A Dynamic Life Cycle Approach to Regulatory Simplification

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The OECD's "Simplifying for Success" (S4S) initiative builds on thirty years of work to improve regulatory governance. It aims to enhance regulatory effectiveness by reducing burdens, streamlining implementation and administrative processes, and simplifying legislation.

These actions are important and can contribute to reducing the cost of regulation, particularly for SMEs. Alone, however, they provide an incomplete set of regulatory tools for understanding the full impact of regulatory interventions, particularly on the business community. This note argues that factoring dynamic life cycle impacts into the regulatory equation should be included within the S4S initiative. Introducing this lens could shape a new frontier in regulatory policy.

Regulatory policy has become quite sophisticated over time, but there is room to develop approaches to ensure that the benefits of regulation justify costs. Past regulatory simplification programs across OECD countries have focused on direct compliance costs, with a narrow view on paperwork requirements and with insufficient qualitative statements of benefits.

At times, these past measures have successfully removed many "low hanging" regulatory barriers to doing business and public service delivery. However, that approach has not fundamentally changed the way we consider the dynamic life cycle costs and benefits when developing regulatory policy options. Regulatory impact assessments often overlook long-term enforcement costs, administrative burdens, growing public sector expenses, and secondary effects such as reduced entrepreneurship or unethical actors exploiting uneven enforcement.

The OECD's S4S initiative is a strong response to the shortfalls of past regulatory simplification initiatives. Yet a key piece of the puzzle remains missing: the dynamic life cycle impacts of regulation. An excessive focus on direct impacts is incomplete and potentially misleading, and integrating technological tools will not be sufficient to simplify regulation. The dynamic life cycle impacts on businesses include unintended consequences, such as 'risk-risk' trade-offs, stigmatisation, long-term oversight burdens on the public sector, and the diversion of resources away from investment towards non-productive alternatives.

For example, regulatory restrictions on technology usage in consumer product applications erode performance, undermine brand equity, and divert resources from innovation to sustain functionality. These dynamic impacts appear in most industrial sectors and, taken in sum, can have widespread economic consequences.

Regulators have found these micro-economic impacts difficult to identify and manage. Here, the S4S initiative can make a marked difference compared to past simplification efforts. The assessment of dynamic life cycle impacts helps maintain an outcome-oriented focus, pivoting regulatory analysis and simplification around actual legislative goals.

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Key Takeaways:

The following key takeaways highlight the core insights of the analysis and frame the discussion on regulatory simplification.

1. Regulatory simplification must go beyond reducing administrative burden.
2. Dynamic life cycle impacts are critical to understanding real regulatory costs and benefits.
3. Ignoring long-term and indirect effects can undermine innovation, entrepreneurship, and public trust.