

Detailed description of the OECD/PUMA Multi-Country Business Survey

The objectives

Mandated by the Working Party on Regulatory Management and Reform, PUMA developed a business survey in order to help OECD countries to gather important information about the cost and quality of regulations and their administration. This should enable them to focus on areas of perceived weakness and investigate strategies to improve the quality of regulations and formalities. The specific objective of the survey is to contribute towards the ultimate development of comparative qualitative and quantitative indicators of key aspects of national regulatory and administrative systems.

A key dimension of the survey concerned the comparability of results: comparability between policy areas, firm sizes, and economic sectors *within a country*, and comparability of results *between* different participating countries. The ultimate aim is to be able to identify good practices both within and between countries.

The scope of the survey

The survey studies the impact of regulations at *all levels*, whether local, regional, national, or international. It examines three areas of regulation in particular: Tax regulations, Employment regulations, and Environmental regulations.¹ The specific definitions of each area used in the survey are:

- **Employment regulations:** These include hiring and firing employees, complying with health and safety standards, workers' rights, consulting with worker councils or unions, statistical reporting of employment-related data, administering employment-related or payroll taxes, social security and pensions, or other mandatory employee benefits (*e.g.* maternity leave, sick leave).
- **Environmental regulations:** These include licences, permits, planning and environmental impact assessments; complying with emission/discharge and hazardous substance requirements, process or product quality standards, pollution control and product regulations; environmental reporting and testing, record-keeping and day-to-day administrative requirements related to the environment; environmental levies and taxes; eco-labelling of products or processes.
- **Tax regulations:** These include business profits tax/corporate income tax, other taxes on capital and assets (*e.g.* dividend tax, property tax), sales taxes (*e.g.* VAT, general sales taxes), and tax deduction requests (such as PAYE income taxes).

These areas were chosen because they consistently rank as the major areas of regulatory concern in country and international business surveys and because they impose direct compliance burdens that can easily be measured by business, as previous studies had indicated.²

The survey was designed for use in any OECD member country. It was implemented in 11 countries (Australia, Austria, Belgium, Finland, Iceland, Mexico, Norway, New Zealand, Portugal, Spain, and, Sweden) between April 1998 and March 1999 (see Table 1 in Part I); quantitative data from Mexico

¹ In the text, this specific definitions are referred to, when the policy area is capitalised, *e.g.* Employment instead of employment.

² UNICE "UNICE Regulatory Report - Releasing Europe's Potential Through Targeted Regulatory Reform" (1995). Brunetti A., Kisunko G. and Weder B. "How Businesses See Government – Responses from Private Sector Surveys in 69 Countries" (A study for the World Bank, 1997).

were not available. This report reviews the findings of these 11 countries. Further detailed results are available from individual country reports provided by the countries that participated.

The Questionnaire

The survey was developed in several stages, from June 1995 to December 1997 under the supervision of the OECD Working Party on Regulatory Management and Reform. It benefited from the assistance of other OECD bodies, World Bank experts and external consultants.

The questionnaire was designed for use in a postal survey. Three variants of a model questionnaire were prepared, relating to each of the *three areas of regulatory policy*: namely Tax, Employment, and the Environment.

The draft questionnaire was piloted in four countries (UK, Sweden, Canada and Mexico), and subsequently amended in the light of the findings from the pilot.

Each questionnaire is in four sections. The first section contains questions classifying the firm, such as: the number of employees, turnover, and economic sector. The second section concerns perceptions of regulatory quality, business participation in the process of developing new regulations, and the level of compliance.³ Questions on the quality of administration of regulations, including perceptions of the quality of contacts when obtaining information or decisions, are dealt with in the third section. The fourth and final section focuses on the administrative cost of compliance with regulations. This covers costs related to the administrative compliance procedures undertaken *within* the firm, as well as outside assistance.. A copy of the Employment questionnaire is attached in Appendix I.

The sample

The survey *focuses on Small and Medium-sized Enterprises (SMEs) in the business sector*. This is partly because small businesses are more exposed and more sensitive to regulatory burdens in general and formalities in particular. The pilot survey also found that it was more difficult for large firms to answer the questions, since direct or single source information was rarely available. In contrast, an entrepreneur or a manager assigned to answering the survey is more likely to have a good overall perception of the quality and costs of regulations and formalities in an SME than in a large firm.

Gallup France developed a statistical protocol so that the results could be compared. Two sample sizes were proposed to participating countries: a recommended survey size based on at least 180 questionnaires answered per policy area (540 answers per country) and a “small size sample, with at least 100 questionnaires answered per policy area (*i.e.* 300 answers per country). The main difference is the quality of the statistical estimates for each stratum (by size and economic sector). Nevertheless comparison of national results obtained with the optional sample will be possible with those obtained from one country using the recommended sample.

The data was classified by size of firm and economic sector. SMEs were divided into three size categories: 1 to 19 employees, 20 to 49 employees, and 50 to 500 employees.⁴ This distinction was made

³. Based on the OECD Council Recommendation on Improving the Quality of Official Regulations (adopted on 9 March 1995).

⁴. The definition of SME is the one used by the Working Party on Small and Medium-Sized Enterprises of the OECD's Science, Technology, and Industry Directorate.

on the assumption that the person responsible for paperwork in the smallest SMEs is the entrepreneur or general manager.⁵ In medium-sized SMEs a single employee is likely to be responsible. In a large SME, there are more likely to be separate units responsible for Tax, Employment, and Environmental regulatory compliance.

The protocol ensured that there were sufficient numbers of manufacturing and service sector companies in the sample to enable the analysis to examine potential differences between these sectors. However, provision was also made to split the service sector companies into two further groups: services with impacts on the environment (such as Transport companies); and, “professional” services which cover services without important impacts on the environment. It includes activities in which intellectual input plays a vital role, such as business service companies (see Annexe VI).

This decision was taken because in the pilot stage, it became apparent that these two sub-groups could have very different experiences in relation to Environmental regulations. The subdivision is also based on the assumption that “professional services” are less linked to a regulatory environment, and thus can be more independent from regulatory burdens, as they can provide their services from a different jurisdiction.

Each company in the sample was asked to complete only one questionnaire (Tax *or* Employment *or* Environment).

The fieldwork

The survey was conducted as a partnership between PUMA, the participating governments and business associations (Chambers of Commerce and Industry or employer’s organisations). In most countries, a research unit or specialist consultant was also involved.

Each partner was independently responsible for a specific task, such as preparing the questionnaires, translating the questionnaires, drawing firms at random from an official register, sending and entering data, etc. The OECD Secretariat was responsible for preparing the framework for the survey and analysing the final data, as well as co-ordinating and providing a help desk for participants.

The questionnaires were translated and adapted to the specific features of each country by their respective government or business association, taking care to ensure that the data would be sufficiently comparable for benchmarking purposes.

The survey was designed to be sent to SMEs by mail. However, because of the specific nature of their business culture and firms, and based on the experience of previous surveys, Spain and Mexico decided to conduct the survey by telephone. Some care should therefore be taken in the interpretation of the results from Spain and Mexico.

⁵. Companies without any employees (sole proprietors) were excluded from the sample, because of concerns about the likely low level of response.