

>> New Approaches to Economic Challenges [C5]

Promoting inclusive growth through better regulation

THEME OF THE PROJECT

Regulatory policy has a role in supporting the inclusive growth agenda...

Since the crisis of 2008 there has been a shift in economic policy thinking that was focused on growth to a more nuanced set of objectives focused on improving wellbeing. Together with public expenditure and the fiscal apparatus, regulation policy is a key lever in ensuring welfare and economic prosperity. The principles and tools of regulatory policy can contribute to embedding from the outset the perspectives of multiple stakeholders in rulemaking to ensure an efficient and equitable reform process

...via cost-benefit analysis tools, such as Regulatory Impact Assessment (RIA)

Empirical evidence, however, suggests that the potential of regulatory policy remains largely untapped. Despite progress on reform since the outset of the crisis, countries still struggle to use regulation in a strategic fashion to promote inclusive growth. A tool, such as the Regulatory Impact Assessment (RIA) can help integrate the issues of inclusive growth into a process of regulatory revision and further development. RIA is a multi-criteria analytical tool that can play a role in revealing and monitoring the trade-offs between economic, social and environmental effects of potential regulatory responses. Furthermore, it can provide the evidence needed to balance various policy objectives and manage related trade-offs.

RESULTS OF THE WORK STREAM

Evidence of countries using RIA to assess and monitor regulation for inclusive growth has been collected from the 2014 OECD Survey of Regulatory Indicators, publicly available RIA guidelines and country-specific assessment exercises.

RIA can support the evaluation of regulatory policy for inclusive growth by assessing the impact on specific social groups...

Many countries include the assessments of regulatory impact on specific social groups, in particular disadvantaged groups. However, the examination of some RIA examples has revealed that in the majority of countries these assessments focus only on macro groups (e.g. government, industry, total population) without analysing the effects on specific population groups.

...on gender equality...

Many countries are integrating the impacts of regulation on gender equality into RIA. However, there is heterogeneity in the countries' practices in doing so. In some cases, the examination of gender equality is enshrined in legislation. In other cases, there is no explicit requirement and gender issues are considered when relevant. In fewer cases, legislation requires gender impact analysis separate from RIA.

...on poverty...

Poverty impacts are rarely assessed in the RIA process. The limited integration of this issue may result from the fact that the poverty impact is already covered by the RIA, through the impact on social groups; or by the fact that this specific issue (impact on poverty) is a key factor only in poorer countries.

...and employment...

Similarly, few countries integrate the impacts of regulation on employment and job creation into RIA. This may be due to methodological constraints in measuring and attributing the impact. It is however quite surprising given the pressure put on policies by rising unemployment and the high level of political interest in fostering job creation.

NEW APPROACHES/ POLICY IMPLICATIONS

Most countries are at an early stage in using their regulatory management tools in a strategic manner, especially to address inclusive growth. While the assessment of distributional consequences of regulatory policy appears to be mainstream, in the majority of cases such exercises remain do not evaluate specific impacts.

RIA may need to be broadened to support the integration of inclusive growth into regulatory policy...

To ensure that the multiple dimensions of inclusive growth are covered in regulatory policy assessment, RIA may need to be complemented with the systematic use of other tools. While other evaluation tools can be used to assess and monitor the regulatory effects on the different domains of inclusive growth, most tend to be outside the regulatory policy domain. Additional assessments can be added to regulatory policy assessment or an integrated approach can be taken, where a cost-benefit analysis is just the first step and then multiple assessment tools kick in during the process. Of course the choice of strategy will depend on needs and resources available.

...with social impact assessment (SIA) and environmental impact assessment (EIA)

An integrated assessment and monitoring approach may need to be complemented in particular with social and environmental assessment tools. Such an approach would theoretically allow for greater consideration of the trade-offs across the various policy objectives and a more coherent approach to policy making. Some academics argue however that more integrated approaches may weaken social and environmental considerations by overloading RIA procedures. However, a full understanding of the pros and cons of alternative strategies is still missing and could be the object of future research.

PROJECT PAPERS

- **Kauffmann, C., Erbacci, A., (2015)** 'Promoting inclusive growth through better regulation: the role of regulatory impact assessment' GOV/RPC(2015)4