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**METHODS TO MEASURE  
ADMINISTRATIVE BURDENS**

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# Methods to measure administrative burdens

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"In contemplating Cost Benefit Analysis, I prefer the philosophy embodied in the answer Maurice Chevalier is alleged to have given to an interviewer who asked him how he viewed old age: 'Well, there is quite a lot wrong with it, but it isn't so bad when you consider the alternative'." Alan Williams. (Williams, 1973)

## **Introduction**

Since 2000 onwards, the Dutch government has intensified its efforts to reduce the administrative burdens on businesses and citizens. However in the first years of this age the administrative burdens increased as a result of new legislation. Also the economic situation became more difficult for private businesses. This was recognized on the political level and accordingly, in 2003 the Dutch government re-launched the regulatory reform as one of its top political priorities. This reform concentrated on the technical aspects of measuring administrative burdens and on the institutional setting to coordinate the reform. The technical aspect aimed at bringing the methodology to measure administrative burdens into practice. Nearly one decade ago a methodology was developed to quantify administrative burdens called MISTRAL. [Nijsen 2003] The starting point of this methodology was the identification of the information obligations imposed by legislation. On the basis of the MISTRAL methodology the Standard Cost Model (SCM) was developed in 2003.

The task to coordinate the application of the SCM in practice was laid in the hands of the Ministry of Finance in close collaboration with the Ministry of Economic Affairs. The Interministerial Project Unit for Administrative Burdens (IPAL) was placed under the authority of the minister of Finance. Since then, progress of the reduction of the administrative burdens is monitored through the budget cycle.

The other site of the institutional setting was that the governmental goal to reduce the administrative burdens was part of the agreement that formed the coalition government of

the Cabinet Balkenende in 2003. Consequently all Ministers supported the reduction policy and took responsibility for the realisation of their own plans.

In this paper first the standard cost model for businesses and for citizens will be described. Then, attention will be paid to the base line measurement of administrative burdens in the Netherlands, to the goal setting and eventually to the results of reduction policy. It becomes more and more clear that the SCM has its own inherent limitations. To redress these limitations it is needed to look for other valuation methods of the time spend by businesses and citizens to comply with the information obligations. This paper describes possible valuation methods that would bring the SCM more in line with a societal perspective. The paper concludes with an indication of future research in this field.

### **Standard Cost model**

The methodology of the Standard Cost Model (SCM) focuses on the systematic identification and measurement of levels of red tape that relate to one particular source, which are the regulatory obligations to provide information to some part of government and or third parties. Costs of compliance with these obligations to businesses and citizens are referred to as administrative burdens (AB). (Keyworth, 2006) Administrative burdens are part of the total compliance costs. But not all compliance costs are regarded as AB. The AB definition includes only a number of categories of costs that are sufficiently concrete, objective and measurable to be useful in terms of quantifying AB. The matter of whether a business views specific information obligations as a burden in the subjective sense of being a nuisance ('irritation costs') is not important in the methodology of the SCM. What needs to be ascertained is whether the burden is an *objective* burden in the sense of a 'cost item'. A possible benefit of a regulation is not considered, nor is any income that businesses may generate through the information obligation. Also lost turnovers due to an information obligation are not included in the AB.

The SCM is conceived to measure administrative costs, not just administrative burdens. Businesses also register data for more purposes than just the obligations arising from legislation and regulations. Sometimes the data processing has also the purpose to comply with internal information needs. This implies that the SCM measures also obligations that would be complied with even if the compulsory regulation would be removed. In addition, also voluntary obligations are measured. Costs of internal information needs, voluntary obligations and regulatory information obligations form the administrative costs. Regulatory information obligations are the administrative burdens. This broad approach, to measure administrative costs, was chosen to include all unnecessary red tape.[ SCM Network, 2005; p. 7] In the SCM there is no difference between administrative costs and AB. These AB are

estimated on the assumption that legislation is fully complied with, despite the fact that in practice, not all businesses will fulfil this starting point.

When measuring the time needed to perform a given activity for an information obligation, the performance of a normally efficient firm is taken into account. This does not mean considering the most efficient firm, but a firm that can be regarded as representative for the population of firms under study.

Substantial one-off costs that a business must invest in order to satisfy an information obligation, are not included in the baseline measurement. However they form a part of the ex ante measurement for inclusion in a Regulatory Impact Assessments [SCM Network, 2005; p. 11] Costs resulting from trying to keep up with the frequently changing existing legislation and regulations are considered to be AB.

The term businesses in the SCN should be taken to mean every sector of the economy, with the exception of the public sections of public administration, government services, compulsory social insurances and education. However, the private sections of the above-mentioned exceptions do constitute businesses. The basic criterion in the definition of a business in the SCM is the question of whether the organisation covers its own costs or generates profits for its owners. If it does, it is a business. [International Working Group on Administrative Burdens, 2004; p. 10]

Healthcare organisations and educational institutes can be subject to the baseline measurement as long as these organisations fulfil the definition of businesses. This definition implies that for instance compulsory education is excluded, but private educational institutes are included.

### **Costs and tariffs**

In calculating the cost of AB, the time consumption of an individual administrative activity is multiplied with a tariff. There are two types of tariffs: internal and external. The internal tariff is the hourly rate of the person(s) in the business who deals with the information obligation. The external tariff is the hourly rate of the person(s) outside the organisation. This can include, for example, the hourly rate of the external auditor.

The external tariff is much more a market price than the internal tariff. The internal tariff is made up of the following components: (Gross wage + Wage costs) +(Material and overhead costs) Material costs are taken to mean the costs of all materials purchased in order to satisfy the administrative obligations. Overhead costs are all indirect costs associated with the use of office materials, depreciation of desks, computers, facilities for ancillary departments and such. In general and where relevant, these costs are estimated using a mark-up percentage on the gross wage costs. [International Working Group on Administrative Burdens, 2004; p. 19-21]

**Baseline measurement, targets and results**

The baseline measurement is the ex post measurement of the overall administrative costs that are experienced at a given point in time. The Dutch baseline measurement for administrative costs to businesses was launched in 2003 and refers to the situation at 1 January 2003. A baseline measurement report was drafted per ministry. Each department measured the administrative costs that fall under its responsibility. The total administrative costs were classified according to the origin of the information obligation. By applying the ABC classification it was expressed whether the information obligation stemmed from EU- or non-EU regulation. The A-class represents information obligations that are exclusively and completely a result of EU rules or of other international rules. The B- classification refers to information obligations that are a consequence of EU and international regulation, but national governments can decide on the exact content of the information obligations. The C category contains information obligations that are exclusively a consequence of national regulation [SCM Network, 2005; p. 12-13]

Table 1 shows the results of the baseline measurement by ministry at 1 January 2003, and the ABC classification of the administrative burdens for each policy domain (ministry). Total administrative costs were estimated to be €16.4 billion, which is approximately 3.5% of Dutch GDP.

Table 1 Total Administrative Burden of the baseline measurement at 01-01-2003, by ministry according to the ABC classification\*) (€ million)

Ministry	A		B		C		Total	
	€	%†)	€	%†)	€	%†)	€	%‡)
Finance	1,557	36%	562	13%	2,206	51%	4,325	26%
Health, Welfare and Sport	2,061	62%	0	0%	1,263	38%	3,324	20%
Social Affairs and Employment	709	28%	203	8%	1,621	64%	2,533	15%
Justice	1,600	64%	275	11%	625	25%	2,500	15%
Housing, Spatial Planning and the Environment	136	8%	612	36%	953	56%	1,701	10%
Transport, Public Works and Water Management	332	36%	166	18%	425	46%	923	6%
Economic affairs	531	79%	54	8%	87	13%	672	4%
Agriculture, Nature and Food Quality	138	32%	232	54%	60	14%	430	3%
Education, Culture and Science	-	-	-	-	18	100%	18	0%
Interior and Kingdom relations	-	-	-	-	9	100%	9	0%
<b>Total</b>	<b>7,064</b>	<b>43%</b>	<b>2,104</b>	<b>13%</b>	<b>7,267</b>	<b>44%</b>	<b>16,435</b>	<b>100%</b>

†) Row percentages ‡) : Column percentages

\*) Source: Totals of baseline measurement: Parliamentary publication, TK 2006-2007 30800, nr 1, 19-09-2006, annex 7.

Percentages of ABC classification: Parliamentary publication, TK 2003-2004 29515, nr 1, figure 2.2 and own calculations.

An overall reduction target of 25% was set in 2003, during the formation of the Cabinet Balkenende II. The target was expressed as a percentage of the baseline measurement of the

administrative burdens for businesses at 1 January 2003. This implied that, at the end of the Cabinet mandate in 2007 the administrative burdens for businesses should be € 4.1 billion lower compared to the level at the beginning of 2003. The reduction target is a 'net' target: new administrative burdens imposed on businesses in the period 2003 - 2007 are included in the total amount of administrative burdens to be reduced. Table 2 summarises the results of the reduction operation. The reported results indicate that the target of a 25% reduction in 2007 compared to the baseline measurement in 2007 will be met.

Table 2 Realized net reduction of the Administrative burden and prognoses of total reduction in 2007 (€ million)\*)

Ministry	Zero measure -ment	through 2005	through 2006	through 2007
Finance	4.325	646	786	915
Health, Welfare and Sports	3.324	-1	676	755
Social Affairs & Employment	2.533	388	541	680
Justice	2.500	60	144	903
Housing, Spatial Planning and the environment	1.701	96	160	519
Transport, Public Works and Water management	923	137	197	264
Economic affairs	672	28	43	60
Agriculture, Nature and Food Quality	430	122	148	158
Education, Culture and Science	18	0	1	5
Interior and Kingdom Relations	9	-14	-13	-9
Total	16.435	1.465	2.697	4.251
% of AB level zero measurement		9,0%	16,4%	25,9%

\*) Source: Parliamentary publication, TK 2006-2007 30800, nr 1, 19-09-2006, annex 7.

These reported results are in line with one of the main conclusions of the report of the Netherlands Court of Audit. [Parliamentary Publication, TK 2005-2006, 30605, 2] The Cabinet complies with the 25% reduction target. Importantly, the Court of Audit analysed also the methodology applied to measure administrative burdens, and concluded that the Cabinet has correctly applied the methodology set out in the SCM. The Court of Audit analysed 24 government measures, which included 20 measures that were taken in 2003-2004 to reduce the administrative burden and 4 new regulations that resulted in increased administrative burden. For the latter, the Cabinet took compensating measures. The Court also studied the effects that the reduction policy has had so far in the businesses community. The main criticisms expressed by the Court of Audit, however, is that the effects of the reduction policy on businesses are less evident than could be inferred from governmental reports.

### Administrative burdens for citizens

In its coalition agreement, the Cabinet Balkenende II also stated that the administrative burden for citizens should be reduced. As for businesses the target is that by 2007 the

administrative burden on citizens (AB Citizen) should have been reduced by 25% compared to the base line measurement with the reference date 31 December 2002. [Parliamentary publication: TK, 2003 – 2004, 29362, n. 17]

Administrative Burden for Citizens are those costs that are incurred by citizens in complying with information obligations ensuing from government regulations. Costs that *do not* qualify as AB Citizen are:

- The costs that can arise owing to the, possibly poor, quality of the service delivered by the government. For instance: long turnaround times and poor accessibility. In fact this is the starting point of a normally efficient governmental organisation.
- The perception of citizens, for example that the government is delivering an inefficient service or has too little focus on the client.
- The costs incurred by the government in dealing with requests or objections and gathering and processing information supplied by citizens.
- The non-compulsory contacts between citizens and government, for example contacts not based on a statutory information obligation.

AB Citizen relate to the time spent, expressed in hours, and to out-of-pocket expenses, in euros, incurred by the citizen to comply with an information obligation.

In the context of the definition of AB Citizen, the term 'government' is understood to include: community organisations (EU), government ministries, provincial authorities, local authorities, water authorities and autonomous administrative authorities. Also here the origin of the information obligation is classified by the A/B/C classification, expressing whether the information obligation stems from a European and international level or from a national level.

Comparable to the definition of the AB for businesses, it is not important whether a given information obligation is perceived as a burden by the citizen in the subjective sense of irritation. The AB must therefore be determined objectively as an average investment in time and out of pocket expenses for a citizen. Possible benefits experienced by citizens due to an information obligation are not counted for. As it is for AB businesses, it makes no difference whether the citizens use the information provided or the action carried out also for their own purposes (mixed costs). The decisive characteristic is whether the information obligation is laid down in legislation or regulations.

The approach to calculate of AB Citizen is broadly comparable with the calculation used for AB Business. However there are important differences. The main difference is that the AB Citizen is expressed in two dimensions: time (hours) and out of pocket expenses (euros). Whereas the AB for businesses is expressed in one dimension: costs valued monetary terms.

Time spend at complying with an information obligation can be travel time to and from a government organisation, time spent completing name and address details, time spent looking for and entering a social security number, time spent asking for proof of registration with a municipality or time spent applying for forms via the Internet. The expenses included in the AB citizen regard to money actually spend in order to comply with an information obligation.

## **The Next steps**

In the most recent report of the Cabinet Balkenende it was concluded that the methodology of the SCM produces indications about the AB on the basis of which reduction proposals can be prepared. (IPAL 2006b, p. 57) This formulation of the meaning of the application of the SCM is different from earlier conceptions, which referred to a measurement of administrative burdens. This difference is inspired by critique on the reduction of the administrative burdens that questions the magnitude of the effect of the reductions on the every day practice of businesses.

As a reaction on this critique in the coming government period it will be examined how some assumptions of the SCM might be brought more in line with practical experience. For this three challenges are identified. These are:

- A structural low level of the administrative burden for businesses
- Dealing with other costs of regulation
- Dealing with the administrative burden in the (semi) public institutions.

According to the government report, a further improvement of the methodology of the SCM need to have special attention to promote a structural low level of the administrative burdens for businesses. The improved methodology should provide more insight into ways leading to noticeable simplifications en to ensure that it will be easier to find noticeable reduction proposals (IPAL, 2006b; p 18/19)

“The SCM is a most useful instrument but, like all scientific models, it continues to be an approximation of reality in which the use of assumptions is inevitable.” (IPAL 2006b, p. 57) In relaxing the assumptions of the SCM the focus will be on the assumptions regarding mixed costs and regarding the difference between actual compliance versus complete compliance. Concerning this latter assumption the present starting point of 100% compliance will be maintained, unless there are solid reliable figures that indicate how compliance with the obligation is performed.

The problem of the mixed costs refers to the situation that businesses gather and process information while this information already is gathered or processed on account of its

relevance for the business operations itself. The present starting point in the SCM is that these mixed costs are regarded as 100% administrative burdens ensuing from laws and regulations. According to the last IPAL report from October 2006 the new measurement should provide proper insight into which administrative burdens are mixed costs. This is important, as reductions made in relation to obligations with a substantial amount of mixed costs are often not as noticeable to the entrepreneurs. [IPAL, 2006b]

In the October 2006 IPAL-report it is mentioned that it will be investigated what the opportunities are of extending the methodology by applying different 'labels'. The report is not very clear what is meant by labels, but it refers to an attachment of different weights to the measurement and valuation of the costs spend at an information obligation. The methodology of the SCM as it is now will be maintained, but it will be made possible to attach certain qualifications to the measurement. Different characteristics of the information obligation will lead to different weights.

For example labels could indicate the level of compliance or the degree of irritation caused by an information obligation. Especially this latter label could be a tool that might be considered valuable in looking for simplification proposals with the most impact on businesses. (IPAL, 2006b; p. 58)

## **Different ways to measure AB**

As has been noted in the most recent IPAL report (IPAI 2006b) qualifications of the cost estimates are being considered now by attaching labels to the measurement. This to account for the effect that mixed costs, the level of compliance and the level of irritation has on the subjective valuation of the administrative burdens by businesses. The present methodology of the SCM rests for a important part on the concept of the integrated costs concept. In this concept costs are being defined from a specific business economics perspective. Integrated costs are not only part of the measurement of the contribution of an activity to overall profit of an organisation, but they are especially useful to measure efficiency. However, a cost-benefit approach should take a more general and societal perspective. Contributions to overall welfare of a certain program or policy should be taken into consideration. (Mishan, 1988; Sugden & Williams, 1978). This means that a cost-benefit analysis of a project requires the identification of all the effects of the project on the individual welfare of all members of the community. There are various ways one might identify and measure changes in people's welfare. One of these ways is the generally accepted 'potential Pareto improvement' criterion. This criterion states that a change is a Pareto improvement when it makes at least one member of the community better of and makes no worse off. The criterion implies that welfare is maximised when no one can be made better of without making someone worse off. (Sudgen & Williams, 1978; p. 90) It can be shown that under the stringent conditions of a perfectly competitive economy the welfare will be maximized according to the Pareto criterion. This is because in a perfectly competitive economy the price paid for a good measures the marginal social costs of using an additional unit of the good; and the price at which the good can be sold measures the marginal social welfare of producing an additional unit. (Sudgen & Williams, 1978; p.96) And the competitive system makes marginal social costs equal to marginal social benefits with the consequence of welfare being maximized. This would also imply that there is no difference between a project appraisal from a business economics perspective and from a societal perspective.

However it is because perfect competition cannot be assumed to exist very often and prices cannot always be assumed to reflex marginal social costs or benefits, that cost-benefit analysis is different from a business economics point of view. In a situation were competition is not perfect the real cost to society of a resource consumed or freed up as part of a program under evaluation is the value of that resource in the next best use to society. This is the opportunity cost concept. In an analysis from the societal perspective, therefore, resources should be valued at an amount equal to their best alternative use. [Garber, 1996; p.36/37] Furthermore the costs to be included in a cost benefit analysis is the value of all goods, services and inputs

that may change because of the intervention being considered. These are defined as variable costs. Costs that are constant at a certain level of production and that are independent of the program under evaluation and of the time frame of the analysis do not make a difference and should be excluded. [Luce, 1996]

Consider a small to medium size firm that employs one bookkeeper who does all the paper work. A proposal to reduce administrative burdens will have an effect on the work load of the bookkeeper of 10 working days a year. But he or she works 200 days a year. (GDP in the Netherlands is about € 400 billion, the total expected reduction of administrative burdens of € 4 billion counts for 1% GDP) One can ask now the question what the value will be of the next best use of these 10 days that will be saved. The firm needs the bookkeeper to do the work of the remaining 95% of her workload. Perhaps she can perform some other tasks, but assuming that the firm is efficiently organized, this will be not easy. Furthermore it is questionable whether the labour market is flexible enough to allow an adaptation of the working hours of this bookkeeper. So in this case the opportunity costs of the proposal to reduce the administrative cost will not be much different from zero. To value the reduction of administrative costs for a total of 10 days against the labour costs of the bookkeeper, according to the methodology of the SCM, will not reflect the value of the reduction proposal for the firm and will consequently also not reflect the value to overall welfare.

This leads to the conclusion that the present methodology of the SCM may not stand up to requirements of a cost benefit analysis because the necessary societal perspective is missing. This societal perspective would lead to a different starting point in the valuation of the time and other resources spend at complying with the information obligation. The opportunity cost concept would be more feasible. This cost concept would also allow integrating the results of the SCM into the cost benefit analysis of the RIA.

It must be said that the methodology of the SCM in itself does not have to comply with welfare theoretical requirements. The SCM can be regarded as an activity on his own. But this will limit the scope of the SCM and it may well be that from a political point of view the limited scope is a useful alternative. In this view the SCM is a weighing exercise that allows for the aggregation of the estimated administrative costs. This limited methodology also makes it possible to set simple targets, to quantify and aggregate reduction proposals and to evaluate whether the targets have been met. The Dutch experience shows how important it is to have simple targets that can easily be evaluated in a complicated process in which different organisational units are involved. Especially when these unit have a certain amount of discretionary power to make their own policy judgements like Dutch ministers have. However this methodology does not lead to a measurement of the administrative burden in the sense that it does not measure the welfare consequences of the administrative burdens,

even not on the micro level of a business. This basically is the critique if the Dutch Court of Auditors and is also the background of the need to attach labels to the estimated administrative costs. To meet this criticism it is needed to think about the application of other valuation methods that automatically take the opportunity cost concept as a starting point. These would be methods that are based on the explicit subjective valuation of the resources spend at complying with the information obligation by the persons who spends the resources. These methods are the so-called states preference methods.

### **Stated preferences**

A market price is realized because people are prepared to pay or receive a certain price for a good and consequently execute the transaction. Their preferences for this good are expressed in the price. This is called 'revealed preference', because it becomes clear what the value of the preferences is. It is also possible to ask people how much they are willing to pay for a certain good, or how much they need to be paid to accept a certain good. This willingness to pay or to accept are the so-called stated preferences. There are two operational methods to elicit stated preferences and to value a good or service in monetary terms. These are the 'Contingent Valuation Method' en de 'Conjoint Analysis'. These methods have already been applied in assessment studies in health care [Bryan 1998, Ratcliffe 1999, Ryan 1997, 1999 en 2000 and Van den Berg 2005 and 2006]. The Contingent Valuation Method has also been applied to elicit societal values for safety [Beattie 1998, Carthy 1999]. A Fairly new development in this field is the application of stated preferences methods to produce monetarised values for happiness. [Van Praag, 2004] It is mentioned here because it resembles at the quality-of-life measurement in healthcare and the concept of Quality Adjusted Life Years. These latter concepts may well have a meaning for the assessment of regulation. [Ogus, 2005]

### **Contingent valuation method**

In a contingent valuation method (CVM) research is conducted by a questionnaire in which respondents are asked how much they are willing to pay for the use of a certain service or good. This stated preference is assumed to be contingent on alternative good and services. These alternatives are factors in the valuation method. The questionnaire consists of a part in which the good of the service is described with all the relevant attributes of the good or service also with respect to the alternatives, the payment method is described and the circumstances on the market on which the good or the crevice will be trades is described. By doing so a hypothetical market is created. Depending on the definition of the property rights of an information obligation the willingness to accept can also be subject to the CVM.

Important is that a CVM is sensitive for both the relevant process and outcome characteristics of the good

### **Conjoint analysis**

In a conjoint analysis (CA) individual preferences are being elicited by means of description of hypothetical situations or scenarios. CA is a method originating from marketing and has been widely used to determine consumer preferences for different dimensions of a particular good in relation to the price of that good.

A CA is not only useful for concrete goods or services but it is also able to deal with more immaterial goods and services like waiting lists in the health care sector, law enforcement, legal security and safety.

In a CA a monetary valuation is attached to the relative interest people have in a certain good. In the first phase of the analysis the most important and relevant dimensions and attributes of the good are identified. Then scenarios will be defined in which different combinations of these dimensions and attributes play a role in combination with different prices. The number of theoretical scenarios is  $A \times B \times C$  where A is the number of dimensions and attributes, B is the number of possible levels in the provision of the good and P are the possible prices for the good. Luckily, of the theoretical possible number of scenarios only a limited number of scenarios need actually to be used in the CA. There is software available with which the most relevant scenarios can be identified. The CA asks the respondents to choose between the different selected scenarios offered to the respondents in pairs. Mostly the respondent has to deal with no more than 6 to 8 different choices. A CA is more restrictive than a CVM in the dimensions and attributes that are being weighed. On the other hand a CA can investigate the connection between certain dimensions and attributes and the valuations by the respondents. As is a CVN, a CA is suitable to be carried out in a postal survey.

### **Stated preference for happiness**

Recently a new method has been developed and published. This is a monetary valuation of well-being or happiness. [Van Praag 2004a] This method has been applied in the case of chronically ill people, in the case of informal care [Ferrer-i-Carbonell 2002, Van den Berg 2004d] and in the case of the valuation of the intangible effects of airport noise. [Van Praag 2004b]

The method is based on the level of happiness or well being that is experienced by the respondent. She or he has to indicate this level of happiness on a 'visual analogue scale'. This is a kind of thermometer with a simple scale, ranging mostly from 0 to 10. After that the respondent is being asked how much income would need to rise to reach the same level of happiness after a certain amount of a good or service has been given up. The advantage here

is that by concentrating on the level of happiness all relevant aspects of a good, material and immaterial, are being weighed by the respondents. In comparison to the CVM and VA this method has been shown to be much easier for respondents. In postal surveys this had the consequence that response rates for this method were higher than for CVM and CA. [Van den Berg 2004d]

### **Future research**

The above described valuation methods are not new or unknown in the more theoretical considerations about regulatory impact assessment. The point is that empirical experiments are needed, in which the methodologies are tested, to contribute to the overall methodological development of the SCM and of RIA. The research of Bernard van den Berg shows that stated preference methods can be used to elicit monetary values for time spent by citizens at certain non-market activities. In this case it concerned informal care. This is care given by relatives, friends, neighbours and so on. It is not very strange to assume that taken up responsibility in an informal care situation and complying with an information obligation have relevant characteristics in common. For both kinds of activities the reward is not the payment that eventually will be received, but there are other non-pecuniary rewards. Therefore it can be expected that the stated preference methods can be applied in the field of valuing administrative burdens for citizens. It would be a great advantage for the methodology of the SCM if this research would result in the establishment of categories of information obligations, or information activities. This would imply that generally established tariffs could be applied in an analysis of the administrative burden in a specific case. Then the valuations exercised by the stated preference methods does not have to be repeated for every case.

It should also be investigated whether the stated preference methods are also suitable for information obligations of businesses. The way forward here is to start with experiments in small panels of representatives from businesses. The aim is to test the methodology and to test for instance the questionnaires. In this pilot phase the basic research question could be: Is it possible to elicit sensible answers to the questions of the questionnaire? After this pilot study, the scale of the tests can then be enlarged. Also here it would be a great advantage if it would be possible to establish categories of administrative activities needed to comply with an information obligation. These categories could be dependent on, for instance, the size of the firm and the quantity and quality of the work force involved.

It is not the place here to describe a research plan for applying the stated preference methods to the valuation of administrative burdens for citizens and businesses. The above-described notions are only preliminary thoughts to illustrate how this research could be performed. But

it is important for the development of an operational methodology that empirical research will be conducted in academic settings. Because such a setting is most suitable to investigate whether this line of research could be fruitful. There is of course a certain level of uncertainty attached to this research. This is the main reason why the research should be disentangled from direct and immediate policy implications.

The result of all this would be that tariffs could be established with which the time spend by citizens to comply to an information obligations could be expressed in monetary terms. Then administrative burdens for citizens can be aggregated, as it is done now in the SCM for businesses, with all the advantages of goal setting and evaluation.

For the measurement of AB for businesses the application of stated preference methods could result in a more meaningful valuation. Labels to be attached to the measurement according to the present SCM could be established. These labels could account for the influence of mixed costs, non compliance and the level of irritation on the subjective valuation of administrative burdens by businesses.

Another advantage is that the valuations of the administrative burdens according to the stated preference methodology can be included into the costs site of a RIA. The partial character of the analyses according to the present SCM will then be redressed. It is not to say that the present methodology of the SCM should be abandoned. That will not be very practical because it is also a matter of proportionality. The proposed research will lead to the possibility to amend the present methodology of the SCM by producing meaningful labels that can be attached to the estimates according to the SCM. This would bring the SCM in line with welfare theoretical considerations.

## **Conclusions**

The Dutch standard cost model to measure and reduce administrative burdens can be considered as a success story, especially since the political target will be met within the specified deadline. However, it must be observed that the implementation of the SCM was only one of the reasons for the success of the Dutch policy. Of utmost importance was also the political decision to set fairly simple reduction target of 25%. This target was laid down in the coalition agreement that formed the basis of the second Cabinet Balkenende. This made every minister responsible for his reduction policy. Another important feature of the Dutch system is the governance structure that was put in place to achieve the targets. The appointment of the Minister of Finance as the person in charge of the Cabinet policy and the creation of a central coordinating unit (IPAL) under the authority of the minister of Finance allowed for constant monitoring of the measurement process via the budget cycle.

It must be borne in mind that the measurement methodology of the SCM is conceived to make a reduction policy possible. Accordingly, the underlying assumption that the administrative burden can be measured on the basis of the integrated cost of the hours spent suited this purpose. This feature of the SCM makes it difficult to use the measurement outside the context of the reduction policy. Therefore the success of this policy must be regarded within the scope of the SCM. The Dutch Court of Audit implicitly criticised this starting point with his remark that businesses do not fully appreciate the reduction. The reason for this is that the rules that are being reduced are often less onerous in practice than the government presumes, and businesses perform certain administrative tasks also for other purposes, or would still have to provide the information concerned to other parties, apart from the regulatory obligation.

In a recent report of IPAL it was suggested that labels should be attached to the valuation of the administrative burdens according to the present SCM. This implies that the valuation of administrative burdens by the integrated cost concept will be amended. This amendment would need to rest on the opportunity cost concept to bring the SCM more in line with a societal perspective and consequently with the starting points of cost-benefit analysis. This can be achieved by applying stated preference methods to value the administrative burdens. The most important of these methods are the Contingent Valuation Method and the Conjoint Analysis. These methods are not new or unknown, even not in more theoretical considerations about regulatory impact assessment. But important is that experiments need to be conducted to investigate the feasibility of these stated preference methods. This should be done in an academic setting, away from the pressure of direct and immediate policy implications.

The result of all this would be that tariffs would be established with which the time spend by citizens and businesses to comply with information obligations can be expressed in monetary terms that express their subjective valuation of the reduction. Another advantage is that the valuations of the administrative burdens can be included into the costs side of a RIA. It is not to say that the present methodology of the SCM should be abandoned. But the proposed research will lead to the possibility to amend this methodology of the SCM by producing meaningful labels that can be attached to the estimates according to the SCM. This would bring the SCM in line with welfare theoretical considerations. In the end two ways are open: the SCM can stay an independent exercise in which administrative costs and reduction proposals are weighed so that they can be aggregated to facilitate goal setting and evaluation in the political process. But the SCM could also evolve into a meaningful measurement of administrative burdens in practice, which could be part of a cost-benefit analysis within a RIA.

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