

Summary:

“Business Test Panel” – an evaluation of a method

What is a “Business Test Panel”?

The authorities and the private business community in Norway want more thorough consideration of the consequences of new regulations for private businesses. A “Business Test Panel” is a method for surveying these consequences. The Ministry of Trade and Industry, Norway, wants to consider whether to introduce business test panels as a routine practice in Norway in response to this need.

Evaluation of a pilot project

The Ministry has consequently carried out a pilot project using a business test panel in three matters. In this pilot project Statistics Norway submitted a standard questionnaire and a description of the regulation to a panel of 950 businesses in each case. The questionnaire data were analyzed and reports sent to the relevant authorities. In addition regular hearings were carried out in the three test cases.

The Ministry of Trade and Industry has contracted the TØI to evaluate this pilot project.

Conclusions

The conclusions of the evaluation are:

?? Business test panels may be a suitable method to improve the decision basis if the use of test panel is put into a wider context. To assess the results of a business test panel, to assess the validity and to draw conclusions for use in the practical executive process, it is of utmost importance that the government agency itself considers in advance the possible administrative consequences of the new regulation and the businesses that may be affected. A business test panel cannot replace these considerations, but it can be a method for improving the consideration of consequences, including more representative information and possibilities of testing the hypotheses of the consequences of the regulation. The relevant agencies in the three matters included in the pilot project did not consider sufficiently the type of businesses affected or the administrative consequences to be expected. This lack of consideration has affected the descriptions of the regulations, which in turn have influenced the response from the businesses.

- ?? The pilot project would have gained from closer management by the Ministry of Trade and Industry. Because of time constraints it was, however, impossible to choose matters ideal for business test panels. In the pilot project no one had a comprehensive responsibility for selecting appropriate cases for the test panels or for seeing to it that the descriptions of the new regulations were adequate. In two of the three cases the matters were not appropriate for test panels. One of the matters affected only a few of the businesses in the test panel. In the second matter the identification of the specific changes was difficult. Moreover, the kind of businesses mostly affected, individual enterprises, was not included in the test panel for practical reasons. These problems affected the results of the pilot project, and consequently the method of business test panel was not adequately assessed. On the other hand, this experience shows the importance of adequate descriptions of the regulations and of selecting matters suitable for business test panels.
- ?? The information value of the test panels in the pilot project is suffering from the above shortcomings. Even if the test panels produce other information than what appears through ordinary hearings, the question may be asked whether the businesses included in the test panel have understood the questions correctly. This doubt makes the executive officers question the results of the test panels, and consequently, they attach little importance to the results. Furthermore, the officers think that the results are presented in a way that gives next to no relevant information. The Confederation of Norwegian Businesses and Industry agrees with the executive officers on the information value of the test panel results in the pilot project, emphasizing that the test cases were not appropriate for test panel.

Minimal effect of Business Test Panels in three test cases

We have assessed the quality of the information appearing from the test panels in the three test cases as well as the use of this information in preparing the bills. We have found that:

- ?? test panels produce *other* information than traditional hearings, simply because business test panels emphasize consequences for private businesses whereas traditional hearings emphasize other aspects of new regulations.
- ?? the information produced by test panels is not *different* from traditional hearings, in the sense that those statements that do consider consequences for the private businesses usually come up with the same matters as the test panel. Thus, the test panel supports the statements considering consequences for the private businesses rather than producing new information.
- ?? in the three test cases the description of the new regulations and the questionnaire have not been sufficiently clearly outlined to make the businesses in the test panel reply correctly. Consequently, it is impossible to say whether the information from the test panel is more representative.

As to the use of information from the test panel, we find that the executive officers attach little importance to this information, the reasons being that:

- ?? the officers question the results of the test panels because they suspect that the businesses have neither been able to determine whether they are affected nor have seen the full consequences of the new regulations.
- ?? the officers do not consider the test panel results relevant.
- ?? other factors than the administrative consequences carry more weight in the consideration of the execution of the regulation in question.

Method

The above conclusions were made after consideration of the dossiers of the pilot cases as well as interviews with the executive officers. Representatives of the Confederation of Norwegian Businesses and Industry were asked about their opinion of the test panel pilot project. Moreover, the test panel experiences from Denmark, where test panels have been in operation since 1997, were discussed in a meeting with the pertinent Danish authority.

The execution of business test panels needs improvement

If the use of business test panel is to be continued in Norway, the execution of the test panels must be improved. Proposals for improvement are described below.

Business Test Panels or another method for assessing consequences?

Business test panels should only be used in matters appropriate for this method. We would recommend that business test panels be applied as one of several methods for surveying consequences for private businesses.

Who is affected? Decisive for validity

An assessment of who is affected and the kind of consequences in question, is a condition for the execution of business test panels. Business test panels are one of several methods for assessing consequences, rather than an alternative to considerations within the relevant ministry.

Administrative consequences should be defined and be included in the Instructions for Official Studies and Reports

The businesses in the test panel need a precise definition of administrative consequences to be able to distinguish between administrative consequences and other consequences. The questionnaire should also be designed so as to distinguish between different kinds of consequences.

The duty of considering the economic consequences for private businesses is established by the Instructions for Official Studies and Reports. We propose that this duty be defined to include the administrative consequences as well.

Trusting the results is a condition to attaching importance to them

A question to check whether the businesses have understood the approach correctly should be added to the questionnaire. Odd results should be followed up by telephone checks or outlier analysis. Moreover, the ministry responsible for the matter should have the possibility of meeting representatives of the businesses in the test panel to discuss the specific consequences. Such meetings would point out further details about the consequences and possible solutions. These improvements should increase the executive officers' trust of the results.

Training and presentation

The executive officers could need training in the use of the test-panel results. Due to the large number of officers, presentation meetings with government bodies may be more practical.

In the presentation of the test-panel results the sample results as well as the blown-up results should be described. For each question the statistical basis for generalization should be accounted for.

Responsibility and systematic follow-up

The responsibility of assessing whether a test panel is an adequate method in each case and that test panels are actually carried out properly should be placed in an organizational unit where commitment can be made to this work. This unit should take the responsibility of assessing whether the administrative consequences for industry and commerce are sufficiently considered. This unit should also advise the ministry in question as to the possible need for further consideration, e.g. by a business test panel, a focus panel or further consideration within the ministry. This unit should also be responsible for further development of the methods for inquiry into the administrative consequences. Business test panel should be one of these methods. The ministry in question should take the responsibility for the inquiry into the consequences – with or without the use of a test panel.