

The real impact of reducing administrative burdens from the enterprises' and the economy's point of view – an explorative concept

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I. Research question and project objectives

1. Research question

The real impact of reducing administrative burdens from the enterprises' and the economy's point of view or what we want to know about the real advantages of reducing red tape: What happens with the savings resulting from reduced administrative burdens? Is there a peak of positive effects due to the reduction of administrative burdens? Or: Is there a point - and there really is such a point, where the positive effects (for example use of human and financial resource for productive purposes with the aim to generate positive operating cash flows) turn into negative effects (missing regulation might lead to abuse of market power and establish barriers for market entry)? On the other side: Which are the real benefits of regulation? Do the savings only exist on a sheet of paper or are they really important for the further growth of enterprises, especially SMEs?

Walter Weber raised the question whether the reduction of administrative burdens really has a positive impact on SMEs, measured by free cash flows due to the reduction? We have to differentiate two levels: The level of a single SME and the level of the whole economy of a country. The reductions of some regulatory burdens show no effect on the macroeconomic level, on the other hand the expenses for a single SME are cashed-in for investments goods or services or even for consultants.

The problem we want to discuss is quite an interesting problem, nearly nobody wants to discuss actually. In their investigation about the Dutch Standard Cost Model, Löfstedt, R. / Boudier, F. / Torriti, J. (2008), S. 138 come to the conclusion, that our research guiding question is not solved by the well known Dutch method: 'The model ignores how businesses will re-invest after the easing of the administrative burden' and 'The benefits of the elimination of administrative burdens cannot be measured'. That is really a point to discuss in context with the SCM-model, but either no other method have been tested on this re-invest question.

But it has to be possible to measure these positive effects of reducing regulatory burdens. Therefore let's try an effort to structure the discussion and show a possible way to measure these special kinds of benefits. But hold in mind that it is quite difficult to make clear distinctions, because the entrepreneurs always react in their own unpredictable manner to the reduction or absence of regulations. The paper is a proposal for an empirical investigation, for which we are actually looking for partners at the level of the regulatory bodies and a couple of SMEs.

2. Project objectives

The project objectives consist of four aspects :

- Complete collection and measurement of all information obligations of selected businesses from the companies' perspective in order to assess the contribution and effective discharge/relief of burdens by the federal government's program for reducing administrative burdens; the assessment of all policy / compliance costs (in the following called "regulatory costs") is a precondition to identify these special kinds of regulatory costs, which have positive effects on SMEs and the whole economy when they are going to be reduced;
- Gathering of so called "irritation costs" of the same group of companies in order to identify those areas where administrative burdens, regulatory costs and irritation costs overlap most;
- Quantification of opportunity costs resulting from delays (duration of procedures) in order to get indications for the ratio between opportunity costs, regulatory costs and administrative burdens;
- Deduction of recommendations for the efficient use of resources in future projects for improvement of the regulatory quality.

II. Methodology

1. Initial point of view: Enterprises

Many instruments are available to assess the effects of laws. Each of those instruments has its own strengths and weaknesses. However, most of these instruments have in common that the focus is on the public goals to be achieved, and not on those which are being addressed by the laws, the norm addressees. In this project the enterprises are the norm addressees. The position that we want to put forward is, that public goals will be achieved better if all compliance costs of the addressees, the enterprises, are as low as possible. The lower the administrative burden, the higher the compliance with the regulation: enterprises will comply more and in a better way in case of low(er) compliance costs. This means that the realization of low compliance costs is a win-win situation for enterprises, for government and as a consequence for the economy as a whole.

But we have to hold always in mind, that there is a limit to lower administrative burdens, which could be seen as a turning point. Beyond this point, further reduction of regulations leads to negative effects like discouraging of innovations and creative start ups due to market entry barriers and abuse of market power. So certainly we need basic and general regulations, but what is their optimum level? And what happens with the savings, are they really going to be invested for further growth?

Therefore, in this proposal we want to introduce a survey design that for the first time takes the enterprises' point of view on all the effects of regulations, which is of high relevance across Europe, e.g. also the Regulatory Reform Group in the Netherlands lays their focus on an 'integral policy to cover all aspects of better regulation for business'. There is also a project in preparation from the Bertelsmann Foundation.

2. Business Effects of regulation

The following survey of the compliance effects and the adequate methods for their measurement show, that we can have a look from two different perspectives. First, a perspective from the classification of the different kinds of effects from regulations on businesses. Second, a process orientated perspective, which is used by the WorldBank in their DoingBusiness Report. Both perspectives should be combined, because they want to evaluate similar effects with in principal the same methods, just in another order due to the focus on the selected process of starting a business.

Table 1: Business effects of regulation on a single company and their methods for measurement

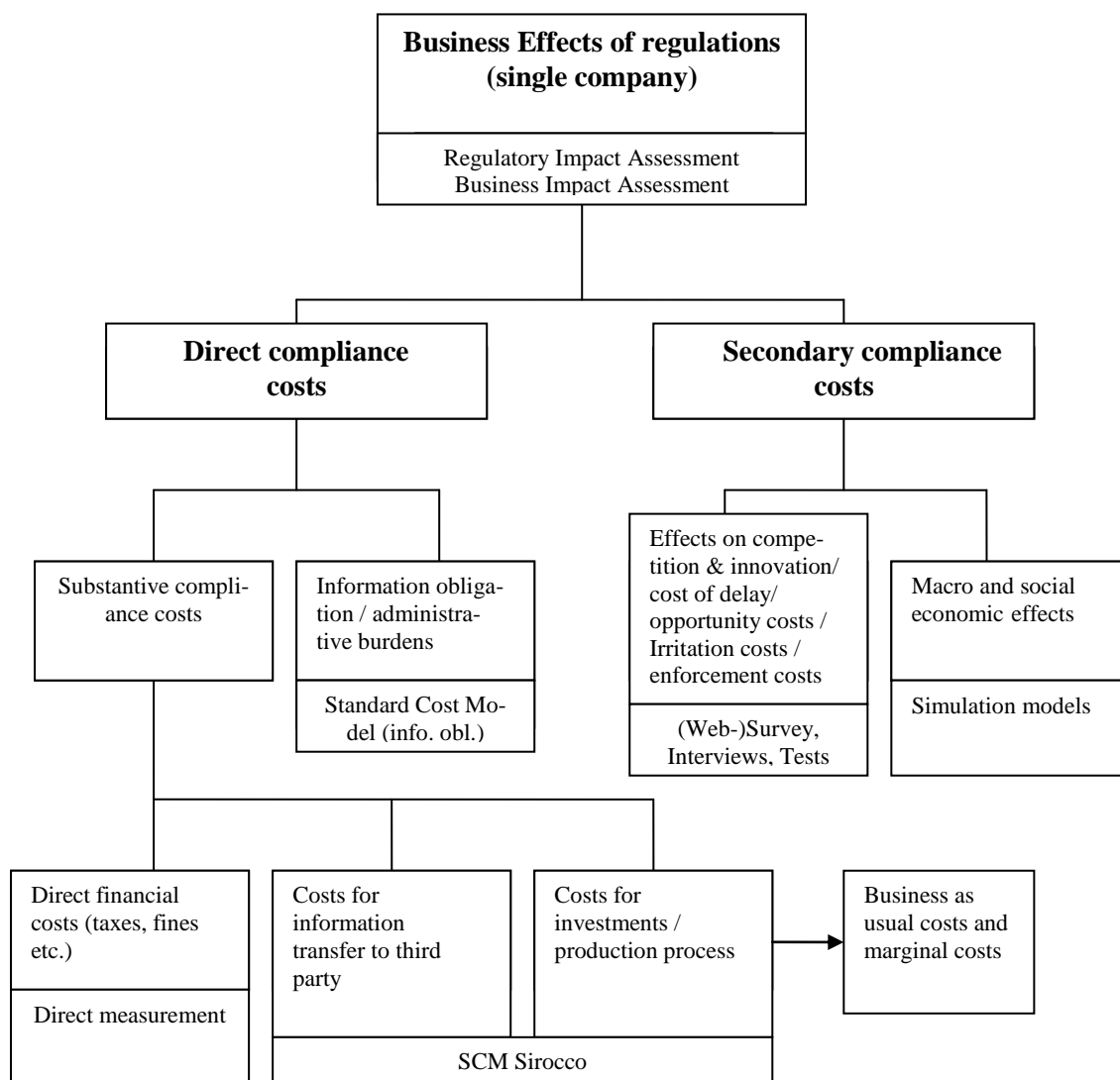
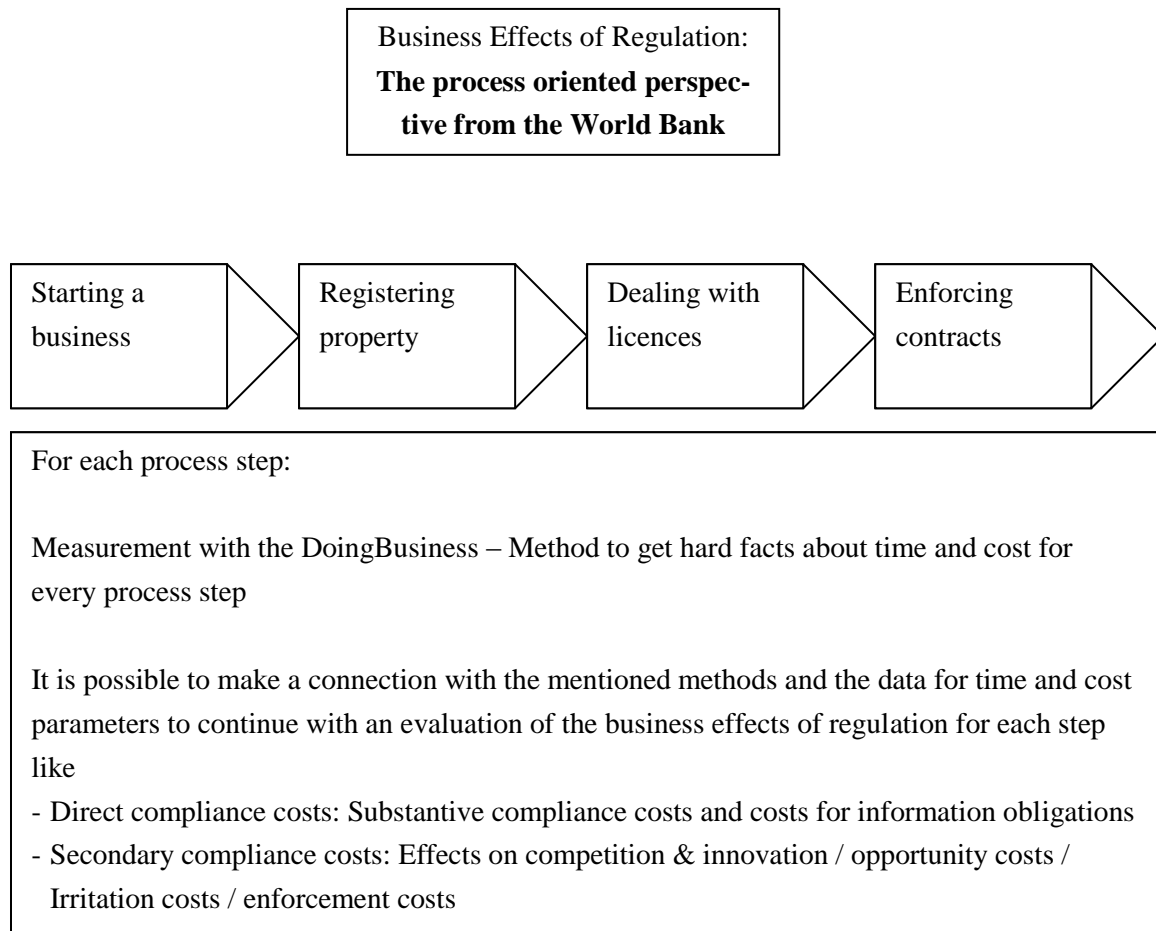


Table 2: Process oriented perspective on regulatory costs



3. Criteria for the use of methods

The use of the mentioned methods must be in line with the fulfilment of special criteria for these methods. Otherwise we will get problems with the scientific standards and with the acceptance by the stakeholders of the (political) process.

Therefore the methods must be...

- Easy to understand for all involved persons and parties
- Accepted by all relevant stakeholders
- Founded and developed in scientific way
- Designed for an efficient use in a standardized way
- Selective in the sense, that the relevant effects can be separated from the irrelevant
- Transparent and revisable for the reader of the final report
- Reliable and valid as methodological key criteria
- Integrated in the different steps of the regulation process
- Internationally comparable
- Easy to implement for the administration
- Without possibilities to influence through policies of interest.

4. Survey of the methods

The way of testing, evaluating and improving the different methods is a preposition for the success of the whole project. The well known Standard Cost Model is evaluated in several studies, but the new SIROCCO method, the special kind of face to face – interviews, the test of typical procedures and levels of service quality and time of delay are new methods for this purpose. Therefore they have to be improved. The steering groups have to stay in contact with the measurement teams to collect, evaluate and decide about their proposals for improvements.

Methods which are proposed for the project are the following:

Regulatory Impact Assessment:

The aim of the use of a Regulatory Impact Assessment (RIA) is to assess and measure whenever possible the total effects of a regulation. It is well known from the United Kingdom and the United States. According 'Better Regulation' a RIA is an assessment of the likely effects of a proposed new regulation or regulatory change. It involves a detailed analysis to ascertain whether or not the new regulation would have the desired impact. It also helps to identify the side effects and the hidden costs associated with regulation. A RIA clarifies the desired outcomes of the proposed regulatory change. RIA also promotes evidence-based policy-making by giving detailed consideration to the likely impacts of decisions, along with structured consultation with stakeholders and citizens. The focus here is only on enterprises, but the underlying ideas of a RIA are put in practice. In that sense a RIA builds the framework for the integration of different, specialised methods.

Business Impact Assessment:

This an integrative approach to measure the relevant effects of regulation from an enterprise point of view. The BIA has been developed by Nijsen / van der Hauw / Regter in 2006. For the BIA the authors have developed on eight research questions about all relevant effects of regulations on businesses.

Direct measurement:

Financial costs are the result of a concrete and direct obligation to transfer a sum of money to the government. They include administrative charges, fees etc.. There is no special method needed to evaluate these costs.

Standard Cost Model for information obligations (administrative burdens):

The Standard Cost Model has been developed in the Netherlands (Nijsen et al.) to calculate the administrative burdens. They include the costs companies run up when meeting information obligations arising from government legislation. This approach has won broad acceptance, but it limited to the administrative burdens, which are only one part of all regulation effects. It is possible to make an ex-ante (for new regulations) or an ex-post (baseline) measurement with the SCM. The SCM uses a high degree in the measurement of administrative burdens, in particular going down to the level of individual activities. On the other side it is usual to work with a sample for ex – ante studies, and they are normally not representative in statistical terms. The structure of the SCM starts with a regulation,

which contents information obligations, which includes data requirements with special standard activities, and they can be measured in terms of internal costs hourly rate, time, overheads), external costs (hourly rate, time) and acquisitions (monetary value). The special cost of an activity consists of price x quantity, that means (tariff x time) x (population x frequency). Population refers to the number of businesses to which the regulation apply. Frequency is the number of times that a business delivers a data requirement per year. The SCM follows normally four steps in measurement: Project start up, preparatory analysis, time and cost data capture and standardisation, calculation, data submission and report. It is helpful to use a decision tree for measuring data requirements.

Standard Cost Model for content obligations / SCIROCCO:

(Scanning Instrument Regulations of other compliance costs belongs to the Mistral Family and quite similar to the Standard Cost Model). According to Nijssen (2007) at the Regulatory Reform conference in Berlin: Substantive obligations comply in a direct way with norms, standards, codes of conduct to safeguard public goals. Substantive compliance costs consists all costs to comply with substantive legal obligations. It is important to differentiate between business as usual costs (costs that would remain if there was no legal obligations) and marginal costs (costs that would disappear if there was no legal obligation). Therefore a base line must be defined, which acts as a starting point for reduction plans (base line 1: 100% compliance with existing relevant regulations, base line 2: or the average existing relevant practices in businesses). Then it is possible with SIROCCO to focus on marginal costs and to reckon with different solutions to comply with norms. SIROCCO proposes to follow the questions of a decision tree: Is there a legal obligation for businesses? Yes > Does compliance with this legal obligation contribute directly to the realization of the public goal? Yes > Is it about a registration obligation with a fixed legal format? No > Substantive compliance costs: must be quantified. The decision tree leads to nine steps: Preparation – 1. Selection of relevant regulations per Ministry: which substantive obligations are hard to comply with by businesses?, 2. Which categories of businesses?, 3. Which types of obligations?, 4. Which types of activities / investments stick to comply with the norms etc. (standardization of solutions per categories of typical firms), 5. Consult stakeholders (policy, inspection, businesses) to safeguard support before starting field work; Field work – 6. Select respondents per category of typical firm: businesses and suppliers, 7. Collect information about Price and suggestions for reductions (businesses and suppliers), and Quantity (Inspections, Bureau of Statistics); Validation and report – 8. Validation of Price Parameters and consultation of experts, 9. Final report.

Surveys / Experiments / Process analysis:

For the measurement of the secondary compliance costs it is possible to use some methods which are originally not constructed for that purpose, but which are useful for normal scientific purposes. That means it is possible to use and to adapt methods like surveys, web-surveys, expert interviews, some kind of experiments and process analysis.

Simulation models play no role at this place, because it is not intended and possible to calculate the costs at a macroeconomic level.

As an example for a *pragmatic project design* we can have a look at the experiences from Simon Schmid (2007), (presented at SECO - conference, Bern), responsible for the burden reduction program in the Swiss canton Basel-Land. Such a practicable solution should be also the aim for the Bertelsmann - Foundation project, because it allows the responsible persons at the political and administrative level to receive significant success stories when trying to reduce the negative effects of regulations. Since 2005 / 2006 in Basel-Land exists a legal obligation to reduce sustainable the density of regulations and the administrative burdens for SMEs. They use three kinds of methods / instruments: Regulatory Impact Assessment for all regulatory proposals; a forum with SME-experts and –representatives for checking regulatory proposals; a One Stop Shop for regulatory questions and procedures. The evaluation process is focussed on quality, depth and breadth of the regulations and consists of six evaluation steps. They are also working with a priority list of the relevant problems for SMEs.

Doing Business – Method:

The World Bank wants to investigate with the Doing Business project ‘the scope and manner of regulations that encourage business activity and those that constrain it’. The focus of the Doing Business project lies on the four central processes of starting and running a company, esp. a limited liability company:

Starting a business (number of procedures, time in days, cost in % of GDP per capita); registering property; getting credit; enforcing contracts.

These four indicators for the case of a limited liability company cover areas of state and municipal jurisdiction and show the economic outcomes of regulations.

III. Process steps for evaluating the positive effects

1. Point of view: Single Enterprise

The following questions should be answered from the point of view of a single enterprise to get an overview about all relevant effects of regulations on a single enterprise. The idea of the project is to measure the whole costs of all regulation effects on single enterprises and then to evaluate the mentioned real positive effects of reducing them. The enterprise point of view and not as usual the regulation point of view offers new insights in the real situation of all kinds of burdens and should help to reduce them effectively after a complete analysis. The consequence of this decision is a relatively small sample of companies due to efforts for time and cost of the investigation. On the other side it is possible to get deep insights in the different ways of complying with regulations in companies.

2. Eight process steps with research questions and methods

1: Definition and selection of companies

At the beginning we have to define the kind of company, that we want to evaluate in our survey. Possible criteria are branch, size, family or holding owned company, personal or capital company. Then we take the perspective of a single company, which is the so called norm addressee of the regulations. The company has to follow the regulations and his reaction is the intended aim of the regula-

tions. It is important to differentiate between direct effects on norm addressees (in the focus of the regulation) and indirect effects on norm addressees (like collateral addressees, which are not in the focus of the regulation, but which are also affected). The next step includes the selection of five or ten companies along the relevant criteria and the preparation of face to face – interviews and measurements about all effects of regulation. One important question is, if it would be better to select the companies with the same or a different profile.

2: Measurement of substantive compliance costs

From now on we want to collect and evaluate in a systematic way all relevant data and information about all compliance costs of all regulations. It is easier to collect the data about all regulations, when we make a classification of all possible regulation a company has to comply with. We can make a differentiation between five main areas of regulation:

- Working contract and social insurance - Regulations
- Tax and administration fee - Regulations
- Statistic - Regulations
- Production - Regulations
- Environment protection – Regulations.

For every area it is important to make a collection of all possible single regulation as a preparation for the face-to-face interviews.

We start with the direct compliance costs and the quantification of the substantive compliance costs. We have to quantify the direct financial costs for that single company through an analysis of these costs like administration fees, taxes or fines. The company has to show exactly which would be the resulting amount of direct financial costs when they would follow the regulations. Then it is easy to quantify the amount you can achieve through a reduction of these fees, taxes or fines. But these are the advantages for the companies, now it would be interesting to know, what they are going to do with their savings. Do they use it for new investments which leads to the generation of new cash flows or do they use it for consumption?

But we have to remark that there are positive effects in terms of newly generated free cash flows through the reduction of these direct financial costs at the level of a single SME. At the level of the whole economy, especially from the point of view of the state, it has to be seen as neutral: the state always has its ideas about the investment - or more often the consumption - of these ‘financial cost – income’. More often the state would consider the effects as negative, the state being concerned about shrinking income for itself.

Quantify the costs of content obligations, in particular the costs for information transfer to third party like consumers and the costs for investments / changes in the production process. The appropriate method should be SIROCCO (Scanning Instrument Regulations of other compliance costs) from the Netherlands, because the Regulatory Reform Group wants to start now with SIROCCO, perhaps with some adaptations due to the experiences with the Regioplan / Actal – pilot projects. SIROCCO splits the substantive compliance costs (all costs to comply with substantive legal obligations) into ‘business as usual costs’ (costs that would remain if there was no legal obligation) and ‘marginal costs’ (costs that would disappear if there was no legal obligation). It is important to define a base line as a starting point for reduction plans offering different solutions on how to comply with regulations. It is also important to integrate the relevant stakeholders in the discussion. According to the SIROCCO

decision tree and the nine steps of investigation there is a standardized way to identify and to quantify the substantive compliance costs. The method is now beginning to be introduced in the market through the Dutch government. Therefore it would be useful to stay in contact with the Regulatory Reform Group, Actal and EIM to discuss the operational details of the method.

Interestingly the fulfilment of content obligations is neutral at the level of the whole economy, because the cash out for the investing company is the cash in for the producing company of the investment goods. Therefore we can't identify a positive effect at this level. For a single SME it is not clear to define, if there is a positive effect or not. Yes, if it could use the invested cash for a more productive purpose, no, if the investment forced by the regulation is helpful for its productivity and competitiveness. A positive effect results from reduction of information to third parties.

3: Measurement of administrative burdens

We continue with the quantification of costs of information obligations (administrative burdens). The proposed method is the Standard Cost Model with the analysis of the information obligations and standard activities. The parameters which must be measured and which offer potentials for reduction of administrative burdens are: Time and tariff (price), frequency / periodicity and population (quantity). To collect the data it is useful to develop a formula with all relevant parameters. It is important that we collect quantitative data to calculate the administrative burdens, but also qualitative information about the practical experiences with administrative burdens and the possibilities of using ICT to reduce them. The integration of qualitative information is a new approach to get more valid results and a better possibility to develop proposals for the reduction of administrative burdens.

Information obligations lead to cash out for consultants or remain expenses for internal bureaucratic work. In both cases the reduction of these administrative burdens could be used for more productive projects by the single SME instead of administrative work. From the perspective of the whole economy it has to be seen as neutral, because otherwise consultants or administrative workforce in SME would be unemployed.

4: Estimation / Measurement of secondary compliance effects

The next step is the measurement of the secondary compliance effects, which is quite more complicated, because no standard method is available and the range of answers and facts could be quite wide. Therefore it is not expected to receive statistically significant results, but in an explorative sense it should be possible to get important hints on useful proposals for the reduction of secondary compliance effects. We start with the quantification of the effects on competition & innovation on companies. Therefore it is useful to develop a questionnaire with the main possible effects, which can be derived out of the regulation content. In the face to face – interviews these effects have to be verified and the amount of investment or the amount of competition disadvantage against competitors without regulation has to be evaluated. Due to the small sample it is not possible to make a calculation at the macroeconomic level, but it will give first hints where bigger problems could be expected.

In the case of our own investigation these kind of burden leads to losses because of missing investments, which could have led to positive free cash flows. Or the resources could have been invested in another country with a better regulation environment. Or it leads to a loss of sales because of a non-competitive offers due to the internalisation of the administrative burdens. For the whole economy results a negative effect, if investments or orders are not generated in the own country. For the SME

only the loss of sales is cash relevant, the investments in other countries should result in 'new' free cash flows, therefore it is seen as neutral.

The second step includes the measurement of the opportunity costs resulting from delays. Companies want to execute normally their investment or constructing decisions without delays. Therefore it is an important factor of service quality that government can decide quickly, consistent and reliable. Otherwise the results are opportunity costs, because the companies have to wait and couldn't use their time with productive activities and the production of goods and services. We need an estimation for these opportunity costs for the companies.

The cost of delay leads to not realized free cash flows for the companies and in a second stage to missing tax income at the state level. The reduction of these costs of delays will have a positive effect in two ways, for the SME and for the economy. Perhaps the state employees could be work for more productive purposes or they could lose their jobs.

As a third step we have to measure the quality of service and the enforcement practices performed by the administration. This leads to enforcement costs, which are the result of low or high quality of enforcement routines in relation to best practice solutions. There are two possibilities to measure these enforcement costs: First with a questionnaire and face to face – interviews with companies and government about the costs and proposals for improvements, second with a test of an enforcement of a standard procedure according to the regulation. Therefore it is useful to define a list with specific activities between companies and administration, to define the relevant tariffs and then to collect data during a live case of handling with the regulation.

Bad quality of service could also lead to investment decisions in favour of other countries or regions. Even worse, the same (bad) set up will generate unpredictable and different decisions for the same situations. Therefore a better service quality of the state leads to a positive effect especially for the state, for the SME it is a neutral effect because they can (possibly) swift to a better regulatory body. Even worse, the SMEs will react unpredictably.

The fourth group of secondary compliance costs consists of the so called irritation costs. They can be defined as follows: Irritation costs are the effect of the regulation(s), which are hindering the entrepreneur at the highest degree in his entrepreneurial activities. Therefore we should ask the entrepreneur in the face to face – interview, which five single regulations are responsible for irritations and then he has to bring them in an order (Top 1 – 5). Comparing all answers it should be possible to select in a pragmatic way the most irritating regulations for entrepreneurs. The method allows it better to have a holistic view on all regulations than a combination of the irritation cost question with every single question about the regulation. To improve or to cancel these regulations should therefore lead to the greatest impressions in the entrepreneurs mind. This is an important effect in the public, political discussion. Perhaps it is possible to develop a calculation with the entrepreneur about the real or opportunity costs for these irritation costs. They have to be compared with the other secondary compliance costs.

For our purpose it is interesting to know at which point of a continuum of irritating burdens an entrepreneur will make different decisions. The effect is neutral, if the SME invests abroad instead of in the own country. But if no investment is the consequence of the irritation, the effect is (clearly) negative. For the whole economy both options / decisions have a negative effect, therefore the irritating costs has to be reduced. But who can measure them? Especially at the level of secondary compliance

costs there is a relevant leverage effect because of the influence on investment decisions and on the competitive situation in an international context.

5: Concluding addition of all compliance costs and quality check

The final step of the single measurements is the concluding addition of all the effects of regulation and a final check of the quality of the single measurements.

6: Interpretation of the relevance of the costs for companies

What is the capability of the typical company to comply with the regulation (in financial and personnel terms)? The question is, how relevant are the cost effects for the companies. Are companies affected in their ability to struggle with competitors or is it possible to integrate the regulation without bigger problems in a short time into the 'business as usual costs'? It could be interesting to evaluate in which way this single regulation is combined with other regulations that affect the company much more.

7: International comparison

In this context it is useful to receive results from an international comparison of the effects of regulation. What is the origin of the regulation? Is it a single, national regulation or a regulation at European or global level? How is the regulation legitimized? Is it possible to identify a gold plating – effect?

8: Final Report with all data and conclusions

The final report consists of the calculated costs and of the conclusions for the further handling with the regulation: How can we better tailor enterprise regulations according to our investigation results? What are the central recommendations for the involved institutions in the regulation process (first discussions, legislation, execution, revision) and for all four dimensions (according to Frank Frick, Bertelsmann Foundation) of modern regulation (good policy, better regulation, good administration, good governance)? The recommendations and the possible alternatives should be founded on the collected data and information, especially on the ratio between the different effects of costs. But it is not the aim to start with some kind of cost-benefit or benefit-analyses in this project.

Table 3: Survey of the fit between methods and type of compliance cost

Method:	Direct compliance costs			Secondary compliance costs		
	Direct financial effects	Content obligations	Information obligation	Effects on competition / innovations	Quality of service and enforcement / cost of delay/ irritation costs	Macro-economic costs
Direct measurement	XX					
Standard Cost Model - SI-ROCCO		XX				
Standard Cost Model – Information Obligation			XX			
Surveys: Face to face or web-survey, preferably face to face, only with a panel web-surveys		X	X	XX		
Experiments / process analysis				X	XX	
Business Impact Analysis		X	X	X		
Regulatory Impact Analysis	X	X	X	X		X
Macroeconomic simulation model						X
Cost-benefit Analysis	X	X	X	X		X

X = useful method for the special kind of effects of regulation

XX = recommended method in this context

Proposals for the integration in the political process

This is a first proposal for a survey process with eight steps. It should be the challenge to validate the process during the pilot project. After validation the process should be integrated in the political process, because the process is tested, practicable, resilient and adequate. A decision about the beginning with new measurements in the future should be depending on predefined threshold levels. In this case it is not necessary to measure all effects of all regulations, it is only necessary to measure all effects of a single, new regulation. The first decision could be orientated on the number of norm addressees which could be affected by a regulation. A threshold level could be defined in percent of total number of companies in a country, perhaps five percent. The consequence would be a measurement with a sample of 10 companies. The second decision could be orientated on the results of this first measurement. If the costs of regulation are higher than one percent of the total sales volume of the companies it is to assume, that the regulation could be a 'big fish'. Then a second survey with a sample of 50 or 100 companies should validate the data from the first survey. The results of the second survey should allow the development of recommendations for improvements concerning all kind of effects.

Consequences for New Ventures and Regulations

With regard to the requirements on measuring methods, the special features of SME and start-ups should be highlighted. These specificities can be further differentiated on the basis of the international comparison figures presented at the outset. The individual factors of the Global Entrepreneurship Monitor reports provide indications for differentiation into young and established businesses. These factors are also collected annually for over 40 countries. Of the 13 individual factors of the GEM reports, the following factors with regulation reference are particularly relevant for young businesses (see Annex II: Table GEM Report 2006):

- Protection of intellectual property,
- Policy 2: Regulation and taxes,
- Market Openness 2: Market entry barriers,
- Market Openness 1: Market changes.

Legal protection for intellectual property, free enterprise, low-hindrance regulations and low market entry barriers are basic prerequisites for the development of founding companies. In relation to these three factors, the countries to the fore of the GEM ranking should be particularly highlighted as positive examples: USA, Singapore, United Arab Emirates, Iceland, Belgium, Finland and Australia. For established companies, it is more important to defend their market positions, to be able to erect high market entry barriers against newcomers and to impose high compliance costs on young companies by setting high regulation standards. An example of this is the pharmaceutical industry, because large companies with well-established processes and relationships with the pertinent authorities particularly profit from the highly regulated production processes and the complex approval processes for new drugs (despite the burdens). The GEM Report therefore comes to the conclusion, in relation to industrial countries, that countries with better (poorer) structural conditions tend to present a higher (lower) founding quota (p.27).

A concrete example of the continuous reduction of impeding regulations for SME and start-ups is Switzerland. Improving the structural conditions has been a subject of economic policy for ten years. Individual measures packages have been continually defined and implemented since 1998, the year of the first scientific studies by the Ministry of Economic Affairs. The measures implemented up to 2005 cover the areas of quality and coherence of regulation and regulation processes, authorizations in international exchange and within the domestic market, as well as process coordination between federation and cantons. The measures underway by 2007 are aimed at reducing the administrative burdens for businesses from different legal domains. The current measures comprise five main topics from the areas of simplification of regulations / reduction of administrative burdens, as well as improvement of processes between state and businesses. The development of practical Internet portals for start-ups and SME at both Federation and canton level is also at the center of the endeavours. The SME Admin website should be mentioned in this regard. It enables company registration via the Internet in dialog with commercial registers and national insurance. The figure shows a summary of the steps in the time sequence.

IV. Conclusions and summary

Regarding all the mentioned effects we can conclude, that there is a great difference between the positive effects for the SMEs and for the whole economy. What is good for the country is only in parts good for the SMEs and vice versa. The following table shows the differences. Black signifies: no effect, green: positive effect, blue: depends on the assumptions if positive effects or not. These results show us, that there is a reason at the level of political economy, why reducing administrative burdens could be so difficult in some countries. There is too little congruence between the aims of the state and the aims of SMEs. Indirectly, there is more congruence because competitive SMEs are also positive for the economy, but it would take a long term perspective, which is not quite usual in politics, therefore the short sight is overrated, and the result is more of a neutral effect. And there is another problem: From the economy's point of view it would be important to reduce the secondary compliance costs, but there is no standard method to measure them, therefore clear data for the political decisions are still missing and everybody is just talking about these effects, but nobody can reduce them, because too many interest groups are involved. So it is easier for SMEs to move to another regulatory regime (like from Germany to Austria and Switzerland) than for some states to reduce significantly red tape (just look at the latest slightly disillusionated report issued by the Normenkontroll-Rat in Germany). On the other side it is a great chance for a flexible, pragmatic and pro-acting state to offer better regulatory conditions than countries that are just talking about the problems.

What should be the next step? After the discussion about the concept and methodological aspects it is useful to start a first measurement with a small sample of SMEs to make the measurement operational and to get first results about the positive effects in financial terms.

Table 4 a and 4 b:

Summary – positive effects of reducing regulatory / compliance costs

Table 4a: View of an enterprise / SME

regular: no effect

bold: positive effect

underlined: depends on the assumptions if positive effects or not.

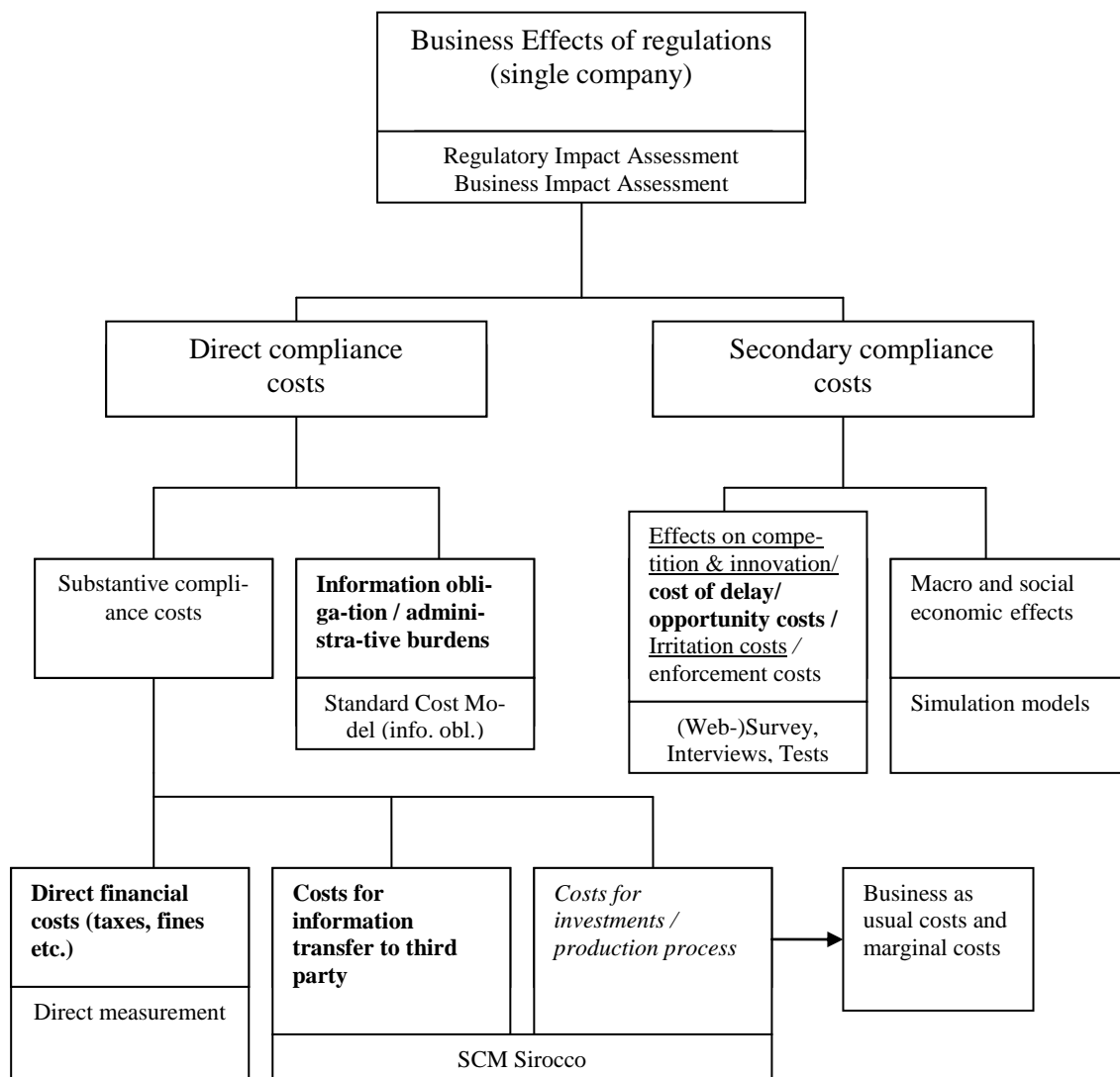


Table 4b: view of the state

regular: no effect

bold: positive effect

