

SCM principles and methodology

- Minimal burden is important:
 - Statistically: for motivation of respondents and quality of response
 - Generally: for avoiding unnecessary costs for the private enterprises hampering economic growth
- In DK total administrative burden is approximately 2 pct. of GDP
- In order to employ resources to burden reduction, we first need to know where the big burdens are
- ‘What gets measured gets done’

Administrative cost and burden

SCM is an **activity-based** measurement methodology

Costs of regulation to businesses:

- Direct financial costs (taxes, admin charges, fees for permits etc.)
- Compliance costs:
 - **Substantive compliance costs** (or ‘indirect financial costs’) (physical conditions to comply with e.g. environmental laws (e.g. filters) or safe working conditions (protection measures))
 - **Administrative costs** (documentation of proper installation of a filter or annual report on working conditions)
 - **Administrative burden**: The part of the administrative costs that would disappear if the regulation was removed, i.e. the activities that enterprises do only because of the regulatory requirement.

The SCM measures administrative costs

Methodological approach

- Simple and pragmatic method
- Applicable across policy areas (does not focus on policy objectives or whether the regulation is reasonable or not – only on the admin activities necessary for compliance)
- The SCM measures:
 - Information obligations; each consisting of a set of
 - Data requirements; each requiring a set of
 - Administrative activities



SCM cost parameters

- **Price**: Tariff plus overhead
- **Time**: Amount of time it takes to complete the admin activities
- **Quantity**: Number of businesses affected (*population*) and *frequency*
- Basic SCM formula:

Costs per activity = Price x Time x Quantity (population x frequency)

Key assumption

“The normally efficient business”

Because we need a good average
for the ‘time’ cost parameter

Types of measurements

- **Ex-post:** E.g. a baseline measurement of *current* regulation – with a view to being updated, e.g. annually with consequences of new regulations
- **Ex-ante:** Before implementation of new regulation; e.g. en preparatory phase of legislation

Types of costs

- **One-off costs** (e.g. reading of guidance when new regulation is introduced): Not included in baseline measurement (but included in ex-ante measurements)
- **Recurring costs** (triggered by calendar or events – e.g. filling in a questionnaire): Included in both ex-ante and ex-post measurements

Origin of regulation / burden

Three types - with increasing degrees of influence:

- A: Directly from international regulation
- B: Indirectly from international regulation
- C: National legislation

Stakeholders

Stakeholders typically involved in SCM measurements:

- **Practitioners** in the enterprises: Know the activities and the time it actually takes to comply!
- Industry and trade **organisations**
- Professional **experts** / academia
- Government **departments** – e.g. statistics
- Consultants - to carry out the data collection and the actual measurement?
- A central **coordinating team** – and perhaps a representative **monitoring group**?



Phase 0: Start up

- **Choices** to make before measuring:
 - **Target population**: Narrow or broader definition of ‘private enterprises’? Or even also some types of households?
 - **Scope**: Regulations of both national and international origin? And perhaps even voluntary activities?
 - **Full or actual** compliance: Whole sample or only those responding ...
 - **Maximal vs. minimal concept** of burden: All activities involved or only form-filling? (The SMC recommends all activities)
 - **Lower threshold** limit?
 - **Overhead** percentage?
- Start-up meetings with stakeholders
- Preparation of data base

Phase 1: Preparatory analysis

- Step 1:** Identification of information obligations, data requirements and activities and classification of origin by type
- Step 4:** Identification of segments; e.g. by size (small, medium, big) or by reporting channel (analogue/digital) - - OBS: Good use can be made of the business register
- Step 5:** Identification of population and frequency for data
- Step 6:** Business interviews vs. expert assessment?
- Step 7:** Identification of cost parameters (including occupation groups and salaries, overhead percentage)
- Step 8:** Preparation of interview guide / data collection tool:
- Interviews, paper forms – or a combination?
 - What would we like to know in addition to cost parameters? Proposals for simplification, irritations, potential for re-use, whether data are also used by enterprises themselves?

ICBS' list of business surveys

- Colum 1 – Survey code
- Colum 2 – Surveys' Name
- Colum 3 – Quarter
- Colum 4 – Sample size (no. of respondents)
- Colum 5 – Frequency of data collection
- Colum 6 – Data collection method
- Colum 7 – Estimated time to fill in the form

Phase 2: Data capture and standardisation

Step 10: Selection of enterprises for interviews

Step 11: Interviewing in order to determine costs (time and price / occupation group) in a 'normally efficient business'

Step 12: Completing and standardising time estimates (outliers are deleted)



Phase 3: Calculation and reporting

Step 14: Extrapolation: Multiplying Time and Price with Quantity
(i.e. Population x Frequency)

Step 15: Reporting and documentation: Focus on most burdensome requirements, proposals for simplification and digitalisation, useful input and feedback from enterprises etc.



Updating of the baseline measurement

Recording updates to the SCM baseline measurement:

- Analysing the consequences of new/amended requirements; same method
- Ex-ante (i.e. approximations) or ex-post (i.e. measurements)?
- Keep structural factors constant, so that changes only reflect additional administrative requirements

Use SCM data for burden reduction

Measurement call for actions:

Target the most burdensome requirements

- Use the dataset to simulate changes vis-à-vis objectives for reduction (sample sizes, frequency etc., replace survey with register data etc.)
- Simplify/streamline questionnaires
- Intra agency re-use of data
- Stimulate inter agency initiatives for sharing/re-use of data