PROMOTING INCLUSIVE GROWTH THROUGH BETTER REGULATION: THE ROLE OF REGULATORY IMPACT ASSESSMENT

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This document reviews country practices in using Regulatory Impact Assessment to evaluate various distributional aspects of regulation. It provides a contribution of the OECD Regulatory Policy Committee to the work of the OECD on Inclusive Growth and to the NAEC initiative.

Delegates are invited to discuss this draft at the forthcoming Roundtable of the RPC on Regulatory Reform in support of Inclusive Growth to be held on 15 April 2015 and provide written comments to the Secretariat by 12 May 2015.

Céline Kauffmann (celine.kauffmann@oecd.org) and Angelo Erbacci (angelo.erbacci@oecd.org)

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SUMMARY AND ISSUES FOR DISCUSSION

1. The 2014 OECD report “All on board: Making Inclusive Growth Happen” defines “inclusive Growth” as “a new approach to economic growth that aims to improve living standards and share the benefits of increased prosperity more evenly across social groups”. OECD (2014) emphasises the need to shift from the traditional approach that uses growth in GDP per capita as the ultimate metric of the performance of our economies to one that goes beyond income and material living standards to include non-monetary dimensions that matter for well-being, and the distributional effects of policies. An emphasis on multidimensionality of outcomes and the need to gauge the distributional effects of policies are however likely to raise challenges to policymakers. New policy tools to account for income and non-income dimensions in the design of policies may even be needed.

2. This paper contributes to the OECD efforts to identify the policies and tools needed to foster inclusive growth by reviewing the practices of OECD countries in integrating considerations of relevance to inclusive growth in the development of regulation. It focuses in particular on the use of one specific tool of regulatory policy making: Regulatory Impact Assessment (RIA). In theory, RIA (as a tool for multi-criteria analysis) can play a crucial role in revealing and monitoring the trade-offs between economic, social and environmental effects of potential regulatory responses and provide the evidence needed to balance various policy objectives and manage related trade-offs. As such, RIA can represent a strategic tool to assess the incidence of policy actions on the multidimensional dimensions of inclusive growth. In practice, however, the paper shows that while many countries use RIA to assess specific impacts of relevance to inclusive growth, the evidence on the strategic use of RIA to inform the development of IG policies is not clear.

3. The paper reviews country practices in 4 areas: impacts on specific social groups, impacts on gender equality, impacts on poverty and impacts on employment. It builds on various RIAs, publicly available RIA guidelines and the preliminary results from the 2014 OECD Survey of Regulatory Indicators. The preliminary results from the review of the evidence confirm the findings of the literature on the topic: there is generally a low tendency to integrate issues of inclusive growth into RIA. Even when official RIA guidelines require the integration of impacts related to inclusive growth, countries tend to mainly evaluate economic impacts. The literature provides different reasons for the lack of mainstreaming of inclusive growth considerations, in particular a lack of political commitment toward inclusive growth, as well as theoretical, methodological and technical challenges that hinder the integration of these types of impacts.

4. Comparatively, evidence shows a higher propensity of countries to assess distributional impacts or impacts on gender equality as part of the RIA process. In effect, many RIA guidelines and handbooks require these types of assessments. In the majority of cases the assessments of distributional impacts focus on impacts as a consequence of regulation across large groups (i.e. government, business, community) without going into specific population subgroups and without targeting inequality per say. By contrast, the importance of evaluating specific impacts on disadvantaged groups and existing inequalities, or on poverty and on employment/job creation is less shared across countries. This may be due to the methodological problems in measuring this impact. The last result is however quite surprising given the pressure put by rising unemployment on policies and society more generally and the high level of political interest in fostering job creation. Even when countries tend to assess specific impacts of relevance to inclusive growth, the way they do it – as component of a unique impact assessment or in a specific test separate from the RIA, systematically or in relation to specific areas of regulation – differs widely across countries.
Taking into account this lack of consideration, a number of academics have discussed the adequacy of RIA to address the mainstreaming of IG aspects into regulatory policy making. Based on the review of evidence and the findings of the literature, the paper initiates a discussion on the complementarities across different instruments, including RIA, social impact assessment (SIA) and environmental impact assessment (EIA), to support the IG agenda. A complementary analysis is developed in a parallel paper developed by Rex Deighton-Smith. Looking ahead, the analysis could be strengthened based on inputs from countries. In particular, the paper raises — but does not address yet — a number of critical questions to the more systematic integration of IG considerations in regulatory policy making:

- Is RIA an appropriate tool to mainstream social issues into policy-making or should governments assess these issues separately from RIA, using other specific tools such as SIA, PIA or EIA? If social impacts should be assessed by \textit{ad hoc} tools, should these tools be integrated into a unique impact assessment process?

- When and how should RIA take social issues into account: 1) as a mandatory step on defining the baseline (e.g. threshold test); 2) as a mandatory check in analysing and comparing regulatory options; 3) as a separate screen (once the regulatory option has been chosen, possibly leading to ancillary remediation measures); or 4) only when the regulatory proposal present explicit links with the social context.

- How to address the issue of overload in the RIA process, i.e. the risk that the multiplication of impacts for consideration would undermine the quality of the multi-criteria analysis? What criteria could guide the selection of priorities for conducting a RIA?

- What is the demand for IG related information and how is it going to be used in the policy making process?

- What are the models and tools to measure social impacts and quantify the qualitative impacts?

- How can RIA be used as a way to engage stakeholders throughout the development of regulation and not only to collect evidence, but also to ensure an inclusive process?
INTRODUCTION: OBJECTIVES AND MOTIVATION

The background

6. Various OECD opportunities and publications, including the Ministerial Meeting “All on Board: Policies for Inclusive Growth and Jobs” and OECD (2014), have underlined the ambitious economic, institutional and political change needed to address rising inequalities. Going beyond “pro-growth” policies to “inclusive growth” outcomes requires a shift in economic thinking whereby improving societal wellbeing, in addition to material living standards, is the ultimate objective of policy making. Considerations such as education, health and jobs should be accounted for as measures of performance. Likewise, the distributional consequences of policy interventions across these dimensions should be understood when assessing the effectiveness of policies to meet the societal objectives.

7. Together with spending and taxing, regulation is one of the key levers in the hand of governments to ensure welfare and economic prosperity. However, the forthcoming OECD Regulatory Policy Outlook makes the point that there is scope for more systematic consideration by countries of the opportunities provided by regulatory policy to promote inclusive growth. If applied systematically, the key principles and tools of regulatory policy can contribute to embed from the outset the voice of regulated and other stakeholders in rule making, and ensure the effectiveness and efficiency of regulation to achieve the policy objective of inclusive growth. They can help to identify how particular regulations affect specific groups, and the need for corrective action. They can also make explicit the broader consequences of regulatory decisions and the potential trade-offs across various dimensions of inclusive growth.

8. At the same time, however, evidence shows that this potential of regulatory policy remains largely untapped and, despite progress, countries still struggle to use regulation in a strategic fashion and promote inclusive growth through the application of regulatory policy. The purpose of this paper is to analyse how countries use a specific regulatory tool (Regulatory Impact Analysis – RIA) to integrate issues of inclusive growth into the development and revision of regulation.

What is inclusive growth

9. OECD (2013) defines inclusive growth as “economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society”. The concept of inclusive growth takes inspiration from the basic idea that economic growth is an important but not sufficient condition to foster a sustainable development of the people’s well-being. Indeed, the improvement in people’s well-being also requires a combination of different social factors, such as health, education, employment or equality.

10. OECD (2013) proposes a set of monetary and non-monetary dimensions to measure the concept of inclusiveness, such as income and wealth, jobs, skills and education, health status, environmental quality, personal security, infrastructure and housing. Thus, the concept of inclusive growth has a multidimensional nature. However, the selection of the dimensions that need to be taken into account in fostering inclusive growth may entail several challenges, including the difficulty to deal with possible trade-offs in pursuing at the same time different monetary and non-monetary dimensions.

The potential role of RIA in fostering inclusive growth

11. Regulatory Impact Analysis (RIA) aims to be both a tool and a decision process for informing political decision makers on whether and how to regulate to achieve policy goals. As a tool supporting decision making, RIA examines the potential impacts of government actions by focusing on the costs and benefits of a regulatory measure; on the effectiveness of the measure to achieve its policy goals; and
whether there are superior alternative approaches available to governments. As a decision process, RIA complements systems for consultation, policy development and rule making within government in order to communicate information ex ante about the expected effects of regulatory proposals at a time and in a form that can be used by decision makers, and also ex post to assist governments to evaluate existing regulations (OECD 2009a). The economic rationale for the use of RIA can be found in the need to increase the effectiveness of regulatory intervention. RIA can prevent regulation from “regulatory captures” and ensure that all the major interests of affected parties (citizens, community, etc.) are comprehended in the policy-making process (Box 1).

**Box 1. The economic rationale for regulation and regulatory management**

The theoretical underpinning of regulation can be found in the normative economic theory, which justifies the use of regulatory tools by the existence of market failure. Market failure (Bator, 1958) can be defined as “the failure of a more or less idealized system of price-market institutions to sustain ‘desirable’ activities” (1958, p. 351). Thus, in a situation of market failure, the production and allocation of goods and services in the market is inefficient and regulatory intervention is required.

Market failure results from the existence of some economic causes that reduce the efficiency of markets, such as externalities (Arrow, 1969), market power (Baumol et al., 1982), asymmetric information (Akerlof, 1970) or the presence of public goods (Samuelson, 1954). In these cases regulatory intervention can improve the efficiency of markets by limiting market power, by inducing market actors to include the effects of externalities or by ensuring that more information is available on the markets.

However, the proponents of the positive economic approach to regulation, reject the idea that regulation is systematically motivated by public interest. Regulation may be subject to “regulatory capture” (Stigler, 1971; Buchanan, 1972; Peltzman, 1976). When this happens, regulatory goals may be distorted to pursue political ends or the interests of specific lobbies (Laffont and Tirole, 1991). Under political capture, regulation becomes a tool of self-interest within government (Posner, 1974; Stiglitz, 1998). A similar view is proposed by the public choice school with the concept of “rent-seeking” (Tullock, 1967; Rowley et al., 1988), defined as unproductive profit-seeking by special interest groups to secure favourable legislation.

The rationale for the adoption of regulatory tools (such as RIA) lies in the need to increase the effectiveness of regulatory intervention. Regulatory policy tools are designed to improve the delivery of high quality regulation (Baldwin et al., 2010). This perspective is coherent both with the normative economic approach (that asks for regulation to correct market failures) and the positive economic approach (that underlines the presence of possible regulatory failures). The economics of regulation presents three different logics that explain the rationale for the adoption of RIA.

**Delegation.** Regulatory intervention is characterised by a problem of delegation when a principal (the parliament or other legislative authorities) delegates an agent (a ministry or other agencies) in producing regulation. In rational choice theory (i.e. Simon, 1955; Laffont and Martimort, 2002) the principal-agent model helps in understanding the rationale for RIA. Once power has been delegated, information asymmetries produce agency dominance, and agencies may produce rules that do not reflect the original deal made by the principals. However, agencies will still develop rules in the interest of the principals if proper administrative procedures (such as RIA) are introduced (McCubbins et al., 1989). Similarly, Posner (2001) suggests that Cost-Benefit analysis (CBA) – that is the core method of RIA – should be used to control agency behaviour, minimising error costs under conditions of information asymmetry. Thus, the use of RIA limits the participation of broader interest groups by reducing the principal-agent slack and in assuring that agencies are responsive to the principal's interest.

**Democratic governance.** Neo-pluralist theory (i.e. Manley, 1983; Arnold, 1987) suggests that regulatory policy tools (such as RIA) should be used to change the opportunity structure in which actors (the executive, agencies, and the pressure groups, including civil society associations) interact so that the rulemaking process is more open to diffuse interests and more accountable to citizens. RIA is adopted to ensure that all the major interest parties affected are comprehended in the policy-making process.

**Rational policy making.** The adoption of RIA helps in fostering regulations that increase the net welfare of the community (Arrow et al., 1996). This perspective is coherent with the civic republican theory (i.e. Sunstein, 1990; Ayres and Braithwaite, 1992; Seidenfeld, 1992) who sustains that, under proper conditions, actors are able to pursue the broader community interest. Thus, the use of RIA ensures the engagement of public interest groups, civil society organisations, and citizens.
Based on these approaches, by using RIA, principals may control that inclusive growth aspects are included into the agents’ rule-making processes (delegation). Moreover, RIA allows that two different perspectives of inclusive growth are integrated into policy-making. On the one hand, all the interested parties of society (especially, specific and social groups) are comprehended and interact in the rulemaking process (democratic governance). On the other hand, the policy-making process is more effective and rationale since it pursues the broader community interests and welfare (rational policy making).

12. The adoption of RIA is now largely widespread across countries. According to the 2014 OECD Regulatory Indicators Survey, 32 over the 35 OECD jurisdictions have adopted a formal requirement in this area. The number of countries with formal requirements has been steadily increasing over the last 40 years as illustrated in Figure 1.

![Figure 1. Trend in RIA adoption across OECD countries](image)

Note: This represents the trend in number of OECD jurisdictions with formal requirement for regulatory impact analysis (beyond a simple budget or fiscal impact).

Source: OECD (forthcoming), Regulatory Policy Outlook.

13. Theoretically, RIA can play a crucial role in promoting the objectives of inclusive growth. By definition, its purpose is to provide information on the distributional impacts of regulation (across groups, sectors, regional areas ...), which can help reveal and monitor the trade-offs between economic, social and environmental effects of potential regulatory responses. The process of developing a RIA is in itself an opportunity to gather the inputs of regulated and more generally of affected parties. Beyond these generic features of RIA, a more focused use of the tool to promote inclusiveness is also possible through the assessment of specific impacts.

14. According to the answers provided to different OECD surveys (1998, 2005, 2008, 2014), a significant number of OECD countries declare assessing process specific impacts of relevance to the concept of inclusive growth in the course of their RIA, including: the impacts on specific social groups; the impacts on gender equality; the impacts on poverty; the impacts on social goals and the impacts on income inequalities (Figures 2 and 3). The Figures show an increasing trend in these practices over time. They also
show, however, that these practices remain less systematic than the assessment of economic impacts, such as the impacts on the budget, the impacts on the public sector and the impact on competition.

Figure 2. Different types of impacts integrated into RIA across OECD countries (1998-2014 data)

Note: Data for 1998 are not available for the European Union, Luxembourg, Poland and the Slovak Republic. This means that this figure is based on data for 27 countries in 1998, for 30 countries and the EU in 2005/2008 and for 34 countries and the EU in 2014. (*) No data available prior to 2008; (**) No data are available prior to 2005.


Figure 3. Different types of impacts integrated into RIA (2014 data)

The OECD 2014 Regulatory Indicators Survey makes a distinction between primary laws and subordinate regulations. This figure considers only the answers for primary laws.

Source: Preliminary Data from the 2014 Regulatory Indicators Survey.
Research objectives and methodology

15. The paper seeks to understand the potential of RIA to help mainstream inclusive growth considerations into regulatory policy-making. In that respect, it collects information and provides some analysis on whether and how countries use RIA to assess impacts of relevance to inclusive growth and to inform their policy making in these areas.

16. In order to answer these questions, this paper investigates the current RIA practices of a number of OECD and non-OECD countries, including: Australia, Austria, Canada, Finland, France, Hungary, Indonesia, Ireland, Italy, Japan, Luxembourg, Moldavia, New Zealand, Portugal, South Africa, Sweden, Switzerland, Turkey, Uganda, UK and US. The paper also examines the RIA practices of the European Commission. Both early adopters and new practitioners of RIA are analysed.

17. The paper builds on the 2014 Regulatory Indicators Survey (OECD, Forthcoming) and the 2008 OECD survey of Indicators of Regulatory Management Systems (OECD, 2009b) to investigate the frequency of references/use of the following impacts in RIA: impacts on specific social groups, impacts on gender equality and impacts on poverty. Given its particular significance for inclusive growth, the paper examines also the impact on employment/job creation.

18. In addition, the paper draws from a review of academic papers on the topic, an unpublished paper on gender equality developed for the Regulatory Policy Committee (RPC); and the examination of publicly available information on specific countries’ experiences (RIA guidelines and handbooks), including a selection of RIAs (Box 2).

Box 2. Background RIAs used to inform this paper


LESSONS FROM LITERATURE: INTEGRATING ISSUES OF INCLUSIVE GROWTH INTO RIA

19. In recent years, a number of scholars have focused on the comparative analysis of the adoption of RIA’s practices among advanced countries or have produced detailed studies on the advantages and challenges of its use (see, for instance, Hahn et al., 1999; Radaelli, 2004; 2005). Despite the increasing academic interest, however, only few papers have devoted attention to the connection between RIA and inclusive growth or social inclusion. There is nevertheless an emerging literature on relevant themes that this section can tap upon. Part of this emerging literature analyses the experience in integrating in RIA types of impacts that are highly related to inclusive growth, such as the distributional impacts on disadvantage social groups for instance (Box 3 provides as an example the list of impacts recommended in the Impact Assessment Guidelines of the European Commission). By large, the literature highlights the difficulties faced by countries to integrate these types of impacts. This is leading a number of academics to question the relevance of using RIA to integrate considerations of inclusive growth in regulatory policy making.

20. Similarly, the literature on environmental impact assessment (EIA) reveals that environmental aspects are generally not integrated into RIAs, motivating it by a general lack of resources and limited organisational and political supports (i.e. Russel and Jordan, 2007; Achtnicht et al., 2009). Consequently, this literature argues that environmental concerns are generally not reflected in the final policy decisions (i.e. Bekker et al., 2004; Cashmore, 2004; Owens et al., 2004; Richardson, 2005).

The challenges in mainstreaming considerations of inclusive growth in RIA

21. Some authors argue that countries tend to avoid integrating social impact in their assessments, even when this is expressly required from guidelines or RIA’s frameworks (i.e. Lee and Kirkpatrick, 2006; Bäcklund, 2009). Bäcklund (2009), for instance, examines how RIAs address the explicit requirements defined in the RIA guidelines and comprehensive framework of the European Commission, which requires that RIAs assess three dimensions of sustainability: economic, environmental and social impacts. Table 1 provides a summary of the performance of RIAs in addressing the three dimensions of sustainability.

<table>
<thead>
<tr>
<th>Economic Impact</th>
<th>Environmental Impact</th>
<th>Social Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extensive</td>
<td>33%</td>
<td>11%</td>
</tr>
<tr>
<td>Minimal</td>
<td>21%</td>
<td>12%</td>
</tr>
<tr>
<td>No quantification</td>
<td>46%</td>
<td>77%</td>
</tr>
</tbody>
</table>

Source: Bäcklund (2009).

22. Robinson et al. (2014) review a number of recent RIAs in the US and examine the extent to which regulatory agencies assess distributional impacts, with specific regard to costs and health-related benefits on disadvantaged social groups. The authors identify a gap between guidelines requirements and actual practice. They show that agencies provide little information on distribution, even when there are explicit requirements to include these types of assessments into RIAs. Other academics explain it as part of a general reluctance of policy makers to include any impacts other than economic/financial impacts into RIA, especially environmental and social impacts (i.e. Wilkinson et al., 2004; Turnpenny, 2008; Ruddy and Hilty, 2008).
23. Nykvist and Nilsson (2009) identify the lack of political commitment as the main reason for the limited assessment of these impacts. In their views, social aspects are not political priorities and, therefore, they are generally not included within political agendas or within RIAs. For the authors, social and sustainability issues are constrained by the political context and considered to challenge the existing economic and job-growth paradigm, and therefore not yet considered as an appropriate topic for impact assessment. Similarly, Ruddy and Hilty (2008) show the inherent conflict in using RIA to foster sustainability (and social) issues, owing to its use by policy-makers to achieve the goal of “better regulation” from an economic and competitiveness perspective. For Robinson et al. (2014), policy-makers tend not to include distributional assessment into RIA because distributional impact may create a sort of coalition against the regulatory proposals, by identifying the winner and losers of each regulation.

24. In addition, the literature underlines the general tendency to use RIA as a legitimisation tool rather than as an informative instrument in support of decision-making. The knowledge produced by impact assessments tends not to be used by policy-makers. When it is used, it tends to bolster political positions and justify decisions already taken (Owens, 2005; Russel and Jordan, 2007; Turnpenny et al., 2008). This finding is corroborated by the forthcoming OECD Regulatory Policy Outlook based on the OECD Survey of Regulatory Indicators, which notes that “countries tend to adopt a procedural approach to regulatory policy and use its tools (RIA, stakeholders’ engagement and ex-post evaluation) strictly in an administrative fashion, after policies and the regulatory decision have been made” (OECD forthcoming). For this reason, Bäcklund (2009) finds that the assessment of issues related to inclusive growth is not routinely mainstreamed into the RIA process. Social impacts may have unpredictable results or findings that contradict political consensus of regulatory choices already made.

25. Fundamentally, Robinson et al. (2014) highlight the line of thinking that argues that distributional and social policy goals can be achieved more comprehensively and effectively by transferring money (through the tax system or the income support system) rather than by reducing the social impacts of policies focused on other goals. Under this hypothesis, there is little need for RIA to generate evidence on distributional and social issues. For Jacobs (2006), every regulatory proposal creates winners and losers, therefore the idea of fostering regulatory equality is contradictory in itself.

26. Finally, the literature recognises a number of technical, methodological and organisational issues that hinder the inclusion of these types of impacts into RIA. According to Wilkinson et al. (2004), RIAs tend to measure the non-economic impacts only in qualitative terms (generally the impacts are described and not monetised or quantified) since their quantification is too complex. Lee (2006) describes the limits of the most common methodologies (such as Cost-Benefit Analysis or Multi Criteria Analysis) in assessing social impacts. For Jacobs (2006), not only it is very difficult to perfectly distinguish different social groups, but it is also not clear how to weight the distributional effects on these groups. Other academics identify issues, ranging from the lack of data to constrained resources and limited skills of the personnel of regulatory agencies (i.e. Turnpenny et al., 2008; Nykvist and Nilsson, 2009; Robinson et al., 2014).

Is RIA the right instrument to mainstream inclusive growth in regulatory policy making?

27. These challenges have led a number of academics to question the adequacy of RIA to assess social impacts (i.e. Kidd and Fischer, 2007; Turnpenny et al., 2008; Ruddy and Hilty, 2008). Other instruments may be better suited to this endeavour, including for instance social impact assessment (SIA) or environmental impact assessment (EIA).

28. SIA is generally defined as the process of assessing and estimating, in advance, the social consequences that are likely to follow from specific policy actions or project interventions (Burdge and Vancly, 1995a; Burdge, 1999; Becker, 2011). So while the overlap between SIA and RIA exists, the two instruments differ substantially in their scope. RIA covers a broader range of issues beyond social
dimensions. At the same time, the application of SIA goes beyond the regulatory sphere to cover infrastructure and environmental projects.

29. The literature identifies SIA as the best instrument for integrating social aspects into policy-making (i.e. Joyce and MacFarlane, 2001; Burdge, 2002; Lane et al., 2003; Vanclay, 2003; Esteves et al., 2012). Evidence shows that while not many, a number of policy actions have been modified (or even cancelled) based on social considerations highlighted in SIA (see, for instance, the case of the Berger Inquiry in Canada, i.e. Gamble, 1978; Berger, 1983). At the same time, scholars suggest that SIA has not yet been widely adopted by governments as institutional tool nor integrated with other impact assessment tools such as EIA or RIA (Burdge and Vanclay, 1995b; Burdge, 2002). Esteves et al. (2012) confirm this view showing how SIA is still a secondary instrument, partially affecting the decision-making process. A similar assessment can be made of the use of EIA (de Ridder, 2006; Achtnicht et al., 2009) and many authors recognise that while the use of EIA is widespread, especially in infrastructure and environmental projects, the concerns of environmental assessment are generally not reflected in the final policy decisions (i.e. Bekker et al., 2004; Cashmore, 2004; Owens et al., 2004; Richardson, 2005).

30. Given the existence of a multiplicity of tools to account for various impacts (economic, social and environmental), the question of their integration into a single assessment process or their separate use becomes critical. This integration can be justified by the existence of significant overlaps across the tools (see Figure 4). For instance, if RIA focuses on economic aspects (i.e. “growth”) and SIA on social aspects (i.e. “inclusiveness”), the integration of the two instruments could help address issues which are situated at the interface (i.e. issues of inclusive growth) (see area A in Figure 4). The literature on impact assessment generally advocates this integration as a means to make policy-making more effective. However, a number of academics argue that there is a risk that integrated approaches might lead to a weakening of social and environmental considerations by overloading the RIA procedures (i.e. Turnpenny et al., 2008; Kidd and Fischer, 2007; Morrison-Sounders and Fischer, 2006; Renda, 2006). Kidd and Fischer, 2007 suggests that the dominant economic perspective of RIA may result in appraisal processes which are inadequate for social and environmental concerns. Jacob et al., 2008 recommends that governments define an overall broad scope for RIA, but implement it through targeted and separate analytical methods and tools. Similarly, Ruddy and Hilty (2008) argues that the assessment of the social impact should be devolved from RIA to specific ad hoc tools that can rely on adequate resources and competences.

Figure 4. Interconnections between RIA, SIA and EIA

Source: Authors’ own elaboration.
COUNTRY PRACTICES IN INTEGRATING ISSUES OF INCLUSIVE GROWTH IN RIA

Impact on specific social groups

31. Data from the 2008 OECD survey of *Indicators of Regulatory Management Systems* (OECD, 2009b) and the 2014 *Regulatory Indicators Survey* show that OECD countries generally assess the impact on specific social groups as part of RIA, either systematically, or in some cases (Figure 5). Moreover, this trend seems to be amplifying between 2008 and 2014: according to the latest information, 21 countries report doing it for all regulations against 14 in 2008.

*Figure 5. Impact on specific social groups: Comparison among 2008 and 2014 data*

<table>
<thead>
<tr>
<th>Does RIA include the assessment of the impact on specific social groups?</th>
<th>2008</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Always/For all regulations</td>
<td>14</td>
<td>21</td>
</tr>
<tr>
<td>For major regulation/s</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>In other cases/For some regulations</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>No/Never</td>
<td>3</td>
<td>6</td>
</tr>
</tbody>
</table>

*Note: For this question, the range of possible answers differs in the 2008 and 2014 surveys. In the 2008 survey, the range is: always; for major regulation; in other cases; no. While in the 2014 survey, the range is: for all regulations; for major regulations; for some regulations; never.*

The OECD 2014 Regulatory Indicators Survey makes a distinction between primary laws and subordinate regulations. To take this specificity into account, for the 2014 data the figure considers both the answers for primary laws and the answers for subordinate regulations (using an either/or criteria of inclusion). As a consequence, the sample of countries comprised in the 2014 data is higher since it includes Greece, Belgium and Ireland twice (these countries provided different answers for primary laws and subordinate regulations).


32. However, recent reviews of RIA practices (as, for instance, the 2014 US Office of Information and Regulatory Affairs report\(^2\) or the 2009 UK National Audit Office report\(^3\)) show that a true assessment of the impact on specific social group into RIA is still a limited practice.

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“If a regulation would disproportionately help or hurt those at the bottom of the economic ladder, or those who are suffering from some kind of acute condition or extreme deprivation, relevant law may require or authorize agencies to take that fact into account. So far as we are aware, there is only limited analysis of the distributional effects of regulation in general or in significant domains” (US Office of Information and Regulatory Affairs, 2014).

33. This contradictory outcome may illustrate the gap between what regulators are asked to do (by law or based on specific guidelines) and their actual practices. It may also be explained by the relative confusion surrounding the definition of the “impact on specific social groups”. Indeed, this impact may be interpreted in two different ways: i) as the distributional impacts of a regulatory measure on different social groups; ii) as the specific impact on disadvantaged groups and inequalities. The first impact reflects the mere identification of the effects on those groups that are more affected by the regulatory proposals (identification of winners and losers). The second one reflects the “equity” perspective, and as such is closely related to the inclusive growth paradigm.

Assessment of distributional impacts

34. A review of selected countries’ practices in using RIA reveals that the importance of assessing distributional impacts as part of the RIA process is largely shared across countries. In many countries the RIA guidelines or handbooks require to integrate this type of evaluation. However, evidence shows that it is largely interpreted in the first way and has therefore an indirect connection only with social inclusiveness.

- In the US the RIA guidelines (Circular A-4) expressly ask officials to assess the distributional impacts of new regulatory proposals, even outlining these types of impacts in a specific separate section of the RIA document (see Box 3).

- In the UK the RIA handbook (Impact Assessment Toolkit) states that the “different parts of society which are likely to be affected also need to be identified, as well as the distribution of impacts between various groups”.

- The Canadian RIA guidelines (RIA Writer’s Guide) suggest including into RIA considerations regarding the distributional impacts, in terms of who wins and who loses: “Where possible [the RIA] should show how the costs and benefits are distributed across various affected parties (e.g., men or women, business and government, sectors of the economy, and regions of Canada)”.

- In Czech Republic the RIA framework requires that all groups affected by the regulation shall be identified through qualitative and quantitative analysis.

- In Mexico all the costs and benefits of a regulation must be evaluated separately including also specific estimations of each group of individuals, industries or regions that may be affected by them.

- In Australia the RIA framework includes the use of Cost-Benefit-Analysis (CBA) that takes into account the distributional effects of new regulations.

35. In several countries, there are methodological guidelines explaining how to assess distributional impacts.

- In the US the RIA guidelines (Circular A-4) provide some information on how to assess distributional impacts, specifying that the distributive effects should be described quantitatively
especially in situations where regulatory alternatives result in significant changes in the distribution of incomes across different groups.

- The UK HM Treasury Green Book provides information and guidelines on how the distributional impact analysis must be carried out, also indicating that the accuracy of the RIA should be proportional to the degree of the likely distributional impact (i.e. the larger the distributional effects the more accurate the RIA should be).

- In Switzerland the RIA guidelines offer detailed guidance on how to assess the distributional impacts of regulation, and proposes some methodological approaches to capture the distributional effects:  
  i) using the Gini index;  
  ii) examining the distribution of income among different groups through the use of quartiles or deciles;  
  iii) using poverty indicators;  
  iv) examining the different effects produced on men/women and married/cohabiting;  
  v) examining the different effects on regions/areas.

<table>
<thead>
<tr>
<th>Box 3. Requirement to assess distributional impacts (The US Circular A-4)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Distributional Effects</strong></td>
</tr>
<tr>
<td>Those who bear the costs of a regulation and those who enjoy its benefits often are not the same people. The term “distributional effect” refers to the impact of a regulatory action across the population and economy, divided up in various ways (e.g., income groups, race, sex, industrial sector, geography). Benefits and costs of a regulation may also be distributed unevenly over time, perhaps spanning several generations. Distributional effects may arise through transfer payments that stem from a regulatory action as well. For example, the revenue collected through a fee, surcharge in excess of the cost of services provided, or tax is a transfer payment.</td>
</tr>
<tr>
<td>Your regulatory analysis should provide a separate description of distributional effects (i.e., how both benefits and costs are distributed among sub-populations of particular concern) so that decision makers can properly consider them along with the effects on economic efficiency. Executive Order 12866 authorizes this approach. Where distributional effects are thought to be important, the effects of various regulatory alternatives should be described quantitatively to the extent possible, including the magnitude, likelihood, and severity of impacts on particular groups. You should be alert for situations in which regulatory alternatives result in significant changes in treatment or outcomes for different groups. Effects on the distribution of income that are transmitted through changes in market prices can be important, albeit sometimes difficult to assess. Your analysis should also present information on the streams of benefits and costs over time in order to provide a basis for assessing intertemporal distributional consequences, particularly where intergenerational effects are concerned.</td>
</tr>
</tbody>
</table>

*Source: US Circular A-4, available at [www.whitehouse.gov/omb/circulars_a004_a-4](http://www.whitehouse.gov/omb/circulars_a004_a-4).*

36. Similar requirements on distributional impacts can be found in the guidelines of other countries, such as in Austria, South Africa and the European Commission. However, in most cases, the guidelines do not provide any guidance on when to carry such an assessment and when not to do it. A brief examination of selected RIAs across countries confirms that generally countries tend to assess distributional impacts. However, in the majority of cases, this is done at a macro level only (identification of the impacts on macro groups, i.e. business, community and people, government).

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4. The Gini index is a measure of statistical dispersion intended to represent the income distribution of a nation’s residents, and is the most commonly used measure of inequality.
While there are examples of recent RIAs containing these assessments, it is only in few cases that the assessments of distributional impacts are detailed and the analysis on specific population subgroups is carried out. Examples of these are, for instance, the UK RIA of the *Statutory Code of Practice on Racial Equality in Employment* that focuses on the particular effects on ethnic minorities or the Canadian RIA on the *Regulations Amending the Immigration and Refugee Protection Regulations* that monetizes the costs produced by the regulatory proposal on specific subgroups, such as students and workers who reside in Canada under a temporary student permit or a worker permit.

The widespread importance of assessing distributional impacts and impacts on specific social groups is confirmed by the preliminary results from the OECD 2014 *Regulatory Indicators Survey*. According to this new survey, 23 countries and 21 countries declare that regulators are systematically required to identify the likely distributional effects and the impact on specific social groups of new regulation respectively (Figure 6).

**Figure 6. The impact on specific social groups and the assessment of distributional impacts (2014 data)**

<table>
<thead>
<tr>
<th>Impact on Specific Social Groups</th>
<th>Distributional impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>For all primary laws/subordinate regulation</td>
<td>21</td>
</tr>
<tr>
<td>For major primary law/subordinate regulation</td>
<td>1</td>
</tr>
<tr>
<td>For some primary law/subordinate regulation</td>
<td>9</td>
</tr>
<tr>
<td>Never</td>
<td>6</td>
</tr>
</tbody>
</table>

Note: The OECD 2014 *Regulatory Indicators Survey* makes a distinction between primary laws and subordinate regulations. To take this specificity into account, the figure considers both the answers for primary laws and the answers for subordinate regulations (using an *either/or* criteria of inclusion). As a consequence, the sample of countries comprised is higher since it includes Greece, Belgium, Estonia, France and Ireland twice (these countries provided different answers for primary laws and subordinate regulations).

Source: Preliminary Data from the 2014 Regulatory Indicators Survey.

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For example: in the UK (e.g. the RIA on the *Anti Social Behaviour Bill*), in New Zealand (e.g. the RIS on the *Proposed Adoption of the Australian/New Zealand Sunscreen Standard AS/NZS 2604:2012 Sunscreen Products*) and in Canada (e.g. the RIA on the *Order Declaring that the Reduction of Carbon Dioxide Emissions from Coal-fired Generation of Electricity Regulations do not Apply in Nova Scotia*).
Assessment of the impacts on disadvantaged groups and existing inequalities

39. By contrast, the importance of evaluating the impacts on disadvantaged groups and existing inequalities is less shared across countries. Only in few cases, the RIA frameworks and guidelines recommend including these types of assessments into RIA. Even where this is done, there is high heterogeneity across countries in the scope and depth of the analysis.

- In the US there are explicit requirements for the evaluation of the impacts on specific disadvantaged social groups (i.e. Executive Order 13045 – Protection of Children from Environmental Health Risks and Safety Risks; Executive Order 12898 – Federal Action to Address Environmental Justice in Minority Population and Low-income Population).

- In the United Kingdom, the RIA devotes particular attention to the assessment of inequalities across different social groups. For instance, the National Audit Office (NAO) considers the “lack of proper considerations on the equity impacts” as indicator for negatively judging the quality of RIAs. However, the integration of this impact is not a mandatory requirement and is, consequently, undertaken only on a voluntarily basis. Moreover, the consequences of RIAs considered of poor quality are not clear, i.e. is there a request for their modification or else.

- In some countries (for instance, Canada, South Africa or the European Commission), the approach to RIA explicitly requires the integration of different types of impacts (economic, social and environmental) related to inclusive growth. In Canada the Triage template (the preliminary step in the RIA process) expressly requires to consider the impacts on vulnerable social and economic groups, such as aboriginal, official language minorities, lower income Canadians, gender, children, the elderly, cultural groups and recent immigrants (see Box 4). Similarly, in the European Commission the RIA guidelines recommends to compare the impacts on vulnerable groups of the proposed regulation to evaluate whether it is likely to leave existing inequalities unchanged, to aggravate them or to reduce them.

- In Ireland the assessment of the effects on socially excluded and vulnerable groups is one of the main pillars of the RIA system. Both the RIA guidelines and other official documents explicitly mention this type of effect among the specific impacts to consider into RIA. In doing this the RIA should also appraise the likely impact on the inequalities that are likely to lead to poverty.

40. The examination of RIAs from a number of OECD countries confirms the low level of country assessment of the impacts on disadvantaged groups or existing inequalities. There are examples of these assessments in the US (see, for instance, the RIA for the Federal Implementation Plans to Reduce Interstate Transport of Fine Particulate Matter or the Ozone in 27 States) and in the UK (see, for instance, the RIA on the Maternity and Parental Leave (Amendment) Regulations 2006 and the Paternity and Adoption Leave (Amendment) Regulations 2006). In US, according to mandatory requirements (i.e. the Executive Orders 13045, 12898 and 13175), many RIAs assess specific issues, such as the impacts on children or the impacts on Indian tribal communities (see, for instance, the RIA on Proposed New Source Performance Standards and Amendments to the National Emissions Standards for Hazardous Air Pollutants for the Oil and Natural Gas Industry). These types of assessments are undertaken only when the regulatory proposal presents significant impacts on these issues. However, it is not clear how the presence (or not) of these impacts is appraised before the RIA is realised. Is their recognition systematically carried out a priori (i.e. through the use of specific threshold tests) or, otherwise, is it left to the arbitrary discretion of regulatory agencies?

41. A number of countries (i.e. Canada, UK, Italy and the European Commission) use a preliminary evaluation of the possible impacts that the regulatory proposal may produce on specific social groups (disadvantaged groups, tribal governments and people, etc.) as a threshold test to identify those regulatory proposals that require an extended RIA process. In other cases, the presence of inequalities across specific...
social groups is used as motivation to justify the occurrence of new regulation. For instance, the US may justify new regulations on the ground that they combat discrimination. Some countries use the likely impact on specific social groups to define the level of depth of the RIA. For example, in Ireland the more significant the impacts on socially excluded and vulnerable groups, the deeper the analysis.

Box 4. The Canadian RIA framework

The Canadian RIA framework requires to consider some impacts related to inclusive growth, as the impact on disadvantaged and vulnerable groups. Documentation of this is provided on several official documents.

Canadian Cost-Benefit Analysis Guide: Regulatory Proposals

Equity is frequently raised in the stakeholder analysis. There is no doubt that the impacts of policy actions on disadvantaged or vulnerable groups should be properly assessed and documented by analysts. However, incorporation of these impacts quantitatively into a cost-benefit analysis is nonetheless controversial. This reflects the complexity involved in trying to disentangle society’s distributional preferences. Because of these important concerns, analysts should identify the impacts on disadvantaged groups. Decision makers will almost certainly use this information in conjunction with the efficiency measure as captured by the cost-benefit analysis to evaluate trade-offs between equity and efficiency. In reality, efficiency will frequently not be the only criterion used to guide decision making. Decision makers may place great importance on society's distributional objectives. There may sometimes be a trade-off between efficiency and equity but not necessarily so. The issue is how far a cost-benefit test should be moderated in the light of equity and distributional considerations. For example, in the case of health care, decision makers may seek a balance between maximizing the overall benefits of health care interventions and directing interventions (and resources) toward certain groups such as low-income native communities. In summary, the economic net benefits of a policy for society as a whole should be equal to the summation of the net benefits across all stakeholders. Therefore, the analysis is important to decision makers, as it lets them estimate the impact of a particular policy on specific segments of society and to predict which groups will be net beneficiaries and which groups will be net losers.


Canadian Triage assessment template

The template of the Canadian Triage assessment process (the preliminary RIA step) expressly asks to appraise social impacts, providing specific consideration to vulnerable social and economic groups.

Impact on gender equality

42. Evidence from the 2008 OECD survey of Indicators of Regulatory Management Systems (OECD, 2009b) and from the 2014 Regulatory Indicators Survey suggests that many OECD countries tend to integrate the impact on gender equality into RIA (Figure 7). The trend has considerably strengthened between 2008 and 2014: almost two third of countries (22) declare including systematically the gender impact in their RIA in 2014, compared to 13 in 2008. This improvement is coherent with the Recommendation of the Council on Gender Equality in Public Life (OECD, Forthcoming) that suggests to “integrate gender impact assessments and gender considerations at early stages of the development, implementation and evaluation of policies, regulations and budgets (…) this would involve aligning ex ante gender impact assessments with broader government-wide policy development processes, such as regulatory impact assessment (RIA) and expenditure programme appraisal”.

Figure 7. Impact on gender equality: Comparison among 2008 and 2014 data

Note: For this question, the range of possible answers differs in the 2008 and 2014 surveys. In the 2008 survey, the range is: always; for major regulation; in other cases; no. While in the 2014 survey, the range is: for all regulations; for major regulations; for some regulations; never.

The OECD 2014 Regulatory Indicators Survey makes a distinction between primary laws and subordinate regulations. To take this specificity into account, for the 2014 data the figure considers both the answers for primary laws and the answers for subordinate regulations (using an either/or criteria of inclusion). As a consequence, the sample of countries comprised in the 2014 data is higher since it includes Greece, Belgium and Ireland twice (these countries provided different answers for primary laws and subordinate regulations).


43. In order to collect information about the various ways the impact on gender equality is integrated into RIA, the OECD carried out in 2011 a questionnaire to the Regulatory Policy Committee (RPC) delegates. 6 Responses to the questionnaire confirmed that the majority of countries measure the impact on gender equality in the RIA process, at least formally. However, the answers received to the questionnaire also showed that the incidence of this type of assessment is rather poor, especially in terms of policy changes as a result of gender analyses. A number of countries declared being unable to estimate regulatory

changes resulting from the introduction of a gender analysis. Others affirm that the introduction of a gender analysis into the RIA process has mainly increased awareness and dialogue on gender issues amongst policy-makers.

44. On the other hand, there are also countries that provide specific examples of policies that were changed as a result of gender analyses. For example, when in 2002 Finland was drafting a new law for occupational health and safety, a gender analysis was conducted which brought up the need to reconsider the entire content of what was included under occupational safety and risks. This led to the inclusion of issues other than just physical risks posed in factories and construction, such as mental health issues and risks of violence in public healthcare. These inclusions were seen as bringing big improvements to the new law. 7

45. The questionnaire also revealed that the extent and depth of the gender analysis varies widely across countries, ranging from formal legal requirements to mere expectations. The form that the assessment takes differs also importantly across jurisdictions.

46. In some countries the legislation expressly requires that a gender impact assessment be completed as a separate analysis that accompanies RIA. This is the case for example in Sweden and Austria:

- In Sweden, a gender analysis is performed as part of the law drafting and preparation process, by the actors responsible for the process. In bills and government inquiries a separate section (or chapter) is presented on the assessment of impact on gender equality. The analysis is performed in relation to the gender equality policy goals, where an assessment is done concerning whether proposals contribute to the implementation of the gender equality goals, or if they hinder fulfilment of the goals.

- In Austria, the measurement of a regulation’s impact on gender equality has been a requirement since the decision of the Austrian Council of Ministers of 2004. This occurs in the form of a separate set of questions outside the RIA questionnaire. This gender analysis is required for particular types of regulation namely laws and ordinances which form the main part of the regulatory output in Austria. Moreover, the new RIA process (Wirkungsorientierte Folgenabschätzung) contains an explicit set of rules for assessing the impact on gender equality, combined with a new handbook and training for the users.

47. In other countries, the legislation requires to account for the gender impacts within the RIA process. Thus, the examination of gender effects is carried out as a component of a unique impact assessment and not as a separate test from RIA:

- In Luxembourg, assessing the impact on gender equality has been a requirement of the RIA process since 2010. This analysis is required in every new legislative text. Results of this analysis are incorporated into the RIA, in a section entitled “Égalité des chances”.

• In Portugal the assessment of the impact on gender equality is incorporated as part of the broader RIA assessment for legislative acts by the government, regulatory decrees and resolutions. The Portuguese RIA document includes an item describing whether the act has or does not have implications for gender equality.

• In Spain the gender impact assessment is a section within the RIA document that must accompany all regulations adopted by the government. The gender impact assessment is required for all policies that affect individuals.

• In Turkey, the impact on gender equality has been an element of RIA process since 2000. When identifying likely impacts on gender equality, relevant public agencies and ministries should answer specific questions that are outlined in the guidelines.

48. Finally, there are also countries that do not present explicit legislative requirements but expect impact on gender equality to be integrated into RIA:

• In France, the impact on gender equality is included in the list of possible impacts to be examined in the RIA. This element is included in the documentation under social impacts: “Equality of treatment between men and women, and reduction of discrimination”.

• In Hungary, impact on gender equality is not a separate element for consideration within the RIA process but is expected to be part of the broader RIA’s examination of social impacts.

• In Japan, impact on gender equality can be considered as a factor which affects society and economy in a broad sense. This impact is considered as an element of a broader assessment and thus does not require a separate test.

• In New Zealand the impact on gender equality is not explicitly mentioned in the RIA requirements or guidance. However, it is expected that the regulatory impact statements will document all substantial impacts, including effects on gender should they be significant.

49. A good example of RIA assessing gender equality issues is the Australian regulatory impact statement on Prohibiting Discrimination on the Basis of Sexual Orientation, Gender Identity and Intersex Status. In this RIA the impacts on gender equality are the central elements of the impact assessment process. The RIA tries to quantify the costs and benefits produced, in terms of gender discrimination, on individuals, business and Commonwealth agencies.

50. In addition to formally or informally requesting the analysis of gender impacts, many countries provide detailed guidelines on how to assess this type of impacts (Box 5). This is in line with the Recommendation of the Council on Gender Equality in Public Life (OECD, Forthcoming) to “provide clear guidelines, communication and expectations to public institutions about the process of the application of gender impact assessments”. In some cases, countries go beyond mere guidance by providing the tools and training to the responsible officials. This is likely to support greater uptake and implementation.
Box 5. Advising policy makers on how to assess the impact on gender equality

The secondment of experts in Sweden

In Sweden, a manual with guiding questions to ask as part of the assessment process is provided for support within the government offices. Moreover, experts are assigned to assist various ministries and departments in ensuring that a gender perspective is integrated into policy processes. These experts are temporarily seconded to various ministries and departments in order to help develop methods and routines to perform the gender analysis. Key elements are:

- Seminars and training of leaders, officials, committees of inquiry
- Implementation of newsletters and networks
- The development of gender methods and methodology
- Analytical tools for gender analysis
- Gender approaches in evaluation systems


Institutional set-up and training in Finland

In Finland, the Gender Equality Unit in the Ministry of Social Affairs and Health has, in recent years, organised training seminars for civil servants on the basics of gender impact analysis. The Unit has also produced a guidebook on gender equality mainstreaming, in which the basics and the means of gender analysis are presented. Additionally, in 2008 the government opened a Centre for Gender Equality Information, which provides information, research and news relevant to the gender equality perspective. The advices of the Gender Equality Unit in the Ministry of Social Affairs and Health can be used in all preparatory work for legislation and decision making, and in the preparation of broad projects, programmes and measures. Key elements are:

**Step 1: Put on your gender glasses**

Examine each matter at every stage of preparation from the perspective of women and men. At the start of the preparatory stage, examine:

- how the matter affects women and men, girls and boys;
- what you already know about the situations and needs of women and men;
- what more you need to find out; and
- Use the gender perspective (people = women and men) as one of the examination perspectives throughout the preparation work.

**Step 2: Assess gender impact**

Gender impact assessment refers to the separate assessment of impacts from the perspective of women and men and gender equality. Gender impact assessment is carried out as standard working practice. Gender impact is always assessed when operations have an effect on different groups of people.

Assess gender impact:

- by statistical analysis; how do women's and men's situations differ?
- by conducting further research; how do the differences in women's and men's situations affect issues in the preparatory work?
- by listening to experts and interest groups; how do they assess the gender impact?
Step 3: Take note of the results

- Include the gender perspective when drawing up the final presentation.
- Examine the impact of gender perspective on the final content.
- Highlight the results of gender impact assessment and how the assessment was implemented.
- If an impact assessment was not carried out, present the reasons.
- Gender perspective must also be considered throughout the monitoring and follow-up stages.


Impact on poverty

51. Evidence from the 2008 OECD survey of Indicators of Regulatory Management Systems (OECD, 2009b) and the 2014 Regulatory Indicators Survey shows that the number of OECD countries that always include impacts on poverty into RIA grew significantly between 2008 and 2014. However, this improvement started from a low base (only 7 countries did it systematically in 2008) and, in 2014, 9 countries still do not do it at all.

Figure 8. Impact on poverty: Comparison among 2008 and 2014 data

<table>
<thead>
<tr>
<th>Does RIA include the assessment of the impact on poverty?</th>
<th>2008</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Always/For all regulations</td>
<td>7</td>
<td>16</td>
</tr>
<tr>
<td>For major regulation/s</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>In other cases/For some regulations</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>No/Never</td>
<td>9</td>
<td>11</td>
</tr>
</tbody>
</table>

Note: For this question, the range of possible answers differs in the 2008 and 2014 surveys. In the 2008 survey, the range is: always; for major regulation; in other cases; no. While in the 2014 survey, the range is: for all regulations; for major regulations; for some regulations; never.

The OECD 2014 Regulatory Indicators Survey makes a distinction between primary laws and subordinate regulations. To take this specificity into account, for the 2014 data the figure considers both the answers for primary laws and the answers for subordinate regulations (using an either/or criteria of inclusion). As a consequence, the sample of countries comprised in the 2014 data is higher since it includes Greece, Belgium and Ireland twice (these countries provided different answers for primary laws and subordinate regulations).

However, the number of countries that include this impact into RIA is still partial, especially if compared with the other two types of impacts related to inclusive growth (impact on specific social groups and impact on gender equality). This evidence is not surprising given that only few countries provide specific guidance into their RIA guidelines or handbooks on the assessment of this type of impact. One possible reason for the limited coverage of poverty within RIA may be the proximity of this issue with other ‘equality’ concerns, such as the effects on vulnerable groups, which are more systematically integrated into RIA. In Canada, for instance, RIA guidelines recommend to assess and document the impacts of policy actions on disadvantaged or vulnerable groups (i.e. the lower income Canadian or the recent immigrants), which indirectly capture poverty impacts.

Ireland provides an example where the impact on poverty is specifically assessed. The Cabinet handbook requires to “indicate clearly the impact of the proposal on groups in poverty or at risk of falling into poverty in the case of significant policy proposals”. The RIA guidelines reinforce this requirement by recommending to systematically carry out a Poverty Impact Assessment (PIA) on the impacts of regulations on social exclusion and vulnerable groups. The main elements of PIA are provided in Box 8. According to the guidelines, the impact on poverty should be estimated by quantifying the number of people hit by poverty effects or by estimating the depth of poverty experienced (i.e how far below the poverty line people are, as effect of the regulatory proposal). Moreover, the PIA requires quantifying the extent of the impact on each of the groups identified as the most vulnerable to poverty (i.e. lone parent families, families with large numbers of children, people with disabilities, unemployed people, people experiencing rural disadvantage, people experiencing urban poverty, homeless people, migrants and ethnic minorities). In 2008 the Office for Social Inclusion within the Irish Department of Social Protection published a document providing specific guidance on how to conduct a PIA. In this perspective, PIA appears quite similar to a SIA focusing on poverty aspects.

A good example of PIA is the Poverty Impact Assessment of the One Parent Family Payment Review. This PIA performs a full impact assessment of the likely effects produced by the regulatory proposal in terms of poverty creation. As first stage the PIA outlines the primary objectives of the regulatory proposals and the target groups that the proposal would reach. Then the PIA measures the impact on poverty that the proposal has for the vulnerable groups (i.e. children and young people, people of working age, older people, people with disabilities, women, members of the travelling community, prisoners and ex-prisoners, people experiencing rural disadvantage, etc.). Finally, the PIA assesses how the proposal addresses the inequalities which may lead to poverty and contribute to achieve inclusive targets.

<table>
<thead>
<tr>
<th>Box 6. The Irish poverty impact assessment process</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stage 1. Screening</strong></td>
</tr>
<tr>
<td><strong>Stage 2. Full Poverty Impact Assessment</strong></td>
</tr>
<tr>
<td><strong>Step 1: Consultation</strong></td>
</tr>
</tbody>
</table>

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Step 2: Define Policy Aims and Target Groups

- What is the primary objective of this policy/programme/expenditure proposal?
- Who is the proposal aimed at and how would the proposal affect those persons or groups?
- What are the differences within the target group/between the target groups which might lead to them benefiting from the policy/programme in different ways and how could these be addressed?

Step 3: Identify Available Data and Research

Step 4: Assess Impacts and Consider Alternatives

- What type of impact on poverty (either in terms of numbers in poverty or level of poverty) would the proposal have on each of the vulnerable groups identified?
- If the proposal would have no effect on poverty what options might be identified to produce a positive effect?
- If the proposal would have a positive effect would it help to prevent people falling into poverty, reduce the level (in terms of numbers and depth) of poverty or ameliorate the effects of poverty? (specify). Explain how these positive effects are achieved and consider whether the position could be improved upon.
- If the proposal would have a negative effect (i.e. it would increase either the numbers in poverty or the level of poverty experienced) what options could be considered to ameliorate this effect?
- Would the proposal contribute to the achievement of the inclusion goals and targets? If yes, explain how this is the case and whether the position can be improved further. If no, can anything be done so that it does contribute to the goals and targets?
- Would the proposal address the inequalities which may lead to poverty? If not, can anything be done to address the inequalities?

Step 5: Make Decision and Arrange Monitoring

Will this proposal be adopted?
If the proposal is to be adopted, how will its impact on poverty be monitored?

Step 6: Publish Results

Step 7: Return Summary Sheet to the Department’s Social Inclusion Liaison Officer.


Impact on employment / job creation

55. The 2008 OECD survey of Indicators of Regulatory Management Systems (OECD, 2009b) and the 2014 Regulatory Indicators Survey do not provide information on whether RIAs of OECD countries involve an evaluation of the impacts on employment or job creation. However, the examination of many RIA guidelines and handbooks suggests that a number of countries present explicit requirements or recommendations to integrate this type of assessment into RIA.
56. In the US, Executive Order 12866 requires to carry out an extended RIA process for significant regulations, by defining as “significant regulatory action” any regulatory intervention that may adversely affect in a material way some economic and social issues among which the job. For these cases, the Executive Order 12866 explicitly asks RIAs to assess the adverse effects on employment (see Box 7). Thus, the possible negative impact on employment is used as a sort of threshold test to identify those regulatory proposals that require an extended RIA process which involves also the assessment of the effects on employment. However, it is not clear how the preliminary evaluation of the impact on employment is carried out before applying the extended RIA. A recent and very good example of this type of assessment is the US RIA for the Proposed Carbon Pollution Guidelines for Existing Power Plants and Emission Standards for Modified and Reconstructed Power Plants.

57. In the European Commission the RIA guidelines present a list of the different impacts that should be integrated into RIA. Some of these impacts are related with employment / job creation. In Canada the cost-benefit analysis guidelines recommend to implement (in parallel to the cost-benefit analysis) a specific stakeholder analysis that aims at assessing the effect of regulation on various entities or stakeholders. The guidelines suggest including as part of the stakeholder analysis an estimation of the impact on employment (see Box 8). However, little methodological information is provided on how to conduct the stakeholder analysis and how to integrate the impact on employment.

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**Box 7. United States: Assessment of adverse effects on employment**

In US the Executive Order 12866 requires RIAs to include assessments of significant regulation’s effects on the functioning of the economy and on employment.

“For those matters identified as, or determined by the Administrator of OIRA to be, a significant regulatory action (…), the agency shall also provide to OIRA the following additional information developed as part of the agency’s decision-making process (unless prohibited by law):

An assessment, including the underlying analysis, of benefits anticipated from the regulatory action (such as, but not limited to, the promotion of the efficient functioning of the economy and private markets, the enhancement of health and safety, the protection of the natural environment, and the elimination or reduction of discrimination or bias) together with, to the extent feasible, a quantification of those benefits;

An assessment, including the underlying analysis, of costs anticipated from the regulatory action (such as, but not limited to, the direct cost both to the government in administering the regulation and to businesses and others in complying with the regulation, and any adverse effects on the efficient functioning of the economy, private markets (including productivity, employment, and competitiveness), health, safety, and the natural environment, together with, to the extent feasible, a quantification of those costs; and

An assessment, including the underlying analysis, of costs and benefits of potentially effective and reasonably feasible alternatives to the planned regulation, identified by the agencies or the public(including improving the current regulation and reasonably viable non regulatory actions), and an explanation why the planned regulatory action is preferable to the identified potential alternatives.”

Box 8. Canada: Integrating the impact on employment into the stakeholder analysis

Regulations may impair the competitiveness of certain firms. Some firms may close as a result of extremely high compliance costs and low financial profitability. Such closures might have serious political ramifications for the region where the firm is located. This can vary from case to case. The analysis should examine the viability of the firms affected in terms of their profitability, liquidity, and cash flow. It should assess the number of firms being affected in the industry and by region. Since jobs are one of the most important concerns for workers and politicians, the number of workers affected by the plant closures should be estimated.

That being said, it should be noted that the social loss or loss of private incomes as a result of plant closures should be carefully assessed and included as part of the stakeholder analysis. It should be measured by the earnings prior to the closure in excess of the economic opportunity cost of the laid-off workers. The opportunity cost of workers will vary by occupation, skill level, working environment, market condition, region, and unemployment insurance scheme.


58. There is a number of methodological challenges related to the assessment of the impact on employment / job creation. As suggested by the US Office of Management and Budget (OMB), three main pitfalls generally occur in undertaking these types of assessments:

- **Expecting a precise, measurable impact from most individual regulations.** Only a small fraction of individual regulations or agency actions will have a large enough effect to allow for measurement of changes in gross domestic product (GDP) or national employment. It is the cumulative sum over time of many small changes that may be significant in these areas.

- **Ignoring long-run or indirect impacts.** Many regulatory actions have direct, short-run effects that are mitigated by long-run market adjustments. Indeed, these apparent reductions or increases in employment often will, in the medium or long run, turn out to be shifts in employment between economic sectors.

- **Ignoring the importance of timing.** With employment-related policy goals, timing is often essential, e.g. spurring job creation is much more desirable during an economic downturn than during expansionary portions of the business cycle. Regulatory development, meanwhile, typically involves years of assessing evidence on the need for and effect of regulation; also, once issued, many regulations will remain effective indefinitely. Given their development and effectiveness timeframes, very few regulations that were originally motivated by policy goals unrelated to employment will be well-suited to targeting job creation when it is most needed.

59. The European Commission RIA guidance for assessing social impacts provides some methodological information on how to assess the impact on employment and labour market (see Box 9). According to this guidance, when analysing this impact, it is important to estimate the direct and indirect effects in terms of absolute variations of the number of jobs (created, destroyed or transformed), by distinguishing the anticipated short-term effects from the anticipated medium term effects. As far as possible, these estimations should also be expressed in terms of employment rates, unemployment rates

10. The Office of Management and Budget (OMB), which is part of the Executive Office of the US President, through the Office for Information and Regulatory Affairs (OIRA), has the responsibility for overseeing RIAs and providing information and guidance on how conducting RIA.
and net effects. It will often be useful to establish more detailed breakdowns, by sector and type of employment (types of contract, levels, etc.). Finally, the guidance suggests also to identify which population group will benefit from the creation of new jobs.

**Box 9. European Commission: Methodological guidance to assess the impact on employment and labour market**

**Does the option facilitate new job creation?**

Employment effects may occur in the sector directly affected by a proposal or in other sectors. Effects can be expressed in terms of absolute variations of job numbers and distinguish the short term from medium/long-term effects. Estimates may also be expressed in terms of employment growth rates by sector, type of employment, geographical area, and sectors. Given that effects can be different across categories of workers (skilled vs. unskilled) and specific groups (disabled, women, older workers, young workers, unemployed, unskilled), it is important to identify which population group will benefit from the creation of new jobs.

**Does it lead directly to job losses?**

Some policy measures can create adverse effects on specific sectors and labour markets with the risk of job losses. ‘Lost’ jobs can go into (early) retirement, inactivity or unemployment. It is important to specify which groups are likely to be the most affected and provide estimates of the scale of the effects (see also job creation above).

**Does it have specific negative consequences for particular professions, groups of workers, or self-employed persons?**

Initiatives favouring specific activities or technologies can threaten workers specialized in the tasks related to these activities or technologies. Social consequences can moreover extend to public health (stress and work related illnesses) and exclusion of individuals and groups. Wage differentials across regions correspond to diversities in average salaries (for comparable labour categories, i.e. the same tasks to be accomplished, same level of qualification and risk of operations) earned in different EU regions.

**Does it affect particular age groups?**

Analysis should identify whether the option affects employees’ or employers’ decisions and is a source of delayed entry or premature exit from the labour market. The underlying assumption is that longer working lives lead to provision of adequate and sustainable social protection benefits (primarily old-age pensions). As labour market adjustments should not be carried out at the expense of older workers, the employment rates of older workers (age of 55-64), legal retirement age, and the exit age from the labour market could be used as reference.

**Does it affect the demand for labour?**

Labour demand depends on the one hand on the production of good and services in an economy, and on the other hand on the price for labour (wages including labour related costs like direct taxes and social insurance contributions). Labour demand can be described in quantitative terms (like job offers, changes in the number of employees, hours worked) and in qualitative terms (type of qualifications requested). Expected changes in labour demand need to be compared with the labour supply. Will the labour market be able to smoothly provide the new qualification profiles and will those who lose their previous job find opportunities to re-enter the labour market in a way which makes use of their productive potential?

**Does it have an impact on the functioning of the labour market?**

This concerns macroeconomic impacts such as labour market participation, the long term unemployment rate; regional differences in employment rates; wage levels and stability and their links to aggregate demand and supply; and labour productivity. Labour supply is thereby influenced by a broad range of variables, beginning from absolute wage levels, relative wage levels in one sector as compared to another sector, but also the institutional arrangements made to reconcile professional and private life and the efforts to facilitate diverse forms of mobility. Policies can affect the functioning of labour market directly (e.g. limiting the barriers to new entrants in administrative or legal professions) or indirectly, by requesting skill upgrade for certain professions or tasks. Some policies may also affect market structure, favour concentration, thus reducing the possibility for self-employed persons to compete effectively.

CONCLUSION AND WAYS FORWARD

60. The purpose of this paper is to examine how countries use regulatory policy tools to integrate issues of inclusive growth into policy-making. More specifically, the paper focuses on the practices of a specific regulatory tool (Regulatory Impact Assessment) in assessing impacts related to inclusive growth, such as i) impacts on specific social groups, ii) impacts on gender equality, iii) impacts on poverty and iv) impacts on employment/job creation.

61. The paper demonstrates that the countries’ practices in integrating these types of impacts into RIA are quite heterogeneous. Looking at the first type of impact – impacts on specific social groups – evidence shows that the importance of assessing the impact on social groups in terms of distributional effects (the identification of those groups most affected by a regulatory proposal) as part of the RIA is largely shared across countries, and many RIA guidelines and handbooks require these types of analyses. However, the examination of some RIA examples has revealed that, in the majority of cases, these assessments focus only on macro groups (e.g. government, firms/business, citizens) without analysing the effects on specific population subgroups. By contrast, the importance of evaluating specific impacts on disadvantaged groups and existing inequalities is less shared across countries, and only in few cases RIA guidelines and handbooks recommend to assess these typologies of impacts.

62. Evidence shows that many countries integrate impacts on gender equality into RIA. However, there is high heterogeneity in the countries’ practices in doing so. In some cases, the legislation expressly requires to include the effects on gender equality into the RIA. In others, there is no explicit requirement and the evaluation of this impact is generally included when the regulatory proposal is shown to affect gender issues. Only in few cases the legislation requires to implement a gender impact analysis as a specific test separate from RIA.

63. Only few countries tend to integrate impacts on poverty into the RIA process even if the preliminary results from the OECD 2014 Regulatory Indicators Survey (OECD, 2014) show some considerable improvements. The low integration of this type of impact may result from the fact that the “poverty” impact is captured by other impacts already covered by the RIA, such as the impact on social groups; or by the fact that this specific issue (impact on poverty) is taken up only by poorer countries. Similarly, only few countries integrate impacts on employment/job creation into RIA. This may be due to the methodological problems in measuring this 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.

64. Most countries may be described as being at an early stage of using their regulatory management tools in a strategic manner, including to address critical issues of inclusive growth. This is a general result of the forthcoming OECD Regulatory Policy Outlook. It can also be inferred more specifically in relation to fostering the inclusive growth agenda of countries from the review of available evidence on country practices: while the assessment of distributional impacts is part of the RIA practices of many countries, most of them remain one step away from evaluating specific impacts such as the effects on disadvantaged social groups, poverty or employment/job creation (Figure 9). The only impact related to inclusive growth that is generally part of the RIA analyses is the impact on gender equality. But even in this case, it is not clear that the collected evidence is used dynamically to design gender friendly policies.
Figure 9. The assessment process of inclusiveness issues through RIA

Source: Authors’ own elaboration.

65. The limited evidence on countries’ practices in assessing impacts related to inclusive growth in the RIA process questions the adequacy of using this instrument to promote inclusive growth. Other tools, for instance SIA or PIA, may be more relevant if used more systematically, and in coherence with the RIA process. The OECD 2014 Regulatory Indicator Survey does not provide information on how countries use these tools, since they do not belong to the regulatory domain. However, a number of academics argue that they may be better suited to assess social impacts. Following these insights, the paper raises the question of an integrated approach to the different assessment tools (RIA, EIA, SIA and PIA). Countries may choose between the adoption of specific tools to assess social impacts (such as SIA, PIA or EIA) or the integration of social objectives into RIA. An integrated approach would theoretically allow for better consideration of the trade-offs across the various policy objectives and a more coherent approach to policy making. On the other hand, some academics argue that more integrated approaches may lead to a weakening of social and environmental considerations by overloading the RIA procedures. However, a full understanding of the pro and cons of the alternative strategies is still missing and could be the object of future research agenda.

66. An alternative view, aiming to capitalise on the advantages of both strategies, could be the development of different assessment tools characterised by appropriate objectives, resources and competences (i.e. RIA, SIA, PIA, etc.) within a unique impact assessment framework (see Figure 10). This option represents just a preliminary proposal that should be the object of a more detailed investigation. The
specific features of this integrated approach would need to be carefully defined and consider the availability of resources and competences within regulatory agencies. For instance, following the proportionate approach advocated in the Recommendation of the Council on Regulatory Policy and Governance, it may be more efficient to apply these assessment tools only once the effects of regulation in a specific field (social, environmental) reach a certain level. In this situation, the use of SIA, EIA and PIA would be determined based on an initial specific threshold test that would assess their relevance for the regulatory proposal at hand.

Figure 10. Proposing an integrated impact assessment framework

<table>
<thead>
<tr>
<th>INTEGRATED IMPACT ASSESSMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Should the SIA be implemented for every regulatory proposals? Or only for proposals presenting explicit social effects?</strong></td>
</tr>
<tr>
<td><strong>SIA</strong></td>
</tr>
<tr>
<td>• Identification of different types of social impacts</td>
</tr>
<tr>
<td><strong>Threshold test (?)</strong></td>
</tr>
<tr>
<td><strong>RIA</strong></td>
</tr>
<tr>
<td>Cost-Benefit analysis</td>
</tr>
<tr>
<td>• Identification of economic impact</td>
</tr>
<tr>
<td>• Competitiveness impact</td>
</tr>
<tr>
<td>• Other economic, administrative and regulatory impacts</td>
</tr>
<tr>
<td><strong>Threshold test (?)</strong></td>
</tr>
<tr>
<td><strong>Other tools</strong></td>
</tr>
<tr>
<td>(i.e. EIA; PIA)</td>
</tr>
<tr>
<td>• Identification of environmental impacts (EIA)</td>
</tr>
<tr>
<td>• Identification of poverty impacts (PIA)</td>
</tr>
<tr>
<td>• Others impacts</td>
</tr>
</tbody>
</table>

Level of integration depending on:
• **Policy objectives:** whether social issues are central into the policy-maker agenda
• **Availability of resources and capabilities**

Source: Authors’ own elaboration.

67. In that perspective, there is a role for government guidance on RIA to clarify what is expected from ministries in relation to mainstreaming IG considerations in the RIA process. The evidence collected in support of this paper has revealed the discrepancy between the requirements as part of the RIA guidelines and countries’ practices. While the guidelines stress the need to evaluate these impacts, in practice, the evaluation of these effects remains limited. Better specification of what is expected from ministries may help foster the IG agenda.

68. For instance, countries could clarify into their RIA guidelines or frameworks if the assessment of distributional impact is compulsory or not, for which specific types of regulation such assessment is required and which level of analysis is expected (macro analysis versus micro analysis). Moreover, the guidelines should define how to display this type of impact within the RIA document. For instance, in the US the RIA guidelines expressly state to measure and outline the distributional impact into a specific section of the RIA document. Displaying the distributional impact into a specific part of the RIA rather than inserting it into the generic assessment of costs and benefits helps stakeholders to better focus and consider distributional aspects. Clarifying the methodology and providing the tools on how to measure distributional impacts (both quantitatively and qualitatively) would also go a long way to support line ministries in assessing impacts that are mostly of qualitative nature. A number of countries (including
Austria, UK, Switzerland) provide guidance and methodology to assess the distributional effects. For instance, in Sweden a manual with guiding questions on gender equality to ask as part of the assessment process is provided for support to regulators. Moreover, there are also experts to assist regulators in the gender equality impact assessment process. Similarly, the European Commission guidance for assessing social impacts provides some methodological information on how to assess the impact on employment and labour market while Spain developed a methodological guide providing information on how to conduct a gender impact assessment. In Finland some training seminars on the basics of gender analysis are provided to regulators.
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