

# **PILOT PROJECT**

**FOR**

**MEASURING ADMINISTRATIVE COSTS  
IMPOSED BY GD 1425/2006  
BY APPLYING  
THE STANDARD COST MODEL**

**FINAL REPORT  
(BRIEF)**

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## ABBREVIATIONS

<b>AA</b>	=	Administrative activity
<b>CAEN</b>	=	Classification of Activities in the National Economy
<b>DR</b>	=	Data requirement
<b>EC</b>	=	European Commission
<b>EU</b>	=	European Union
<b>GD 1425/2006</b>	=	Government Decision no. 1425/2006
<b>GDG-PPD</b>	=	General Secretariat of the Government – Public Policies Department
<b>IO</b>	=	Information obligation
<b>SCM</b>	=	Standard Cost Model
<b>TLI Calarasi</b>	=	Territorial Labour Inspectorate of Calarasi County
<b>WHS</b>	=	Workplace Health and Safety

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## A. EXECUTIVE SUMMARY

The present report features the results and conclusions of the pilot measurement of administrative costs incurred by the implementation of Government Decision no. 1425/2006 (GD 1425/2006) to approve the methodological norms of applying Workplace Health and Safety (WHS) Law no. 319.2006. The pilot project is a test application of the standard measurement methodology (Standard Cost Model), which is the base methodology for identifying and quantifying administrative costs. This measurement tool was developed by the SCM Network and has been adapted by the European Commission in view of its application across the European Union.

The Romanian Government has taken the first steps towards reducing administrative costs generated by legislation, and will proceed to setting a national percentage for reducing administrative burdens by the end of 2008. The results of the pilot measurement will facilitate the process of determining this percentage, and the elaboration of a strategy to reduce administrative burdens at a national level. The report exclusively presents the results of the measurement of administrative costs associated with the implementation of GD 1425/2006; reduction options and strategies will be the focus of a later project developed by the Romanian Government.

The *objectives of the pilot project* are:

- Applying the methodology of measuring administrative costs in the Romanian business environment (testing and evaluation)
- Identifying and quantifying administrative costs associated with the implementation of GD 1425/2006 in the Romanian business environment
- Defining recommendations for
  - Further measurements of administrative costs
  - Projects of reducing administrative burdens

The project team defined 8 information obligations and 40 administrative activities, which formed the basis for measuring administrative burdens. GD 1425/2006 was classified as a Category B – EU Directive legislation, and the 8 information obligations were assessed as being 100% EU origin. The process of defining the information obligations and the administrative activities, as well as their classification by origin was based on the Standard Cost Model (SCM), the EU Common Methodology for evaluating administrative costs imposed by legislation and on the Directive transposed in national legislation by GD 1425/2006 (council Directive no. 89/391/CEE).

The quantitative and qualitative results were obtained on the basis of 50 interviews with businesses from Bucharest and the counties Calarasi, Prahova, Iasi and Timis. The segments included in the pilot research were defined based on 2 criteria: activity sector (determining the potential risk of workplace accidents) and size (number of employees):

NO. OF EMPLOYEES	ACTIVITY SECTOR			
		GROUP I	GROUP II	GROUP III
	0-9	Segment 1.1	Segment 2.1	Segment 3.1
	10-49	Segment 1.2	Segment 2.2	Segment 3.2
over 50	Segment 1.3	Segment 2.3	Segment 3.3	

ACTIVITY GROUPS		
GROUP I	GROUP II	GROUP III
Services	Agriculture	Metalurgy
Textile industry	Food industry	Constructions
Trade	Land transport	Mechanical processing

Measurement results showed that the total annual administrative burdens (on a national level, for the activity sectors included in the research) imposed by GD 1425/2006 are estimated at **2,604,231,146 RON** (approx. **744,066,041 EUR**<sup>1</sup>). The average annual administrative burdens per firm included in the assessed population (regardless of activity sector or size) are estimated at **6,307.172 RON** (approx. **1,802.05 EUR**).

The largest proportion out of total administrative costs is held by the information obligation (IO) "Drafting own instructions to complete and/or apply WHS provisions" (28.64%). The following 2 obligations in order of proportion held in total administrative costs are "Identifying the dangers and evaluating the risks in the workplace, for each component of the work system" (26.17%) and "Instructing employees on WHS issues" (17.76%).

The segment distribution of measurement results is presented in the table below:

ADMINISTRATIVE COSTS GD 1425/2006		
Segment	Total administrative burdens (EUR)	Administrative burdens per company (EUR)
1.1	322,657,305	1,100.84
1.2	72,855,866	2,418.29
1.3	17,884,348	3,399.42
2.1	58,294,143	1,799.87
2.2	19,717,648	3,068.42
2.3	6,615,392	4,312.51
3.1	113,054,809	3,692.79
3.2	76,949,340	7,869.64
3.3	56,037,188	<b>15,268.99</b>
<b>Total</b>	<b>744,066,041</b>	<b>1,802.05</b>

<sup>1</sup> At the exchange rate of 3.5RON/1EUR)

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Even though the information obligations measured within the pilot project are applicable to all types of companies, administrative costs vary according to activity sector and size. The table of administrative costs shows that the largest costs are incurred by companies with over 50 employees, in fields of activity that imply higher risk in the workplace (Activity Group III).

The qualitative evaluation pointed out that a **98%** majority of businesses fully comply with the legal provisions defined as information obligations, and that these provisions are highly relevant for businesses (**a mark of 3.9** on the relevance scale, out of a maximum of 5). Moreover, the largest category of costs out of total administrative costs, imposed by “Drafting own instructions to complete and/or apply WHS provisions”, would be incurred even voluntarily by most businesses, as this obligation is considered best practice.

Measurement results show that economic agents are willing to take the measures derived from legal information obligations, but that the implementation of GD 1425/2006 should be optimized. The complexity of GD 1425/2006 determines an overestimation on the part of businesses of the tasks that must be performed in order to abide by the law. According to the results of the pilot project and of recommendations received from interviewed businesses, the administrative costs imposed by GD 1425/2006 could be reduced by initiating measures of simplification, clarification and sector orientation of the legislative framework pertaining to the field of WHS.

The process of testing SCM in Romania, by means of the pilot project implemented by Business Development Group, has shown that this model is applicable in the form developed by the European Union, under the condition that certain specific elements are taken into consideration:

- The complexity of legislation
- The restricted utilization by Romanian firms of measurement methods concerning the allocation of time resources to non-core activities

Another recommendation is to better inform economic agents with regard to their legal obligations, in order to standardize the practical approach of these obligations and allow the collection of relevant data during interviews. The involvement of public institutions responsible for the implementation of legislation, of institutions from the field of national statistics, of groups of experts and of professional associations, starting with the initial phase of the project is essential to the effectiveness of the measurement. Their involvement in every phase of the project is recommendable, in view of validating results and establishing a working strategy for later phases.

MCS is a useful tool for measuring administrative costs in the Romanian business environment, but its effectiveness is influenced by full and correct complying with the methodological provisions as well as a good collaboration between public institutions and the private companies which implement the methodology.

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## B. INTRODUCTION

The present report was drafted by Business Development Group at the request and with the involvement of the General Secretariat of the Government – Public Policies Department (GSG-PPD), within the bilateral Dutch-Romanian program G2G07/RM/8/3 “Framework for the elaboration of a methodology of measuring administrative burdens in Romania”. The report features the results and conclusions of the pilot measurement of administrative costs incurred by the implementation of GD 1425/2006.

The **objectives of the pilot project** are:

- Applying the methodology of measuring administrative costs in the Romanian business environment (testing and evaluation)
- Identifying and quantifying administrative costs associated with the implementation of GD 1425/2006 in the Romanian business environment
- Defining recommendations for
  - Further measurements of administrative costs
  - Projects of reducing administrative burdens

Administrative costs are identified and quantified on the basis of the Standard Cost Model (SCM), which was developed by the SCM Network and adapted by the EC for the purpose of its application across the EU. The SCM measurement is based on practical business activities and provides results that are directly applicable in initiatives of legislative simplification.

Business Development Group was commissioned to apply SCM in the labour legislation sector, under the coordination of GSG-PPD and in collaboration with the Dutch consultancy firm Berenschot Groep B.V. SCM will later be used to perform a full measurement of Romanian legislation and to draft an initial simplification plan in 2009.

Business Development Group performed an *ex-post* measurement, which determines the administrative consequences for businesses in respect of an implemented law. There has been no *ex-ante* measurement, so current estimations have no basis for comparison.

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## **C. METHODOLOGY AND IMPLEMENTATION**

Business Development Group performed the measurement of administrative costs imposed by GD 1425/2006 by applying SCM and upholding the prescribed methodology. According to SCM, the measurement must be performed by a consultancy firm, in collaboration with a team of experts in the field, and the government departments responsible with elaborating and implementing the legislation.

The parties involved in the measurement of administrative costs imposed by GD 1425/2006 are:

**CONSULTANTS:** Business Development Group is the consultancy firm responsible with applying SCM and performing the actual measurement, according to SCM specifications.

**PROFESSIONAL EXPERTS:** Euroconsult 07 is the WHS consultancy firm whose experience and knowledge of WHS optimizes the measurement process

**GOVERNMENT DEPARTMENTS:** GSG-PPD, Labour Inspection Authority and the Territorial Labour Inspectorate of Calarasi County (TLI Calarasi) are the public institutions involved in the measurement.

**CENTRAL COORDINATING UNIT:** GSG-PPD acts as central coordinating unit throughout the measurement.

Even though SCM is a specific tool with concretely defined methods, the economic and legislative environment of the country where the measurement is performed imposes certain modifications. One of the objectives of the pilot project is to adapt the methodology to Romania's specific conditions and to offer recommendations for a quality measurement.

Business Development Group and the other parties involved in the measurement defined the following work hypotheses:

- MCS is not a market research, but a specific method of analysis. The research is largely based on expert input, on the information provided by public institutions and on official statistical data.
- Direct interviews with economic agents are used to verify and/or complete initial information, in view of obtaining essential estimates. Expert input and the information provided by public institutions set the main basis of the analysis.
- At least 3 interviews will be performed per segment, according to SCM specifications. Any other interviews are optional, and their presence or absence does not constitute a breach of methodology.

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- Non-governmental organizations and the self-employed are not included in the measurement.
  - All information obligations included in the measurement are mandatory (the measurement does not include voluntary regulation).
  - Information obligations to third parties are included.
  - The results of the measurement are based on the hypothesis that all businesses comply with the information obligations.
  - The possibility of reimbursing administrative costs will not be taken into consideration.
  - There will be no lower threshold of administrative costs.
  - The overhead is set at 25%.
  - Acquisitions are excluded from the quantitative estimates because they are not legally mandatory. The value of acquisitions will be used to highlight the qualitative effect of the law.
  - Segmentation will be performed on the basis of 2 criteria: size (number of employees) and activity sector.
  - The population is determined based on the most recent statistical data available at the time of the measurement, respectively the first semester of 2007, with regard to the number of companies registered under the CAEN<sup>2</sup> codes 1, 15, 17, 26, 27, 28, 36, 45, 51, 52, 60, 74, 93 (corresponding to the sectors of activity included in the segmentation criteria) and to size categories "0-9 employees", "10-49 employees", "over 50 employees" (corresponding to the size categories included in the segmentation criteria). The CAEN codes used to estimate the population are assigned according to the main activity of businesses.
  - The average hourly labour costs are estimated on the basis of statistical data for December 2007, regarding the average hourly salary earnings, according to the CAEN codes mentioned above. The estimates are calculated by Business Development Group and do not constitute verified statistical data.
  - Due to the complexity, size and coverage of the law, the measurement is limited to the essential and generally applicable elements.
  - A limited number of information obligations will be measured, selected on the basis of well-defined criteria, due to the existing methodological possibilities and to the logistic limitation of the pilot project.
  - No report will be drafted at the end of each individual phase, but each element essential to the measurement will be validated by all involved parties.

Business Development Group performed the measurement according to the Phases specified by SCM.

### **In Phase 1 (Start up):**

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<sup>2</sup> CAEN = Classification of Activities in the National Economy

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- The parties (involved in the project) performed an analysis of GD 1425/2006, in order to determine if SCM will be applied to all provisions, or only to a selection
  - Some provisions were excluded from the measurement, based on the following criteria
    - Lack of practical applicability of provisions (i.e. obtaining a WHS authorization → no longer required)
    - Selective applicability of provisions (provisions only apply to a limited category of businesses)
    - Provisions only applicable under particular circumstances (i.e. accident in the workplace) (this criteria also led to the exclusion of an administrative activity in later work sessions)
    - Extensive coverage of provisions by another law (i.e. professional illnesses are covered by GD 335/2007)
  - The initial evaluation was performed by Business Development Group and Euroconsult 07, with validation and completion by the Labour Inspection Authority. The final list of provisions was approved by GSG-PPD.
  - The initial (start-up) meetings also defined the following measurement details:
    - Subject
    - Approach
    - Schedule
    - Delivery of results
    - Contribution of each party

### In Phase 2 (Preparatory analysis):

- The involved parties identified the information obligations (IO) and administrative activities (AA), the measurement variables and the segments
- The IOs were defined based on:
  - Analysis of the GD 1425/2006 and its explanatory notes
  - Consulting experts with regard to the practical application of the law
  - Defining the criteria for selecting IOs
  - Positioning IOs in the Labour Inspection Authority's strategy to optimize the legal framework
- The list of IOs was not defined by the government department responsible with implementing the law (as specified by SCM); the project team (Business Development Group and Euroconsult 07) defined the initial list, which was later approved by the Labour Inspection Authority
- The final valid list contained **8 IOs**

- No data requirements (DR) were identified for this measurement, due to the project team's choice to limit its analysis to the essential elements (IOs and AAs); this approach is endorsed by the EU common methodology
- The list of **administrative activities (AA)** was defined by the project team based on the practical application of the law, and was validated by the Labour Inspection Authority
- The criteria for selecting AAs were:
  - Actual performance of activities
  - Relevance to the implementation of the law
  - Matching activities to the standard list of AAs
  - Possibility of quantifying activities
- The lack of a standard approach of legal provisions created difficulties in defining the list of AAs:
  - Businesses are not familiar with the clear procedures and steps necessary in order to fulfill their legal obligations
  - Businesses allocate more time and resources than necessary (from a legal point of view) in order to fulfill the AAs, to eliminate the possibility of mistakes being found during inspections
- GD 1425/2006 was classified as **Category B-EU Directive**, being a transposition of Council Directive no. 89/391/CEE into national legislation.
- The origin of costs pertaining to each OI was determined based on SCM, the Operational Manual from the EU common methodology for assessing administrative costs imposed by legislation, and Council Directive no. 89/991/CEE
- The administrative costs resulting from the 8 IOs included in the measurement were determined as being of 100% EU origin; The IOs not included in the measurement could be of EU, national, international or mixed origin
- **Segmentation** was performed on the basis of 2 criteria, selected by the project team and approved by the Labour Inspection Authority:
  - Number of employees: 0-9; 10-49; over 50 (classification based on GD 1425/2006 specifications and statistical principles)
  - Activity sector: 3 groups corresponding to a low, medium or high risk of workplace accidents; each group contains 3 representative industries

NO. OF EMPLOYEES	ACTIVITY SECTOR			
		GROUP I	GROUP II	GROUP III
	0-9	Segment 1.1	Segment 2.1	Segment 3.1
	10-49	Segment 1.2	Segment 2.2	Segment 3.2
over 50	Segment 1.3	Segment 2.3	Segment 3.3	

ACTIVITY GROUPS
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GROUP I	GROUP II	GROUP III
Services	Agriculture	Metalurgy
Textile industry	Food industry	Constructions
Trade	Land transport	Mechanical processing

- Group I is considered as having low risk; Group II – medium risk; Group III – high risk
- **9 segments** were defined based on the selected criteria, and a separate analysis was performed for each of these segments
- The **population** of the measurement included all the businesses registered under the selected CAEN codes and size categories, as GD 1425/2006 is generally applicable

Population by segments	0-9 employees	10-49 employees	over 50 employees
<b>Group I</b>	293,101	30,127	5,261
<b>Group II</b>	32,388	6,426	1,534
<b>Group III</b>	30,615	9,778	3,670

- **Expert input** was selected as the basis of the measurement due to:
  - SCM specifications
  - Lack of uniform approach to the legal provisions
  - The high degree of externalization for WHS services
- All IOs were also evaluated by means of **business interviews**
- **Cost parameters** were identified and the project team determined the optimum combination of methods necessary to obtain relevant data (expert input and/or business interviews)
- Business Development Group developed the **interview guide** (questionnaire), which was approved by all parties and subsequently tested through pilot interviews. The interview guide includes both quantitative and qualitative questions. The quantitative questions (1-11) are tools for capturing data concerning the cost parameters. The qualitative questions (12-15) are aimed at collecting information about:
  - The degree of relevance legal provisions have for businesses
  - How burdensome administrative elements are
  - The extent to which an IO is considered best practice by businesses
  - Optimization proposals (recommendations) on the part of businesses
- The interview guide also provides general information about the measurement and guidelines for businesses choosing to fill-in the questionnaire individually (in some cases, businesses refused to submit to a direct interview). All questionnaires were processed internally in order to protect the confidentiality of respondents.

**In Phase 3 (Time and cost data capture and standardization):**

- Businesses were **selected for interview** from the data bases of Business Development Group, Euroconsult 07 and TLI Calarasi, based on their relevance for the defined segments
- As TLI Calarasi provided access to certain businesses, they were aware of their identity and their participation in the measurement. The interview information was not made available to TLI Calarasi, however, in order to protect the respondents' confidentiality
- According to SCM specifications, project consultants mainly performed direct interviews (personal and by phone), with indirect interviews being used in exceptional circumstances (businesses' refusal to participate in a direct interview)
- A **typical business** could not be identified, due to the diversity of approaches of legal obligations. Interviews pointed out a lack of adequate time management and an unclear demarcation between internal and external execution of AAs. The main conclusion of the business interviews was that a measurement of administrative costs imposed by GD 1425/2006 is not possible without expert input.
- After the conclusion of the interviews and the comparison/completion of interview data with expert input, the results were processed in order to obtain standard estimations for each segment. The final considerations for introducing data in the database were:

COST PARAMETER	METHOD OF ESTIMATION	EXPERT OPINION	INTERVIEWS	REMARKS
<b>Internal tariff</b>	Average hourly cost of labour + Overhead	No	Yes	Based on statistical data and verified through interviews. Statistical data from December 2007
<b>External tariff</b>	Average hourly rate of external service provider	Yes	Yes	No statistical data was used
<b>Time</b>	MCS method (eliminating extremes + average)	Yes	Yes	If a consensus was identified between businesses. Expert input used for validation
	Expert input	Yes	No	If no consensus was identified between businesses
<b>Frequency</b>	Majority estimate	Yes	Yes	If a consensus was identified between businesses. Expert input used for validation
	Expert input	Yes	No	If no consensus was identified between businesses
<b>Population</b>	Statistical data	No	No	Statistical data from the first semester of 2007

- Based on initial and supplementary interviews, the project team determined that certain AAs require joint internal and external execution (in order to avoid irregularities). In these cases, a decision was made to introduce the same estimated time for both internal and external execution;

- The internal and external tariffs were estimated per activity group (as defined in the segmentation criteria)

Group	Internal tariff (EUR)	External tariff (EUR)
Group I	7.36	4.62
Group II	4.41	5.54
Group III	8.42	7.84

- The estimates were introduced into the database elaborated by the EC ([http://www.europa.eu.int/comm/secretariat\\_general/impact/docs\\_en.htm](http://www.europa.eu.int/comm/secretariat_general/impact/docs_en.htm)). This standard database is used in all Member States and represents the basis for benchmarking in the EU. Quantitative results are presented separately and they constitute a distinct part of the report.
- The following modifications were made to the database, in order to adapt the model to the specifics of Romanian legislation
  - The column “Orig. Art” was removed, as there is no direct correspondent of the Romanian articles in the original EU Directive
  - The name of each IO and AA was used, rather than the type, in order to permit a better understanding of the administrative costs
- Individual databases were completed for each segment.
- 3 AAs were excluded from final introduction in the database, as business interviews pointed out that they are seldom performed in practice: “Filling in the collective training chart”, “Recording the formation, structure and responsibilities of the internal prevention and protection service”, “Training the members of the internal prevention and protection service”

#### **In Phase 4 (Calculation, data submission and reports):**

- After the standardized estimates were validated by all involved parties, they were **extrapolated to national level** and summed up for each segment
- The **final report** of the project covers all the initially established objectives, the level of accomplishment of each objective, final results, conclusions and recommendations. The structure of the report was developed by Business Development Group based on GSG-PPD and Berenschot recommendations, as well as documents previously drafted by the SCM Network and EU institutions.

## **D. RESEARCH RESULTS**

### **1. Quantitative results**

The quantitative results of the measurement were obtained on the basis of 50 interviews. Though initially the number of interviews was set at 27 (3 interviews X 9 segments), the practical experience of the project team outlined a need for more interviews per segment (an average of 5). The total population included in the measurement, at national level, amounted to 412,900 businesses, from various regions of the country.

Measurement results showed that the total annual administrative burdens imposed by GD 1425/2006 (on a national level, for the activity sectors included in the research), are estimated at **2,604,231,146 RON** (approx. **744,066,041 EUR**). The average annual administrative burdens per firm included in the assessed population (regardless of activity sector or size) are estimated at **6,307.172 RON** (approx. **1,802.05 EUR**). The segment distribution of administrative costs is presented in the table below:

<b>ADMINISTRATIVE COSTS GD 1425/2006</b>		
<b>Segment</b>	<b>Total administrative burdens (EUR)</b>	<b>Administrative burdens per company (EUR)</b>
1.1	322,657,305	1,100.84
1.2	72,855,866	2,418.29
1.3	17,884,348	3,399.42
2.1	58,294,143	1,799.87
2.2	19,717,648	3,068.42
2.3	6,615,392	4,312.51
3.1	113,054,809	3,692.79
3.2	76,949,340	7,869.64
3.3	56,037,188	<b>15,268.99</b>
<b>Total</b>	<b>744,066,041</b>	<b>1,802.05</b>

Measurement results confirm the initial hypotheses of the project team, which determined the selection of segmentation criteria: administrative costs vary according to size and activity sector (degree of risk). Figures corresponding to administrative burdens per company show that, within the same size category, administrative costs vary according to activity group (Group III has administrative costs over than 200% higher than Group I). Within the same activity group, administrative costs vary according to size (companies with over 50 employees incur costs 3 times higher than companies with 0-9 employees). Overall, the largest costs are incurred by companies with over 50 employees, from activity group III (high risk): 15,268.99 EUR.

Half the IOs measured in the pilot project impose one-off costs. These costs are responsible for a significant proportion of total annual administrative costs, even though they are not incurred every year. For this reason, it must be stated that the actual administrative burdens incurred annually and recurrently by businesses are probably significantly lower than the ones estimated during the present measurement.

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The largest proportion out of total administrative costs is held by the IO “Drafting own instructions to complete and/or apply WHS provisions” (28.64%). The following 2 obligations in order of proportion held in total administrative costs are “Identifying the dangers and evaluating the risks in the workplace, for each component of the work system” (26.17%) and “Instructing employees on WHS issues” (17.76%). The first 2 IOs in order of proportion are one-off costs.

## 2. Qualitative results

Out of total interviewed businesses, **83%** (100% for medium and large firms facing medium and high risk) declared that they would **“Instruct employees on WHS issues”** (3<sup>rd</sup> largest cost center) even if this were not legally compulsory, as it is considered **best practice**. In contrast, only **19%** of respondents feel that **“Filling in and updating the WHS registers”** represents good practice, meaning that these administrative burdens would disappear if the legal provision were removed. The project team considered that an IO represents a best practice if over 50% of interviewed businesses declare that they would fulfill the obligation even if it were not legally mandatory. Based on this criterion, 4 out of 8 IOs were considered best practice. **“Drafting own instructions to complete and/or apply WHS provisions” (largest cost center)** is considered best practice on a national level, even though it accounts for 28.64% of total administrative costs. The project team concluded that the main cost center for businesses generates costs the businesses would volunteer to incur.

Through question 13, the project team evaluated the degree of relevance WHS measures have for businesses, in order to provide the Labour Inspection Authority with essential information for legislative optimization, and for improving the interaction between public authorities and private firms. On a national level, WHS measures obtained a relevance score of **3.9 out of 5**, based on the information provided by the 50 respondents. This score, 1.4 points above the 2.5 average, indicate the high relevance WHS measures have for economic agents, a result reinforced by the perception of half the measured IOs as best practice. The highest relevance scores were obtained on the high risk segments, indicating that businesses are socially responsible and pay close attention to WHS measures in risky work environments. Even though WHS measures impose high costs, above average relevance scores on 8 out of 9 segments reflect businesses’ interest in these essential measures.

Question 14 from the interview guide evaluates how **burdensome** some administrative elements (related to the 8 IOs) are to businesses. On a scale of 1 to 5 (1 = not burdensome; 5 = very burdensome), at national level, the most burdensome administrative element is the **number of documents (3.6 out of 5)**. The least burdensome element is the **contracting of WHS external service providers (2.1 out of 5)**. The average score per administrative element, on a national level, is **2.8 out of 5** (above average), indicating a relatively high degree of administrative discomfort for businesses, despite the high relevance of the IOs. The project team concluded that, while economic agents are willing to fulfill their legal obligations, the process must be optimized by authorities enforcing the law. Some useful measures would be

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the numeric reduction of required documents and/or their simplification, as well as the simplification of the law.

Research has shown that most economic agents make **more effort than necessary** (from the point of view of the Labour Inspection Authority) in the process of fulfilling their legal obligations, for fear of irregularities being detected during inspection. One practical manifestation of this phenomenon are the extensive **acquisitions** performed in order to fulfill the IOs, even though they are not strictly legally necessary (the reason why they were not included as cost parameters). An overwhelming majority of **96%** of businesses buy individual training charts even though a model for these charts is included, cost-free, in the appendix of GD 1425/2006. Another **76%** purchase training materials and **89%** buy WHS registers, meaning that, overall, had these costs been included in the final calculation, the total administrative costs would have been higher. In order to eliminate the discrepancy between legal provisions and their interpretation by businesses, the implementing authorities should better inform economic agents as to their legal obligations and the correct methods of fulfilling them.

## E. CONCLUSIONS AND RECOMMENDATIONS

Applying SCM in Romania has been an overall positive experience, especially from the point of view of reaching project objectives, but it also presented some specific business and legislative challenges. The areas with the highest significant for the pilot project were: legislation, the involvement of businesses and the collaboration with public experts.

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## 1. Legislation

### CONCLUSIONS:

- Due to the complexity of GD 1425/2006 and to the large number of IOs, defining a final list of IOs required great effort on the part of involved parties
- Provisions of GD 1425/2006 are not detailed, which made defining AAs difficult
- Businesses can not identify, in the text of the law, specific measures to be taken, which leads to an overestimation of duties and a rise in administrative costs

### RECOMMENDATIONS:

- The structure and format of any measurement project should be correlated with the complexity of the law and the number of IOs → a complex law, with many IOs will require a larger resource allocation (logistic and time) for the measurement
- The basis of a correct evaluation is set in the phase of elaborating the regulation → obligations should be clearly defined

## 2. Involvement of businesses

### CONCLUSIONS

- The involvement of economic agents in the measurement is essential to the implementation of SCM, even though SCM research is largely based on expert input, official information of public institutions and statistical data
- Challenges in collecting data through interviews will significantly influence the results of the measurement
- The data collection challenges in the case of the pilot measurement were:
  - Businesses' inadequate time management (they are unable to specify the duration of performing an AA)
  - Inconsistent approach of legal obligations (the law is interpretable)
  - Overestimation of duties (the law is interpretable)
- No typical firm could be identified and the final estimates were mostly based on expert input
- The SCM minimum of 3 interviews per segment is insufficient, especially in the case of a very complex law

### RECOMMENDATIONS:

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- In view of optimizing future measurements, at least 5 interviews should be performed per segment
  - Expert input should still be regarded as the main basis of estimation
  - Businesses should be better informed with regard to their legal obligations, in order to facilitate self-evaluation

### 3. Collaboration with public experts

#### CONCLUSIONS:

- Involving public experts is essential to the good implementation of a measurement
- The public institutions responsible with implementing regulation are essential to defining the list of IOs and AAs, defining work hypotheses, facilitating business interviews and generally guiding the consultancy firm that performs the measurement
- Challenges in the collaboration with implementing public institutions can delay the project and diminish the relevance of final results
- Public institutions in the field of national statistics can recommend and provide the adequate data sets that are needed in order to calculate cost parameters (population, labour costs, etc)
- Statistics institutes can also help consultants define correct methods of estimation

#### RECOMMENDATIONS:

- Public experts should be involved from the beginning of the measurement, in every phase, and they should validate all results
- All roles and duties prescribed by SCM should be respected by involved parties

### 4. Other recommendations

Businesses were asked to recommend some measures that could be taken by the relevant WHS authorities in order to optimize the fulfillment of WHS obligations. **“Elaborating specific instructions for each field of activity”** was the most frequent recommendation (17% of total). **“Simplification of procedures”** was requested by 11% of respondents, while 8% recommended a **“Reduction of the number of documents”**. Over 6% of businesses requested **more guidance** and even a **standard guide** to fulfilling WHS obligations. These direct recommendations on the part of economic agents can be a valuable source of information to implementing public institutions, especially as the pilot project pointed out that administrative costs imposed by GD 1425/2006 can be reduced by simplifying and clarifying legislation.

Reducing the number of documents and/or simplifying them would be useful to the process of optimizing the legislative framework. There must be no discrepancy between legal requirements and their interpretation on the part of businesses. This latter objective could be

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reached by offering economic agents more information on their legal obligations and on the methods of fulfilling them.

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## LIST OF INVOLVED PARTIES

Institutions	Contacts	Representative
<b>General Secretariat of the Government – Public Policies Department</b>	<a href="http://www.sgg.ro">www.sgg.ro</a>	Ionut Pavel – Senior Expert
<b>Labour Inspection Authority</b>	<a href="http://www.inspectmun.ro">www.inspectmun.ro</a>	Mariana Basuc – General State Inspector
<b>Territorial Labour Inspectorate of Calarasi County</b>	<a href="http://www.itmcalarasi.ro">www.itmcalarasi.ro</a>	Cornel Berheci – Chief Inspector
<b>National Statistics Institute</b>	<a href="http://www.insse.ro">www.insse.ro</a>	Prof. Univ. Dr. Vergil Voineagu - President
<b>Berenschot Groep B.V.</b>	<a href="http://www.berenschot.nl">www.berenschot.nl</a>	Dirk Jan Schoneveld - Consultant

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