

Dancing with the Octopus

Summary

Introduction

Being fascinated by a subject like administrative burdens seems to be a contradiction in terms. But it happened to me. It is not that the phenomenon of administrative burdens itself is so enticing, it is the force field to which it belongs. 'Administrative burdens' is the term used to express the way in which the government deals with us all, everyday. It is bad enough that the government interferes with us at all, but the way in which it does so often makes it even worse. It is partly for this reason that discussions centred on the theme of administrative burdens have such a strong political tint - especially internationally. This has not resulted in the clarification of ideas; on the contrary, all the parties involved have shown a tendency to pass the buck to each other. Entrepreneurs' organisations blame the government for being too bureaucratic while the government, in turn, accuses the entrepreneurs' organisations of exaggerating when they once again complain about the extent of administrative burdens. It is evident that such a climate does not contribute towards the removal of the source of irritation and the reduction of administrative burdens. To create a more solution-friendly climate I have chosen to use the term 'information transfer compliance costs' instead of 'administrative burdens.' I have also attempted to approach information transfer compliance costs primarily from the public administration angle of the functionality of the transfer of information obligations by placing these within the phases of the policy cycles. Unequivocally choosing for the management angle approach, to the detriment of the more commonly used perspective of business economics, causes the paradigm to change. As a result of this change the available energy can be applied more efficiently and effectively to finding an adequate solution for the phenomenon transfer of information compliance costs under the motto "if policy cannot do without transfer of information obligations being imposed on business by the government then let this be set up as efficiently as possible".

In this thesis I have attempted to answer the following questions.

1. What are transfer of information compliance costs and why are they a problem?
2. How long have transfer of information compliance costs been considered to be a problem?
3. What is the social origin of transfer of information compliance costs?
4. What is the functionality of transfer of information obligations imposed on businesses by the government?
5. How can transfer of information compliance costs be measured?
6. What role can an instrument to measure administrative burdens play in governmental policy?

This thesis comprises an introductory chapter and four parts:

- Part 1: chapters 2-4 in which various themes introduce the reader to the world of administrative burdens. Part 1 deals with the question "what";
- Part 2: chapters 5-8 with strong emphasis on the relationship between transfer of information obligations and the various phases of the policy cycles in a social constitutional state. The question as to the functionality of transfer of information obligations is considered in these chapters. The implications for administration are dealt with in Part 2;
- Part 3: chapters 9-12 in which all the various problems linked to measuring administrative costs are examined. Part 3 deals with the question "how";

- Part 4: chapter 13 contains a retrospective view, alternative ways of applying the measuring instrument, white spots and recommendations for further research.

Part 1: the question “what” and the theoretical transfer of information obligation model

The fact that businesses are active within a social constitutional state with its many public goals explains to a considerable extent why compliance with so many regulations is required. In [chapter 2](#) it is stated that: The social constitutional state with its social fundamental rights and the public goals linked to these rights, assumes a steering and achieving government which, to an increasing extent takes action by controlling, financing or imposing burdens on the social process - and therefore also on businesses. The legislation and regulation of the social constitutional state, defined mainly in Administrative Law, has a strongly instrumental character. The normative content of such legislation is usually low. One of the consequences of this is that the social constitutional state lacks powers of enforcement. Businesses in a social constitutional state should behave in a certain way or abstain from certain types of behaviour to allow the government to safeguard public goals. These obligations ‘content obligations’, apply to the behaviour of and the situation in businesses. I have called the costs incurred by businesses to comply with these obligations ‘content compliance costs’. In order to allow the government to implement, supervise and enforce such regulations businesses have to inform the government about their behaviour, for instance the amount of VAT received and to be paid, and the circumstances within their businesses, working conditions for example. Information obligations imposed on businesses are then an integrating component of the social constitutional state. The government will not succeed in achieving its public goals without information from businesses.

The costs involved in meeting such provision of information obligations are administrative burdens or information transfer compliance costs and are indeed considered by businesses to be a burden. Unnecessary transfer of information compliance costs act as a brake on economic growth and employment. It has also been found that transfer of information compliance costs impose an unproportionally heavy load on smaller businesses. These are mainly fixed costs incurred by almost every business, whatever its size. In addition little incentive is shown by the government to prevent or reduce the amount involved. Unlike the implementation costs of institutions like for instance the tax authorities etc., the transfer of information compliance costs incurred by businesses are not part of the government budget. Transfer of information compliance costs are therefore, as far as the government is concerned, “off-budget costs”. Partly as a consequence of the introduction of the MDW-programme (Market mechanisms, De-regulation and Quality of legislation) in 1994, government awareness of the adverse effects of unnecessary transfer of information compliance costs has increased considerably. Various business impact assessments have been developed which make it possible, during the law-making process, to pay explicit attention to the problem of unnecessary transfer of information compliance costs. The recent installation of Actal (Advisory College for Assessing Administrative Burdens) has also contributed towards increasing the awareness of policy makers of unnecessary transfer of information compliance costs. In addition government departments are now obliged to draw up an annual action plan to reduce those transfer of information compliance costs, which are their responsibility according to legislation and regulations. Good, detailed and up-to-date information about transfer of information compliance costs is therefore vital.

The phenomenon of transfer of information compliance costs has been with us for many years ([chapter 3](#)). Adam Smith wrote about it as early as 1776. The extent of transfer of information compliance costs was first quantified around 1936. It is surprising that it took politicians so long to recognise the existence of this phenomenon - until the 1980s -

approx 60 years after the first time transfer of information compliance costs were quantified. Since then there has been an apparent increase in the speed of recognition taking the form of policy with direct actions as its goal and the monitoring of the development of transfer of information compliance costs. This acceleration is probably connected to the ever-increasing density of regulation in the social constitutional state. Social legislation intended to protect the consumer, employee and environment has been extended significantly in recent times. In the liberal democratic state transfer of information regulations with an economic and more general nature were dominant, especially in the field of taxation. Another possible explanation for increasing political interest is provided by the increased possibilities, offered by information-technology, to reduce transfer of information compliance costs.

In [chapter 4](#) a theoretical model is developed to position the transfer of information obligations applying to businesses in the social constitutional state. This model has five sectors (actors), which maintain information relationships with each other. These five sectors are the citizens, the parliament, the government, the implementing institutions and businesses. The core principle of this model is that these relationships are maintained through two separate processes. One process, the modifying flow of information aiming to influence behaviour, in which the individual preferences of citizens are converted to social values, standards, rules of behaviour and the obligation to comply with these rules. A second process, the reporting flow of information aiming to achieve reporting responsibility and supervision, in which citizens and businesses in their position as subjects are obliged to provide information about their behaviour or the situation concerning the previously mentioned values, standards and rules of behaviour. These processes run in opposite directions to each other, but both begin by the citizens i.e. businesses. The actors are in contact with each other via 'instruments' as they are called in the transfer of information model. The model uses four instruments: election, legislation, steering and design. The instrument election determines the relationship between the citizens and parliament. Parliament and government interact via the instrument legislation. The steering instrument provides the contact between the government and the implementing institutions. Finally, the design instrument (for both content and transfer of information obligations) determines the relationship between institutions and businesses. Each of these instruments has its own specific impact on the transfer of information obligations applying to businesses and therefore on the extent of transfer of information compliance costs. The transfer of information model assumes that each of the instruments will have effects on the determinants of compliance costs. This also implies an increasingly direct effect. The effect of the instrument election/business lobby is most indirect and that of the instrument implementation most direct

What is the relationship between the four instruments and the obligation of businesses to transfer information? Elections are the outcome of the collectivisation process, which originated in feudal times. The increasing interdependencies between rich and poor, with their threat to the rich (external effects), formed the core of the collectivisation process. That required collective action. Such collective actions were designed as obligatory, national collective service arrangements to avoid free riders. Elections are, certainly in principle, to a large extent indicative of society's choices regarding values and standards and therefore also for the extent and nature of the content obligations to regulate behaviour and also for the extent and nature of transfer of information obligations applying to citizens and businesses. Through parliamentary decision making and policy processes in government these values and standards are set down in legislation - the second instrument. Transfers of information obligations are part of administrative law. In its relationship with the implementing institutions responsible for the execution of content and information transfer regulations, the government can choose from three types of steering models: the legal, the eco-

conomic and the communicative models. The legal model is compelling and has sanctions. The economic model is, in principle, not compelling and uses financial incentives, levies and subsidies. The communicative steering model is based on trust and information transfer. Transfers of information obligations imposed on businesses are steered by the economic and legal steering models. Finally, the implementing institutions in turn also maintain a relationship with businesses. This relationship can be designed in various ways, instrument number four. This instrument can involve the obligation to 'bring' and the right to 'fetch' but also various aspects of information logistics.

Part II the functionality of transfer of information obligations

The essential characteristics of transfer of information obligations are described in [chapter 5](#) to distinguish them from content obligations. First, transfers of information obligations have a dual character: from the government to businesses and vice versa. Second, a transfer of information obligation is always based on a content obligation. And third, the information content is specifically stated in the legal obligation. As fourth, transfers of information obligations have multiple functions: monitoring and enforcement as well as supplying input for the institutes' work processes. A fifth item is that there is no monetary reimbursement from the government for businesses for transferring information. Finally, providing information is not within the framework of criminal proceedings.

A typology of transfer of information obligations has been developed based on various criteria. First, based on the party which has the initiative (obligation to bring or right to fetch) and the party concerned in the information (the business itself or third parties). Then, to draw attention to the various positions, conditioning, cyclic or incident-linked transfer of information obligation within the policy chain. Finally, a reference is made to the diversity of the sources of transfer of information obligations using the hierarchy of issued regulations. Such distinctions are particularly important when tracing the determinants of transfer of information compliance costs with a view to looking for solutions that will make it possible to reduce unnecessary transfer of information compliance costs.

What is the functionality of transfer of information obligations imposed on businesses in the social constitutional state? To provide an initial insight into the involvement of businesses the transfer of information obligations are placed within the policy chain of the social constitutional state: awareness, policy preparation, regulation, implementation and enforcement. The policy chain comprises two clusters; the initiating cluster and the implementing cluster. The implementing cluster consists of the policy phases awareness, policy development and regulation; the implementing cluster consists of the policy phases implementation and enforcement. By using examples i.e. starting policy cycles in the fields of working conditions and environment from the policy fields it is possible to illustrate in which phases of the policy chain that transfer of information obligations imposed on businesses play a role and what that role is.

The core of the chain theory is the fact that the reason why public goals are not achieved may be found in the policy itself. Once public goals have been formulated, after the awareness and policy preparation phases, the regulation phase begins. Through regulation, mainly via administrative law, the government regulates the behaviour of businesses to suit the needs of society. Safeguarding public goals, which require a contribution from businesses, takes place during the implementation phase. This safeguarding is based on the disciplining of the businesses involved with the help of regulation (laws and contracts). Characteristic of public goals is the fact that the government will always have to monitor compliance with the regulations linked to these goals. Therefore the government of a social constitutional state has to enforce. Without an enforcing government there can be no

public goals. Feedback, in the form of policy evaluation is often the end and the beginning of the policy cycle. Here again transfer of information obligations play a vital role because information from businesses provides important in-put. One essential condition for an optimally functioning policy chain is good tuning with the authorities involved. Unity of management - which is quite often lacking - is one of the exponents of well-organised policy chains.

Public goals are often formulated once there is awareness of a problem. The policy phases awareness and regulation are described in [chapter 6](#). Data obtained from businesses through transfer of information obligations can play a role in determining public goals. In the awareness/policy development phase it can be ascertained that a certain problem reflects a social interest because the realisation of this goal is considered desirable by society as a whole. If a social goal cannot be achieved, or fully achieved, without government intervention and the government accepts the responsibility then it is a question of public interest i.e. a public goal. Generally speaking, the government will accept responsibility for a social interest only if it feels capable of achieving that goal satisfactorily. In a social constitutional state public goals are determined democratically. Whether or not a social interest becomes a public goal is always the result of political decision-making. There are no objective criteria for this. Here lies the core of the collectivisation process.

The social constitutional state has two large regulatory complexes: private law and public law. Private law is the oldest and originated from centuries of jurisdiction. Private law applies mainly to the relations between citizens and businesses and consists of a codification of generally accepted existing and socially accepted behaviour. The freedom to make contracts is one of the most important social rules. Public law is specific regulation for certain cases and sectors, and through which exceptions to the general rules - including the right to make contracts - are defined. This legislation, also called imperative law, states clear 'do's and don'ts'. Imperative law is intended to protect public interests, such as protecting those with a relatively weak position in society (employees, consumers, tenants etc.) Public law regulates the relationship between government and subjects i.e. businesses. Public law aims to change behaviour and is modifying regulation. This is the reason why members of society have so much trouble accepting public law. In general private law does not become involved with public goals - these are the domains of public law. Numerous obligations are imposed on businesses by public law, via administrative law and tax law, with the aim of achieving public goals. Tax law may be seen as a special form of administrative law. Two legislative complexes can be distinguished in administrative law. The first legislative complex deals with obligations related to the transfer of income and capital. The second legislative complex sets the preconditions for social and economic life. Both complexes impose many transfers of information obligations on businesses. The transfer of information obligations within the transfer of income and capital legislative complex are related to subsidies, employee and national insurances and direct and indirect taxation. Transfer of information obligations belonging to the preconditions for social and economic life are related to economic competition, the Trade Register, Chamber of Commerce, environmental laws, labour laws, consumer protection and obligatory information for statistical purposes.

The social constitutional state has two spheres the private and the public sphere [chapter 7](#). The private sphere is the oldest. The public sphere is the outcome of the collectivisation process that was started by increasing confrontation with external threats which individuals in the private sphere were not able to deal with. Therefore, collective decision-making was, and still is, necessary to achieve common objectives. There are two fields of tension between the private sphere and the public sphere. First and foremost a safeguarding and achieving government in a social constitutional state is required to steer undesirable behav-

behaviour in the private sphere (businesses) in the socially desired direction. The second field of tension originates from the choice of steering instruments and the accompanying legal means. The problem here is that the private sphere (businesses) and the public sphere (the government) are two separate semi-autonomous social systems, each with its own characteristics. This will have to be taken into account in the steering process and when choosing the legal means to be used and also when imposing transfer of information obligations on businesses. Businesses are semi-autonomous social systems which operate within two value systems: that of the private domain of the business with continuity and profit as dominant values and that of the public domain with its many public goals. Therefore it is not unusual to exert public pressure on the private sector to achieve public goals. If it is to achieve public goals the government will have to gear its steering method to suit the system of values of the people working in the business. The personal characteristics of the entrepreneur will also have to be taken into account. An interesting development is the trend towards a more socially conscious way of doing business. As a consequence of the explosive increase in administrative regulations in the social constitutional state an administrative spiral is now evident. This consists of two mutually strengthening processes: the decreasing effectiveness of legislation and, as a consequence, policy accumulation. The internalization of policy goals and the behaviour required to achieve this could break the administrative spiral. Encouraging the internalization of the desired behaviour of businesses in relation to public goals is, however, no easy matter. Self-regulation can play an important role. The administrative spiral has led to a more horizontal relationship between government and businesses. Interactive steering - the 'arena' model - is characteristic of this horizontal relationship with self-regulation by businesses and the stimulation of norm-conform behaviour. As the government must safeguard public goals self-regulation will always take place 'in the shadow of the (criminal) law.' The government always remains responsible for the public goals with which it is entrusted and will always wish to be, and must be, kept informed about compliance with the content obligations involved. Therefore, when self-regulation occurs the imposition of one or other direct or indirect form of transfer of information obligation will be inevitable. The self-regulation of businesses can take various forms: business codes, covenants, internal business environmental systems, certification and collective labour agreements. The government can apply various legal means to achieve public goals through businesses. Each steering model has its own legal means with the accompanying transfer of information obligations, which depend on the choice of relationship between the government and businesses, vertical or horizontal. The types of transfer of information obligations can vary according to the legal means chosen.

Legal enforcement, [chapter 8](#), covers several phases of the policy chain: implementation, enforcement itself and the organisation of the chain. Implementation includes the method of steering the regulation and the choice of legal means. Enforcement itself consists of inspection, supervision, monitoring and sanctions. Allowing inspections, supervision and monitoring are important exponents of transfer of information obligations for businesses. Sanctions comprise corrective and punitive sanctions. Only corrective sanctions apply to information transfer obligations. Compliance with legislation and regulation is determined by the social situations and the extent of enforcement. Social situations are mainly familiarity with regulations, weighing up the consequences of non-compliance, the extent of acceptance by the target group, how law-abiding the target group is and social control. Legal enforcement is the risk of being found out, the result of checks, detection and sanctions. In the policy fields of environment, safety and working conditions there is a substantial lack of enforcement. This shortage can be due to various causes: many regulations lack sufficient legal grounds, too much emphasis is placed on the instrumental character of the law, too frequently playing on the calculating behaviour of the subjects which are under law and finally the merging of the private and public spheres as a consequence of horizontalisation.

The lack of sufficient legal grounds in particular, and the strong emphasis on the instrumental character of the law lead to a relatively large volume of paperwork flowing from the government to businesses and therefore increasing the burdens of transferring information obligations on businesses. Supervision and checks are not possible without information. This does not imply that in all cases where checks are made that the party being checked has an obligation to transfer information. Characteristic of administrative law is the compulsory transfer of information by businesses to the government or institutions operating on behalf of the government with a view to monitoring and enforcing compliance with regulations to meet public goals. For clarification, a distinction is made between legal enforcement where structural use is made of information obtained from businesses through transfer of information regulations, called regular enforcement, in this study and legal enforcement in which, on grounds of principle, no such obligation applies. Regular enforcement of regulations as set down in the Special Volumes of administrative law is always accompanied by transfers of information obligations imposed on businesses. The transfer of information by businesses, linked to the imposition of corrective sanctions and aiming to restore the desired conditions, is considered to be compliance with transfer of information obligations and the accompanying costs are transfer of information compliance costs. Such costs also include the cost of actions taken by businesses when filing an objection or appeal procedure in accordance with the General Administration Act (Awb). Transfer of information obligations, in the sense that the term is used here, no longer include those actions to be taken by a business should punitive sanctions be imposed (administrative penalty). In the second case, where the transfer of information obligation does not apply on grounds of principle, the legal enforcement is part of the enforcement instrument detection of offences and crimes as defined in criminal law. When that implementation/supervision ends and becomes the detection of breaches of standard there are, on the grounds of the nemo-tenetur principle (the right to remain silent and not to contribute to incriminating himself), no longer any transfer of information regulations in the sense of this study. The border between the two situations described is marked by the term 'criminal charge'.

Part III: the question "how": concepts, measuring and application

There is still a great deal of ambiguity about measuring the content of the concept transfer of information compliance costs. This dissertation, therefore, devotes considerable attention to this subject. Not only the transfer of information obligations originating from the central government resort under the definition of transfer of information compliance costs, so do the obligations imposed by lower authorities. All sorts of transfer of information obligations, which have been derived from more strict, purely legislative obligations can be found in both the economic and legal steering models. The government can, therefore, choose various forms for its legal relationship with businesses, varying from the one-sided determination of the legal position (for example imposing taxes) to co-operation on a certain basis of equality with semi-legal instruments, covenants for instance. Imposing transfer of information obligations from a power situation is also described as a vertical relationship; the co-operation form is a horizontal relationship, the "grey" regulations. To an increasing extent the government now avoids vertical relationships. Therefore the costs incurred by businesses for complying with transfer of information costs based on grey regulations are considered to be transfer of information compliance costs too. The idea behind this is that the shape in which the transfer of information is cast may not affect the definition of transfer of information compliance costs. It is not the mould in which the transfers of information obligations are cast, stimulating or repressive, that is the determining factor but the public goals they are intended to achieve. When speaking of transfer of information obligations and their compliance costs this applies only to national law imposed on

businesses operating in a specific country. In the case of this thesis, the Dutch law is concerned. The social debate about the definition of the term transfer of information compliance costs focussed on the conception of the marginalists 'pur sang' (only unavoidable costs extra costs are information transfer compliance costs) and the marginalists of the 'lawyers concept' (only reasonable extra costs, which would not apply if there were no legal obligation, are transfer of information compliance costs.) The marginalists' view of the 'lawyers concept' has now been accepted and is used in international literature. However, empirical studies - including international studies - have shown that entrepreneurs are unable to state what are the extra costs involved in complying with transfer of information obligations that would disappear should the legal obligations no longer exist. For practical reasons, and also because the administrative approach prevails in this dissertation, a more non-normative definition of transfer of information compliance costs has been chosen which abstracts from the businesses' assessment of the usefulness of the transfer of information obligation involved.

As a consequence of this choice transfer of information compliance costs are the integral extra costs incurred by the entrepreneur to comply with his legal transfer of information obligations to the government, over and above the cost of complying with the general bookkeeping obligation. The question of whether an enterprise would continue to collect this same information without the legal obligation - how useful does the entrepreneur consider this to be - is no longer relevant. The term transfer of information compliance costs comprises several components. For those businesses that do the administrative work required to comply with the transfer of information obligation themselves these costs are wages of employees, the valued wages of entrepreneurs, cost of computers and software and a supplement for overheads. For those businesses that sub-contract compliance with the transfer of information obligations - to an accountant for example- the compliance costs are the amount charged by the sub-contractor. It is important to divide transfer of information compliance costs into once only costs (keeping up-to-date with new or revised laws), temporary costs (will disappear after the learning process) and structural costs (re-occurring annually). The psychological costs, sometimes called irritation costs, are not included in the definition of transfer of information compliance costs. As a consequence, I have chosen the following definition of transfer of information compliance costs in this dissertation:

Transfer of information compliance costs are the integral costs of activities - frequently administrative - required to be performed by the business to comply with specific obligations to transfer information to the government and which are over and above to the costs incurred for meeting the general book-keeping requirements.

When measuring the extent of transfer of information compliance costs, [chapter 10](#), it was decided to allow the public administration perspective to prevail over the business-economics approach, contrary to the general accepted international approach. How is it possible to measure transfer of information compliance costs in such a way that, based on the results, avoidable costs in the legislative process can be reduced or prevented? Choosing for the public administration perspective made it implicitly clear that the responsibility for, and the possibility to influence the extent of transfer of information compliance costs are primarily in the hands of the government. In this context, therefore, it is important to split the transfer of information compliance costs determinants into exogenous and endogenous determinants. The exogenous determinants cannot be directly influenced by the business but the government, the legislator, influences them. On the other hand businesses can directly influence the endogenous costs. I have considered the administrative infrastructure, the way in which information is transferred from businesses to the government

to be an exogenous determinant because the individual enterprise can exert relatively little influence. The administrative infrastructure consists of the extent to which the entrepreneurs sub-contract their information transfer obligations, the extent of automation and how the information is presented (paper, floppy, internet). It is the complexity of the regulations that makes the entrepreneur decide (to some extent compels) which type of administrative infrastructure to choose. In addition to the administrative infrastructure some other exogenous determinants of the transfer of information compliance costs are mentioned: the number of public goals, the choice of steering model, the number of transfer of information regulations, the complexity of transfer of information regulations, the quality of the gearing between administrative bodies, the choice of derived or independent transfer of information regulations, sector and scale size and finally the frequency with which transfer of information obligations change. As the government is primarily responsible for the extent of transfer of information compliance costs, knowledge of the effect of exogenous determinants on the transfer of information compliance costs is important from the public administration point of view. This is the reason that, when measuring the extent of transfer of information compliance costs, it was chosen to neutralise the influence of the endogenous determinants at the level of transfer of information compliance costs. Therefore, measuring the extent of transfer of information compliance costs is based on the assumption that businesses, as a result of market mechanisms and competition comply reasonably efficiently with transfer of information obligations. There are more ways, so-called regulatory impact assessments, to measure the (un) intended effects of laws and regulations. According to the goal, these regulatory impacts assessments vary from extensive social cost-benefit analyses, including the assessment of the public goals involved, to fairly simple cost estimates, which primarily aim to ascertain the direct effect for the business. The choice was made to measure transfer of information compliance costs for businesses, irrespective of the benefits (public goals) it is hoped to achieve through such transfer of information obligations. The existing methods to measure transfer of information compliance costs were developed mainly from the business economics view, with considerable emphasis on the endogenous determinants of transfer of information compliance costs. Therefore it was decided at the end of 1991 to develop an own public administratively oriented instrument to measure the extent and composition of transfer of information compliance costs. Three elements taken from existing models - the case study, the face-to-face interview performed by expert, qualified researchers and the simulation model- were the most important ingredients when developing the model.

The model to measure administrative burdens was developed in the period from January 1992 to December 1994 in four separate phases; [chapter 11](#). During phase 1 study of the feasibility of the model was the main focus of interest. The terms 'administrative burdens', 'administrative activities' and 'message' were made operational in phase 2. In this phase work was also carried out to develop the administrative activities classification system and the model equations. Also in this phase, the model was subjected to an initial empirical test within the levy on wages regulation (PAYE). In phase 3 interest centred on feeling-out the policy needs of potential users of the model and those who would use the results produced by the model. Taking the users' needs as basis, various measuring methods were judged according to their merits using feasibility criteria (time and money), effectiveness and efficiency. The measuring methods that scored highest according to these criteria were then tested in laboratory conditions. Forty salary administrators were invited to perform twenty cases all connected with the social-fiscal (SOFI) domain. Finally, in phase 4 the ideas and concepts were worked out in more detail. It is important to mention that the first major application of the model outside the SOFI domain took place in this phase; it was applied in the field of the Annual Accounts Act. In 1994 a complete set of instruments was available to measure the administrative burdens imposed on businesses. The principle on which the

measuring instrument is based is that transfers of information compliance costs are a function of the cost of communication between businesses and the government. For the purposes of the measuring instrument this communication has been modelled at the level of the separate legislative domains, the legal obligation, the message and the underlying administrative activities. The set of instruments, which became available consisted, and still consists, of two separate instruments, a top-down approach and a bottom-up approach. Top-down means that the measurement starts at the level of the total administrative business process and that afterwards a closer look is taken at the administrative processes of legislative domains and messages. The bottom-up method, on the contrary, starts measuring at the level of administrative activities. Here use is made of the administrative activities classification system developed previously. Which of the two is the best choice depends on various criteria including the ratio cost/anticipated yield in terms of possible reductions in transfer of information compliance costs (the efficiency criterion) and the time needed to carry out the research (do the results have to be available quickly or not). The top-down approach, both as a mail survey and as a quick-scan application of the instrument to measure administrative burdens, is very useful for problem signalling purposes. This involves the following types of question: what is the extent of transfer of information compliance costs: which legislative domains are responsible for most of the transfer of information compliance costs and which sectors and sizes of businesses are hit the hardest? As soon as policy for finding solutions needs to be developed then a sound knowledge of the determinants of transfer of information compliance costs is required and the use of the complete bottom-up application of the measuring instrument is needed. The instrument to measure burdens is, via a number of phases, now part of cabinet policy in the Netherlands. These phases are highlighted in [chapter 12](#). First it was necessary to place this subject on the public agenda. In order to achieve that - even before the first 'Purple' Cabinet (1994-1998) came into office - a mail survey was carried out as to the total extent of the administrative burdens imposed on Dutch businesses. The amount involved in administrative burdens, estimated to be almost 6,000 million Euro in 1993, was such that one of the objectives included in the first 'Purple' Coalition Agreement was to reduce administrative burdens by 10% in a period of four years. The appointment of the van Lunteren Commission in 1994 provided a strong initial stimulus for the policy proposals to reduce administrative burdens, particularly in the field of taxation. The van Lunteren Commission issued instruction to develop a Standard Costs Model of Fiscal Obligations. This involved a specific module of the instrument to measure administrative burdens. With the intention of encouraging the widening of the application of this instrument to include other policy fields and create a culture-change in other departments, the second 'Purple' Cabinet (1998-2002) installed a Commission for Administrative Burdens (the Slechte Commission) at the end of 1998. In the meantime, in the second 'Purple' Coalition Agreement, the amount by which administrative burden were to be reduced by 2002 had been raised to -25%. Based on recommendations from the Slechte Commission, the cabinet decided at the beginning of the year 2000 to make it obligatory for all departments to introduce integral measurements of the administrative burdens imposed on businesses. These measurements were to be performed in conformance with the methods of the instrument for measuring administrative burdens that had been developed. Two types of policy are involved in transfer of information compliance costs - generic and specific policy. The generic policy aims to achieve the macro objectives concerning the reduction of transfer of information compliance costs, for example the -25% objective of the 'Purple' Cabinets I and II. The specific policy, on the contrary, is applied at the micro level of individual laws and regulations. In such cases it involves both proposed changes and existing regulations and also new legislation and regulation projects. Each proposal to change existing legislation or each new bill must ensure, viewed from the administrative angle, that no extra avoidable costs should be involved. The instrument to measure administrative burdens can be used to benefit generic policy at macro

level as a more or less independent policy instrument, but at micro level the measuring instrument will fulfil the function of getting things on the agenda and therefore will be part of the legislation process. As far as the generic policy is concerned each policy phase has its own specific possible application of the instrument to measure administrative burdens. These vary from the quick-scan (top-down) in the awareness/policy preparation phase to zero measurements (bottom-up) in the policy phases regulation/implementation and monitoring (top-down) during enforcement and policy evaluation. In the 'Purple' I and II periods the administrative burdens measuring instrument was used several times covering a wide range of legislation and in all phases of the policy cycle.

Part IV in retrospect, alternative applications and white spots.

Based on the information given in this summary it may be stated that transfer of information obligations are multi-functional ([chapter 13](#)). Compliance with transfer of information obligations by businesses leads, through conditioning messages, primarily to the legal relationship between the individual business and the relevant implementing institution. As soon as the cyclic and incident-linked information transfer comes into operation transfer of information obligation imposed on businesses supply input for:

- the autonomous work processes of those institutions responsible for monitoring and enforcing compliance with regulations applying to the transfer of income and capital, and also the actual transfer of income and capital;
- steering the work processes of those institutions responsible for the supervision of compliance with regulations applying to social pre-conditions within the boundaries of which businesses must operate;
- steering the policy processes (steering = policy implementation) of departments and parliament in the form of feed-back about the extent of the realisation of public goals;
- finally, the businesses themselves, that can benefit from certain information e.g. the Annual Accounts Act, Trade Register Act etc.

Through transfer of information obligations the government obtains a better insight in those parts of businesses that must comply with the content obligations. By capitalising on the information obtained recent and dynamic data can be built up about the businesses under law. All phases of the policy cycle contain transfer of information obligations for businesses. In the phases awareness/problem definition and policy development data provision within the conditions of statistic obligations is compulsory. Not all businesses are necessarily involved in this. However, the statistics regulation almost always applies to larger businesses, spot checks are carried out in smaller businesses - more or less 'in turn'. In each subsequent phase of the policy chain - regulation, implementation and enforcement - transfer of information obligations originating from legislation and regulation are emphatically applicable for each individual business. In the regulation policy phase transfer of information obligations for an individual business have the function mainly to ensure that the business is familiar with the obligations. Then, in the implementation policy phase, when businesses comply with the transfer of information obligations, the legal relationship between the individual enterprise and the implementing institution is established. In this policy phase transfer of information obligations have the specific function of providing input for the work processes of the supervising authority. Transfer of information obligations, and therefore compliance with these by businesses, are an essential link in the policy chain. If businesses do not comply the government will be unable to generate sufficient financial means - via the legislative complex of transfer of income and capital - nor will the government be able to act adequately in the field of the regulation of behaviour through the legislative complex that sets pre-conditions for social and economic life. The ability to achieve public goals will then be dubious.

The measuring instrument has a much wider range of application than only the transfer of information compliance costs of private businesses. Transfer of information obligations applying to the public sector (education) and strictly regulated sectors such as health care can also be determined by using this instrument. A subsequent area in which it can be applied is that of the administrative costs incurred by the implementing institutions and independent administrative bodies. Considerable experience has been gained in this field. The answers to problems about defraying the costs, which such institutions incur, can be better founded if the measuring instrument is used. Finally, policy makers are now paying increased attention to transfer of information compliance costs imposed on the private citizen. This new policy field requires more knowledge of the exogenous determinants and this knowledge would become available if the developed measuring instrument was to be used. This triptych would present a picture of the total operational costs of the transfer of information obligation system in the social constitutional state.

