue-print checked and approved by experts is used during the interviews to ask questions about the time needed. These blue-prints are very detailed in order to help the respondent to clarify what is going on and where he/she has to focus. The results of these interviews are analysed and confronted in order to find the median of efficient compliance. Finally, experts are invited to comment on this. From this procedure are resulting time parameters of good quality with an estimated error margin of less then 10%.

### **Did users report difficulty distinguishing between the various categories and did you ask users if the typology was user friendly?**

This question refers to the types of information requirements as noted down in appendix 2 of the manual "Focus on Administrative Burdens!".

Looking for the origin of the administrative burdens, one should look into the information obligations that cause the administrative burdens and the related actions hereby. Especially the cost of these actions, the number and the kind of companies it applies to and the frequency a company has to undertake these actions, define the extent of the burden. Facilitating the use of the SCM the manual roughly divides the information obligations into 17 different types. For all of these types a number of usual actions are described. Depending on the legislation the actions an information obligation requires may differ.

Looking for causes and ways to reduce the administrative burden one should therefore always analyse the information obligations and actions of specific laws and rules separately. At this moment knowledge about the way and extent of different types of information obligations that influence the administrative burden is limited. A recently started research project - examining the 100 most burdensome information obligations in the zero based measurements - is expected to give more clarity on this issue. This research project will look into the characteristics of these information obligations and (in search for potential reductions) it will make cross-links between the information obligations in different laws. The report on this research will come available next October.

### **What are the costs to collect the data and calculate the burdens for the measurements?**

In the Netherlands the political commitment with regard to administrative burden is made by the central government. This implies that all ministers participating have committed themselves to measure the administrative burdens there ministry is responsible for and to lower these burdens with 25%. In total nine ministries participate.

This decentralized way of organization means that there are nine zero based measurements; for each participating ministry one. The measurements are restricted only to administrative burden imposed by rules of the central government, not local or regional rules.

The costs per measurement differ from ministry to ministry. This depends on several factors:

- Amount of legislation. Ministries differ in size and there are also differences in the amount of legislation they are responsible for. A ministry that has few rules with administrative burden has relatively low measurement costs.
- Complexity of legislation. The complexity of the legislation affects the way data has to be collected. More complex legislation can require more desk research and can require more interviews in order to get a representative outcome.
- Target group of legislation. The target group of legislation can for example be one or several sectors of industry or certain groups of enterprises (SMEs). In the context of measuring administrative burden this can imply that the groups carry out their information obligations differently. For example, a situation in which small firms fulfil an obligation much more efficiently than large firms. If this is a substantial

difference this is an aspect that should be taken into account to get a representative outcome that reflects typical firms in practice.

In general it can be said that the costs per legislative area in Holland varied from € 100.000,- till € 300.000,-. The total cost of measurement of administrative burden for Dutch enterprises was approximately € 2.5 – 3 million euros for all nine participating ministries together. These are one-off costs, not annual costs. After finishing the zero based measurements only changes (due to new legislation and to reduction plans) have to be measured. Generally using the SCM ministries can do it themselves. Only in case of very specific or very complex reduction proposals or new legislation, consultants are hired to assist in the measurement.

**How do you check in 2007 if the reduction target of 25% has actually been achieved?**

The starting point is formed by the zero based measurements per 01/01/03. In the period 2003-2007 reduction proposals are implemented in the Dutch body of legislation and processed in the measurement. Furthermore, new legislation is also measured on administrative burden and processed in the zero based measurement.

In principle ministries take care of this process themselves. However, the ministry of Finances monitors all legislative proposals and checks ex ante calculations made (new administrative burden that arise in the period 2003-2007 has to be compensated). Also Actal has an important role. Actal is a central government advisory body and monitors and advises the Dutch government on the reduction of the administrative costs. That together should give a clear view on the situation per 2007. As an extra check a full new zero based measurement will be carried out in 2007.