

## CHAPTER 13

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# THE IMPACT OF REGULATIONS IN IRELAND

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### ABSTRACT

Regulations can have a negative impact on economic behaviour and productivity. The challenge for policymakers is to balance estimated costs with the potential benefits of regulations. One of the key issues is to identify the areas which have the most significant impact on business. This chapter reports new research on the issue of the regulatory burden in Ireland, and identifies some potential areas for improving the Irish regulatory framework.

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## 13.1 Introduction

Policymakers and representatives of the business sector in Ireland have been concerned to ensure that the regulatory burden on Irish firms does not represent a source of competitive disadvantage. This has led the Government to introduce more systematic evaluations of proposed regulation through the Regulatory Impact Assessment (RIA) process, and to introduce a more thorough review of the stock of regulations. We argue in this chapter that regulations have a cost that can have a negative impact on economic behaviour and productivity. However, the challenge for policymakers is to balance estimated costs with the potential benefits of regulations. One of the key issues for policymakers is to identify the areas which have the most significant impact on business. We report new research on this issue and identify some potential areas for improving the regulatory framework in Ireland.

It is important to distinguish administrative regulation from the economic regulation of certain sectors such as electricity and telecommunications, which are not focus of this chapter. Nor do we focus on regulations that place quantitative restrictions on entities or explicitly restrict market entry. These regulations tend to impose the most severe costs on society and would include, for example, the current pub licensing regime. Finally, there is the issue of the impact of labour market regulations on the functioning of labour markets. We do not address this issue as this chapter is focussed on the impact of regulations of an administrative nature that affect firm behaviour.

## 13.2 Regulations and Productivity

Regulations are usually introduced in order to achieve some specific social or economic objective although they sometimes have unintended impacts. Regulations are defined by the OECD as "...A set of 'incentives' established either by the legislature, government, or public administration that mandates or prohibits actions of citizens and enterprises.... Regulations are supported by the explicit threat of punishment for non-compliance" (OECD, 2004). This definition includes regulations in a variety of different areas such as taxation compliance, consumer protection, health and safety and employment standards and protection.

Regulations impacting on the business sector require firms to alter their behaviour and also to invest both time and money. The cost of doing so is often referred to as the compliance cost and it is seen as the burden on firms of the regulation. This burden directly adds to costs. By adding to costs, regulation can negatively impact upon productivity and can also divert resources away from more productive activities. Of course, the fact that regulations have an economic cost is not a sufficient argument against all regulations as they have potential benefits, and a judgement would have to be reached on these relative costs and benefits.

Existing research also suggests that the burden of certain regulations falls disproportionately on small business. As small developing businesses tend to be innovators and are increasingly seen as engines of economic growth, the impact of regulations on Small and Medium Size Enterprises (SMEs) requires careful evaluation. Specifically, regulations on the SME sector could increase entry costs and affect overall levels of competition and innovation with implications for productivity.

Reflecting the linkages between regulations and economic performance, the development of appropriate regulatory policy is seen as an area of importance for policymakers. In an attempt

to deliver the Lisbon Agenda, the European Commission has identified better regulation as a means for promoting better jobs and growth in Europe (European Commission, 2005). This is mirrored in a number of countries such as, for example, the UK which has put in place the Better Regulation Task Force. In Ireland, RIAs are being used to assess the costs and benefits of proposed regulations and the Government has recently established the Better Regulation Group to advise on policy towards regulation.

### 13.3 Defining the Costs of Regulations

Numerous regulations govern the actions of businesses. We are concerned with regulations in the areas set out below. They cover the tax compliance costs, environment regulations, health and safety etc.

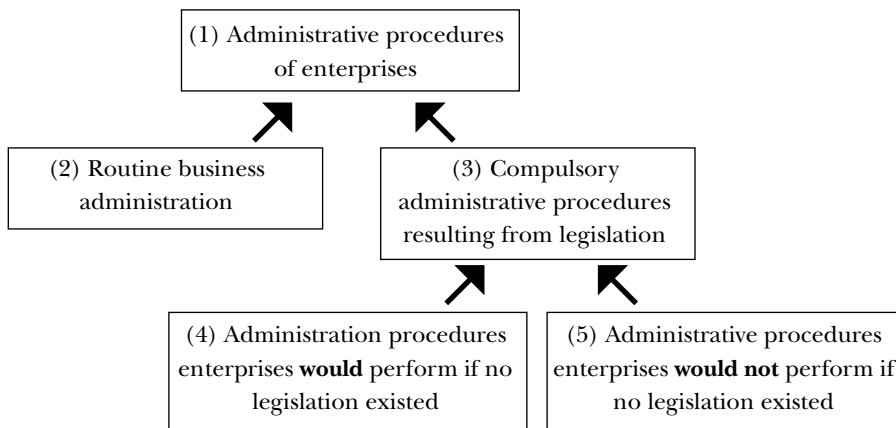
1. Tax compliance (including income tax/corporation tax, VAT and excise duty);
2. Collection of taxes and levies;
3. Annual accounts;
4. Environmental legislation;
5. Statistical information;
6. Trade-related (e.g. tariff collection);
7. Legislation dealing with quality of goods and services and consumer protection;
8. Employment contracts and employee participation;
9. Equality; and
10. Working conditions (including health and safety)

In the UK, the Better Regulation Task Force has taken compliance costs to be the sum of both recurring and non-recurring costs, relating to the regulation. The recurring costs are taken to be the additional ongoing costs for business brought about by the existence of the regulation, including the costs associated with assigning staff to complete forms, often referred to as the red-tape or administrative burden. Non-recurring costs, or policy costs, are those costs specifically undertaken to achieve the goal of the regulation. This is likely to include one-off purchases of plant and machinery, as well as training for staff.

Further insights on this issue can be gleaned from the model in Figure 13.1, called MISTRAL, which was developed in the Netherlands as a method of measuring the administrative burdens associated with regulation. Within this framework it is possible to consider the administrative burden legislation is placing on an individual firm. The first box relates to the administrative procedures undertaken by the business. These are made up of administrative activities all firms have an interest in undertaking, such as maintaining accounts, stock control and sales administration (box two), as well as administrative procedures businesses are required to undertake under national or international legislation (box three).

The diagram defines all efforts businesses have to make in order to comply with legislative obligations as administrative burdens even though some of these would have been carried out by the firm regardless of the existence of the regulation (box four). These represent a burden on businesses as the regulation generally does not allow the business to undertake this activity within their own timetable but rather when the legislation dictates, an example of this is the preparation of a firm's annual accounts. Those activities in the final box represent administrative procedures firms would not undertake if not required to do so by regulation.

**Figure 13.1:** Classifying Small Business Administrative Procedures



**Source:** Based on ENSR (1995), Figure 14.1.

Of course, estimating these costs is not easy. One model that is used across Europe to estimate the cost of administrative burdens is the Dutch Standard Cost Model. This approach can be identified as falling within the expenditure evaluation approach methodology and thus relies on the experience of firms in assessing costs. This model has already been used in Denmark and the Netherlands and it is the proposed approach for assessing the administrative burden of regulation in the UK (Better Regulation Task Force, 2005).

Under this approach the administrative burden caused by each individual regulation is separately identified and is reported in a monetary value. The approach is simple: the number of businesses affected by the regulation is multiplied by the hourly tariff of those workers required to meet the information obligation of the regulation and this is further multiplied by the number of hours required to meet the administrative obligation in a given year. The formula for this approach is given in Figure 13.2.

**Figure 13.2:** Standard Cost Model

$$\text{Cost of Regulation (SCM)} = N \times W \times T$$

**N** = number of businesses affected by the regulation

**W** = the hourly wage of those involved in meeting the information obligation

**T** = the number of hours taken to meet the administrative obligation in a year

This approach does not claim to establish the true administrative burden of a particular piece of regulation but rather a stylised estimate and when summed to the estimates of all other regulations, provides the government with an overall picture of regulation. This enables policymakers to identify key areas where action should be taken to reduce the regulatory burden.

Based on these approaches the Dutch Bureau of Economic Policy analysis (April 2004) estimated the Dutch Administrative Burden to be 3.6 per cent of GDP. The Better Regulation Task Force report assumes this to be similar for the UK, with tax and employment regulations accounting for the most significant element of this. This is clearly a significant cost and

offers the potential for policymakers to ease these costs through improved regulation. The cost of regulation in Ireland would depend on Irish circumstances which may differ from the Netherlands and the UK. However, it is reasonable to assume that the cost burden of regulation for the Irish economy is significant.

Finally, research in the US indicates that the regulatory burden falls disproportionately on small businesses (Hopkins, 1995). The cost of compliance per employee is significantly larger for firms with 1-20 employees compared to firms with more than 500 employees. This difference is largely attributable to economies of scale.

## 13.4 The Rationale for and Benefits of Regulation

Policymakers are aware that regulations impose a cost, and it is assumed that this is justified given the benefits. In the first instance, the benefits ought to be clearly aligned with the rationale for the regulatory intervention. The principal justification for regulatory intervention from governments is a need to address some form of 'market failure'. Market failure occurs when markets do not bring about economic efficiency or are not working optimally i.e., there is a Pareto sub-optimal allocation of resources in a market/industry. Put in simple terms this means that the market is not allocating scarce resources efficiently and total social welfare is not being maximised. In such a situation it is acknowledged that government intervention in the market may be in the public interest.

Regulation is, however, only one of a number of possible responses to market failure. Regulation can take the form of minimum standards, the imposition of taxes, standards, directives or quotas and as well as other interventions and can be a result of a national government intervention or from an international body (e.g. the European Commission). In general, regulations tend either to aim at *protecting* consumers or employees from the consequences of market failure or at *preventing* the market failure from occurring at all.

There are four broad categories or reasons for market failure, namely:

1. Asymmetric information;
2. Externalities;
3. Public goods; and
4. Monopoly.

Asymmetric information may arise when sellers or providers of a good have information which is not available to the buyers or purchasers. In this regard, economists distinguish between 'search goods' and 'experience goods'. The former are goods that can be inspected by either touch or sight prior to purchase. Experience goods are goods the quality of which cannot be discerned prior to purchase. The distinction between search and experience goods has important implications for the ability of consumers to make judgements on them. Some goods may also constitute what is known as 'credence goods'. This is a good whose quality cannot be fully assessed before or after consumption. Asymmetric information between buyers and sellers is likely to be more pronounced with credence than experience goods.

In cases where sellers possess information that consumers do not but would use in making a decision on whether to consume the good or not, a government may intervene by introducing regulations stipulating that the seller must provide that additional information. Some examples of interventions of this kind include drug companies being required to put generic names

on drugs in order to cut search costs for users and rules prohibiting publication of false information.

Externalities arise in situations where “the unregulated price of a good does not reflect the true cost or benefit to society of producing the good.” Thus the potential market failure arising from externalities is that the social optimum output or level of consumption diverges from the private optimum. In the case of negative externalities, regulations may be used to bring private costs more closely into line with social costs (e.g. environmental taxes) or restrict social costs to a given level (e.g. imposition of employment standards). These would include health and safety regulations, employment standard type regulations and environmental regulations and would cover the bulk of administrative type regulations.

Breyer (1982) considers a number of justifications for regulation, and these are consistent with the benefits identified above. He also outlines a number of additional cases in which regulation may be justified. These included:

1. Unequal bargaining power;
2. Rationalisation;
3. Moral hazard, whereby “someone other than the buyer pays for the buyers purchase”;
4. Paternalism; and
5. Scarcity.

In summary, the case for regulation is to address the principal sources of market failure identified above. Taken together, a legitimate purpose of regulation is to assure standards of competence, performance, ethical behaviour and personal accountability in a market. What is important, however, is to examine the impact of any regulations, i.e., costs and benefits, and to evaluate the key issue of proportionality. The potential benefits of regulation include consumer protection, fair-trading, optimal resource allocation and maintaining service standards.

## 13.5 The Burden of Regulations in Ireland

It is important to examine whether the regulatory burden in Ireland is increasing, or whether it is a source of competitive disadvantage. Data on the relative burden of regulations is limited but there is some interesting survey evidence from a recent World Bank survey. One issue the survey assesses is the difficulty attached to starting up a business. This may be measured in terms of the number of procedures involved, the time in days that it would typically take to complete the total number of procedures, and an estimate of the cost of setting up a business as a percentage of income per capita. Table 13.1 presents the findings on setting up a business in the countries studied where Ireland performs well with a mid-to-low table rating of 5.3 per cent of income per capita and, with a low number of four procedures required.

**Table 13.1:** A Comparative Assessment of Starting a Business

Country	Procedures (number)	Time (days)	Cost (% of income per capita)
Greece	15	38	24.6
Poland	10	31	22.2
Spain	10	47	16.5
Italy	9	13	15.7
Portugal	11	54	13.4
Netherlands	7	11	13.0
Belgium	4	34	11.1
Slovenia	9	60	10.1
Austria	9	29	5.7
Ireland	4	24	5.3
Germany	9	24	4.7
Finland	3	14	1.2
France	7	8	1.2
Sweden	3	16	0.7
United Kingdom	6	18	0.7
United States	5	5	0.5
Denmark	3	5	0.0

**Source:** World Bank: 'Doing Business Report', 2005.

From the same survey Table 13.2 presents the findings on the estimated difficulty, rigidity and cost of employing individuals in each of the studied countries. Ireland ranks low in terms of the cost of hiring as a percentage of salary, coming fourth from bottom. Denmark has the lowest ranking, while Belgium and France rank top, with employers in Belgium spending over half of the salary for a position on hiring costs.

**Table 13.2:** A Comparative Assessment of Hiring Workers

Country	Difficulty of Hiring Index	Rigidity of Employment Index	Hiring cost (% of salary)
Belgium	11	20	55.0
France	78	66	47.4
Sweden	28	43	33.4
Italy	61	57	32.6
Spain	67	66	31.6
Austria	11	44	31.3
Greece	78	66	30.0
Poland	11	37	25.8
Portugal	33	58	23.8
Finland	44	48	22.2
Germany	44	55	21.3
Slovenia	61	64	16.6
Netherlands	28	49	15.6
Ireland	28	33	10.8
United Kingdom	11	14	8.7
United States	0	3	8.5
Denmark	11	20	0.7

**Source:** World Bank: 'Doing Business Report', 2005.

The regulatory burden arising from tax issues is often mentioned as a concern for business and the main cost according to UK and Netherlands studies. The findings are presented in Table 13.3 and show that Ireland ranks fifth from bottom with eight tax payments and an estimated cost of 76 hours. France, Switzerland, Finland and the United Kingdom rank lower in terms of the estimated burden. The tax system in the Netherlands seems to be most burdensome, with compliance requiring an estimated 700 hours.

**Table 13.3:** A Comparative Assessment of Annual Tax Payments

Country	Payments (number)	Time (hours)
Netherlands	22	700
Italy	20	360
Slovak Republic	31	344
Portugal	7	328
United States	9	325
Austria	20	272
Slovenia	29	272
Greece	32	204
Poland	43	175
Belgium	10	160
Denmark	18	135
Sweden	5	122
Germany	32	105
Ireland	8	76
France	29	72
Switzerland	25	63
Finland	19	..
United Kingdom	22	..

**Source:** World Bank: 'Doing Business Report', 2005.

Finally, data is also available based on a EU commissioned study, which suggests that Irish SMEs are less prone to see administrative regulations as the major constraint on their business performance than are firms in other European countries (see Table 13.4). The results indicate that five per cent of SME's identified administrative regulations as a barrier compared to nine per cent for Europe as a whole. In addition, firms in Ireland cite other issues as a more significant barrier to business performance.



**Table 13.4:** Major Constraint on Business Performance cited by SMEs in 2003 (% of SMEs)<sup>2</sup>

	<b>Ireland</b>	<b>European average</b>
Lack of Skilled Labour	17%	13%
Access to Finance	11%	10%
Implementing New Technology	1%	3%
Implementing New Forms of Organisation	3%	2%
Quality Management	2%	1%
Administrative Regulations (on environment, health, safety)	5%	9%
Infrastructure (road, gas, electricity, communications)	5%	4%
Purchasing Power of Customers	31%	36%
Other	12%	8%
None at all	12%	13%
Don't know /No answer	2%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>

**Source:** Categories are exclusive. Weighted data, ENSR Survey 2003 among 7,837 SMEs in 19 European countries.

Despite the relatively favourable ranking for Ireland on selected regulations, there are concerns about the impact of some specific regulations and the overall scale of burdens facing certain sectors.

Next we consider the types of regulations that may be most significant. This could assist in identifying those areas where the attention of policymakers ought to focus, in considering the stock of regulations. Quantitative research on how different types of regulation affect businesses is relatively scarce in Europe and in Ireland specifically. However, in the field of employment regulation there is some survey evidence. In 2001, the ENSR survey included a module on the perceived effects of employment regulations. Like other European firms, Irish SMEs ranked health and safety regulations highly among sources of administrative burden. However, employment related taxes were ranked higher still by Irish firms, whereas their European counterparts tended to see these as relatively less significant. In contrast, European firms gave a much higher ranking to social security and pension requirements and restrictions in working hours than Irish firms did.

**Table 13.5:** Field of Employment Regulations in Which Administrative Burdens are Highest (% of SMEs)<sup>3</sup>

	<b>Ireland</b>	<b>European Average</b>
Employment Related Taxes	32%	12%
Health & Safety Protection for Workers	28%	30%
Social Security & Pension Requirements	4%	14%
Employment Contracts	4%	3%
Dismissal Law	3%	3%
Collective Bargaining	3%	2%
Sector-specific Requirements for Licences/Certificates	3%	5%
Restriction on Working Hours	1%	6%
Worker Participation Law	0%	1%
Don't Know/No Answer	22%	23%
<b>Total</b>	<b>100%</b>	<b>100%</b>

**Source:** Categories are exclusive. Weighted data, ENSR Survey 2001 ENSR Survey among 7,662 SMEs in 19 European countries.

In addition to scoring employment regulation by the significance of burdens imposed, the survey explores to what extent regulation affects firms' behaviour. On the question of how far administrative burdens have an affect on firms' hiring decisions (Table 13.6 below), Irish responses were much closer to the European average. About half of SMEs felt that employment regulations had no effect on hiring decisions. Among those firms that reported some effect, Irish SMEs tended to report a more limited effect than the European average. Similar questions in the survey sought to discover how far employment regulations affected the extent of outsourcing and the use of temporary staff. As with hiring decisions, most firms reported that these activities were not affected by regulation.

**Table 13.6:** Influence of Administrative Burdens of Employment Regulations on Hiring of Employees (% of SMEs)<sup>4</sup>

<b>Response</b>	<b>Ireland</b>	<b>European Average</b>
Not at all	47%	47%
A Little	24%	18%
Considerably	10%	12%
Much	2%	9%
Very much	6%	8%
Don't know/No Answer	10%	5%
<b>Total</b>	<b>100%</b>	<b>100%</b>

**Source:** Categories are exclusive. Weighted data, ENSR Survey 2001 ENSR Survey among 7,662 SMEs in 19 European countries.

Indecon, in conjunction with Lansdowne Market Research, compiled recent findings on regulatory compliance costs for small firms in Ireland for a recent Forfás study. Table 13.7 presents a summary of the views of respondents as to the burden of key regulations. Based on the findings, a number of the regulations are considered to be either a significant burden or a very significant burden by a large percentage of respondents. These would include health and safety regulations, VAT administration, employment regulations, income tax administration and

environmental regulations. In each case, between 44 per cent and 47 per cent of respondents viewed these regulations as a very significant or significant burden.

**Table 13.7:** Respondents' Views on Burden on Principal Regulations (% of Firms)

	Very Significant Burden	Significant Burden	Neither	Insignificant Burden	Very Insignificant Burden	Don't Know
Health and Safety Regulations	11	34	7	41	6	1
VAT Administration	10	37	6	40	3	4
Employment Regulations	7	38	2	41	6	6
Income Tax Administration	7	39	7	33	7	7
Environmental Regulations	6	38	7	43	4	2
Corporate Taxation Administration	3	32	12	35	8	13
Corporate Governance	1	25	9	38	13	14

**Source:** Indecon and Lansdowne Market Research.

Respondents were also asked their views on which regulations are associated with the highest administrative burden (Table 13.8). The findings show that the most burdensome regulations in terms of compliance are: health and safety protection for workers (16 per cent); dismissal law (14 per cent) and employment related taxes (14 per cent). Other potential options listed received considerably lower rankings.

**Table 13.8:** Respondents' Views on Regulations with Highest Administrative Burden (% of Firms)

Health and Safety Protection for Workers	16
Dismissal Law	14
Employment Related Taxes	14
Restrictions on Working Hours	7
Social Security and Pension Requirements	3
Worker Participation Law	1
Collective Bargaining	1
Sector-specific Requirements Regarding Licenses and/or Certificates	1
Employment Contracts	9
Don't Know	34

**Source:** Indecon and Lansdowne Market Research.

Of course, the fact that health and safety and employee regulations are most costly for firms does not imply that regulations in these areas should be abolished, but it could provide a guide to policymakers on where more detailed work may be required.

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## 13.6 Policy Issues

It is important to realise that there will always be a burden imposed by regulation. If the actions of a firm were not altered by the regulation, then the purpose of the regulation would be questionable, due to its failure to bring about a specified objective. This type of regulation is unnecessary and is an example of 'bad regulation'. The goal of the policymaker therefore should be to minimise disproportionate regulations based on five principles (Better Regulation Taskforce, 2005):

1. Proportionality – regulations should be implemented only when necessary and favourable to alternatives and they should be appropriate to the risks posed with the associated costs minimised;
2. Accountability – the objective of the regulation should be clearly justifiable and subject to scrutiny;
3. Consistency – regulations should be a coordinated set of policies wherein overlaps are minimised and that are implemented and enforced in an equal and fair manner;
4. Transparency – as well as regulations being open to scrutiny, it is important that all interested parties are informed of and given the opportunity to contribute to policy objectives to be achieved through regulation; and
5. Targeting – regulations should be focussed on a clear and achievable objective with full knowledge of the likely impacts on specific groups and designed such as to minimise potential side effects.

These five principles of good regulation aim to minimise the burden of regulation. Good regulation will not only minimise the associated policy costs of complying with the regulation but they will also minimise the administrative burden placed on businesses. This is the motivation behind the Government's Better Regulation work and the development of RIA's which focus on ex-ante assessments of proposed regulations. The RIA process is a relatively new concept which is being extended across Government departments and agencies. It is too early to assess the effectiveness of this process, but it is having an impact on how proposed regulations are being considered. Methodological and resource constraint issue notwithstanding, RIAs are a key part of policy development in this area.

There is also a greater role for policy in terms of reviewing the stock of existing regulations and improving enforcement. Some of these issues are discussed in subsequent paragraphs.

### 13.6.1 Enforcement

A significant contributing factor to the administrative burden of regulation is the time and effort exerted by businesses attempting to keep up to date with new regulations and how changes in their business could create further regulatory issues for them. To alleviate this burden more, better and easily accessible information should be made available to businesses informing them of their regulatory requirements as a result of the introduction of a new regulation. The provision of more and better information will not only reduce the time and effort spent by businesses attempting to understand their regulatory requirements but it may also reduce the expenditure by these firms on obtaining this information from a private source.

In respect of this issue, and other areas of Government activity, there is greater scope to examine the benefits of e-Government. Accessing information electronically or engaging directly with the Government via e-mail can bring substantial benefits. There are already positive from recent developments, such as the Revenue Online System (ROS) and recent changes in the payment system for meter taxation. Extending these initiatives in to other areas could provide further benefits.

Just as businesses require more and better information in order to minimise the burden imposed on them by regulation, for the regulation to be effective, firms must also understand the incentives associated with compliance. In the absence of clear penalties associated with non-compliance and vague guidelines as to when businesses are to be liable to pay penalties, it can result in an inefficient use of resources thus increasing the burden of regulation on businesses.

Over recent years policy makers have begun to consider alternatives to the classic 'command and control' style of regulation, and in some cases have adopted clearly targeted regulation that is proportional to the risks posed. The implementation of risk based regulation places the most significant burden on those businesses that work in the areas that pose greatest risk of harm. The burden is proportional to the risk and as such it minimises the burden of compliance on those businesses whose activities do not pose a considerable harm or a threat to the objective of the regulation. A number of EU transport directives have adopted a risk-based approach in favour of the classic command and control style, with the effect that all transport businesses are not subject to the same regulations or penalties. In the case of businesses that transport chemical materials, those that handle more harmful or dangerous materials, such as nuclear materials, are subject to more stringent regulations whereas those transporting chemicals that do not pose a considerable threat to individuals or the environment do not have to comply with such stringent regulations. Risk based regulations therefore reduce the misallocation of resources for businesses in a particular industry by no longer requiring low risk businesses to over-invest in compliance but instead requiring high risk businesses to incur the majority of the burden.

### 13.6.2 Exemptions

The targeting of regulation is an important principle for policymakers and is best informed by an ex-ante examination of the likely impacts of a proposed regulation, such as a RIA. Considering the likely impact of a regulation on the market as a whole may lead the policy maker to falsely assert that the burden of regulation on businesses is not disproportionate to the objectives of the regulation. However this approach has significant flaws as it treats all businesses affected by the regulation equally and thus will understate the burden of regulation on small businesses in a sector containing small, medium and large sized businesses, provided there are fixed costs associated with the regulation. Many of the administrative burdens placed on businesses by regulation, such as completing financial accounts and filing returns with the revenue, may not vary proportionally with firm size and as a result may place a particular burden on small businesses. Exemptions have been used both in Ireland and many other countries in order to relieve this excess burden on small businesses and both the exemptions and their thresholds represent a clear opportunity for policy makers to better target regulations to achieve their objective in an efficient a way as possible.

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### 13.6.3 Abolishing Regulations

The previous suggestions have been applicable to both new and existing regulation, but there is also merit in considering abolishing regulations. This is also relevant when policy makers are assessing the alternatives to adopting new regulations. The ‘do nothing’ option is one that should always be considered alongside the options for regulation. The statute books in many countries contain regulations that were developed at the beginning of the twentieth century, that are still in force but whose focus has been altered significantly through technological and general advancements such that they are out-dated, in some cases irrelevant or covered by new regulations, but still impose a burden on businesses. A full review of active regulations, such as that proposed in the UK by the Better Regulation Task Force, would uncover the ineffectual, out-dated and duplicated regulations that impose burdens on businesses. This could lead to the abolishment or simplification of the regulatory compliance process. New regulations should be subject to such scrutiny after an initial period, to assess the impact of the regulation. If the regulation has not been operating as was envisaged, then its abolition should be considered as an alternative to modifying the existing the regulation.

The Standard Cost Model, discussed in earlier sections, has a role to play in assessing the costs of certain regulations. This has been used successfully in both the Netherlands and the UK. While it is an expensive tool to apply, its selected use in reviewing certain regulations can assist policymakers in Ireland. Once again, after a reasonable period has elapsed, it would be useful to review the applicability and effectiveness of this methodological approach in an Irish context.

## 13.7 Conclusions

Inappropriate regulations result in an increase in costs and damage productivity and competitiveness. Appropriately targeted regulations can have distinct benefits and the key issue for policymakers is to ensure that there is an economic justification for any regulations introduced and that they are framed in a manner which minimise the negative impact on economic welfare.

### Notes

- 1 Of course, this can be interpreted to justify government action, even where there is no clear case of market failure.
- 2 The question posed in the survey was “Which of the following factors has been the major constraint on your business performance over the last two years?”.
- 3 The question posed in the survey was “Governments may require enterprises to keep registers or submit information, etc. In which ONE of the following fields of employment regulations are such administrative burdens highest?”.
- 4 The question posed in the survey was “To what extent do these legal administrative burdens in the field of employment regulations influence your decision to hire employees?”

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