

IMPACT ASSESSMENT IN LEGISLATIVE DRAFTING

Guidelines

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Foreword

On 1 November 2007, the Government adopted these Impact Assessment Guidelines upon presentation by the Ministry of Justice. The Guidelines supersede the earlier Government resolutions on economic impact assessment (1998), environmental impact assessment (1998), business impact assessment (1999) and regional development impact assessment (2003). The new Guidelines are to be taken into application immediately with respect to new regulatory projects and, in so far as possible, also with respect to pending projects.

The Impact Assessment Guidelines supplement the Bill Drafting Instructions (2004). It is a requirement that impact assessment is taken duly into consideration and that all Bills contain a brief description of the impact of the proposed provisions, that is, the consequences of the application of the provisions.

Impact assessment covers the economic impact of proposed regulation, its administrative impact, environmental impact and social impact. The importance of impact assessment as an element of the drafting process and its various stages is emphasised. The Guidelines describe, sector by sector, what kinds of impact may be involved, how the impact may be assessed, and what methods and information sources are available for this purpose. Supplementary information on different sectors, examples of impact assessment, and contact information on expert advisors for purposes of assessment is available on the Ministry of Justice website, in the section pertaining to better regulation.

The Impact Assessment Guidelines are applicable to legislative drafting and, in so far as appropriate, also in the drafting of subordinate regulation, that is, Decrees and other norms as referred to in section 80 of the Constitution. The Manual should likewise be applied in the national impact assessment relating to the preparation and adoption of EU norms and to the implementation of international obligations.

The Revision Bureau of the Ministry of Justice Law Drafting Department monitors compliance with the Impact Assessment Guidelines.

*Minister of Justice
Tuija Brax*

*Director General
Pekka Nurmi*

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1 Impact assessment in the regulatory process

- The main purpose of impact assessment is to deliver information to the decision-maker on the effects of the various regulatory options at hand.
- Impact assessment is one aspect of regulatory drafting; it should be taken into consideration as of the beginning of the regulatory process.
- Impact assessment is concerned with the relevant effects of the regulatory project.

Why impact assessment?

Impact assessment in the regulatory process *yields information* about the effects of the various regulatory options. Through impact assessment, it is possible to ensure that the decision-makers have access to sufficient reliable information about the various regulatory options and their consequences. The assessment of the impact of Acts and other provisions is an essential foundation for policymaking, promoting the achievement of the societal aims of regulation. With good impact assessment, it is possible to produce better regulation.

Regulation aims to guarantee the basic structures of society, the rule of law and fundamental rights, as well as to carry out social reforms. That said, regulation is not always the sole available means to achieve social reform. In given instances, e.g. publicity, education, business self-regulation or attitude adjustments may be far more effective vehicles for social change than regulation can ever be.

The examination and evaluation of the impact of the various options promote *also the chances of target groups, stakeholders and others to participate in the regulatory process*. Stakeholders and those affected by regulatory reforms are often in a position to offer relevant information about the impact of a proposed reform. Awareness of the reform project and its estimated impact will also aid target groups in preparing for the changes and thus *make the implementation of the reform easier*.

Impact assessment and the open dissemination of its results will *increase the transparency of regulatory drafting and decision-making* and thereby also the credibility of the decision-makers. It is in any event necessary for the decision-maker to supply reasons for the choice of a given alternative or approach.

Aspects and extent of impact assessment

Impact assessment in the regulatory process has several aspects:

- 1. Economic impact**
- 2. Impact on public administration**
- 3. Environmental impact**
- 4. Social impact**

The various aspects then cover a number of different types of impact, such as the impact on businesses, households, public finances, the economy, the authorities, the state and future of the environment, fundamental rights, democratic participation, health, equality, regional development, crime prevention and the information society.

The assessment is concerned with the *relevant impact* of the various options at hand. The extent, degree of detail and methods of the impact assessment should always be proportional to the substance of the regulatory proposal and to the significance of the anticipated impact.

Impact assessment deals both with the *intended effects and benefits* of the project and with its *costs and possible negative effects*. Risks and unforeseen effects should also be charted during the assessment. The objective of the assessment is to create a comprehensive view of the impact of the various options at hand.

The impact may be *direct* or *indirect* and it may arise from a combination of different factors and by way of several different causal chains.

For instance, regulation on street maintenance has direct economic impact, such as labour and equipment costs, as well as environmental impact, health impact and impact on people's enjoyment of the neighbourhood. Regulation may have indirect impact e.g. on medical costs and people's capacity to work. Accordingly, the regulation may have significant indirect economic and other impact.

The abolition of the wealth tax has also impacted the possibility to use the wealth of an individual as a basis for the calculation of traffic fines, as the police can no longer access the tax authorities' data on the wealth of the person in question.

The proposed reforms and their impact should not be compared solely to the *status quo*, but in so far as necessary also to the foreseeable future in the event that there were no change to the regulation in force.

There are certain useful questions in determining the significance and nature of the impact:

- Which groups of people, businesses or other interested parties and which geographical areas are the main subjects of the impact?
- What is the extent of the impact? Does it extend over broad swathes of society, or does it have a more pinpointed effect on a given social sector or subgroup?
- Is the impact direct or indirect? Does it have a direct effect on the activities of the target groups? Does the impact arise by way of different causal chains or behavioural adjustments?
- What, if any, is the collateral impact? Can the possible negative impact be reduced or avoided in some way?
- Will the impact manifest immediately at the entry into force of the regulation, or only later? Will the impact be short-term or long-term, one-off or recurring, temporary or persistent? Will the impact and its extent depend on the passage of time and the timing of the decision-making?
- How probable is it that the estimated impact will be realised in actual fact?
- Are there risks involved in the realisation of the impact? Can these risks be estimated and can they be managed?
- What are the mutual relationships of the impacts and their combined impact; what is the possible cumulative impact?
- Are there other pending regulatory projects or other reforms that should be taken into account in the impact assessment?

Stages of impact assessment

Impact assessment in national regulatory processes

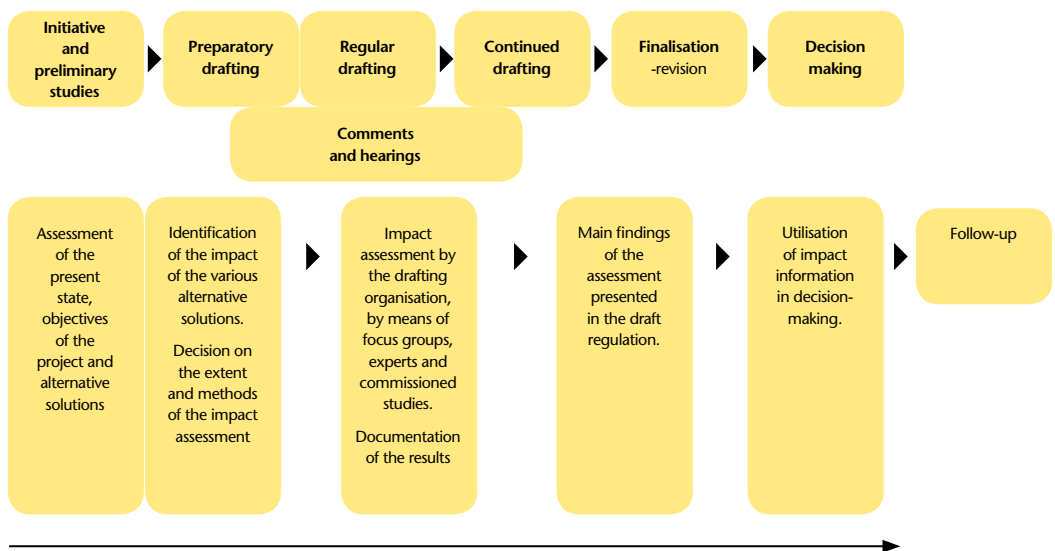
Impact Assessment Guidelines are applicable both in the legislative process and, in so far as appropriate, also in the other regulatory processes which relate to the issue of subordinate norms, that is, Decrees and other legal rules referred to in section 80 of the Constitution of Finland.

Impact assessment is an inherent element of the regulatory process. Due note should be taken of impact assessment as of the beginning of the process. When the terms of reference of the project are being set and when the process is entering its first stages, the significant impact areas and the impact should already be *identified*. As the process continues, the assessment of the impact of

the available alternatives is *expanded*. In addition, impact assessment involves also the *follow-up* of the reform, once realised.

The position and progress of impact assessment as a part of the regulatory process is illustrated below. In practice, however, each project starts in its own particular way and progresses along varying lines. This is the case also with impact assessment; it does not always proceed directly from one stage to the next, but there may be times when backtracking and re-evaluation of already completed stages are necessary.

Impact assessment in national regulatory processes



Beginning of the drafting: Identification of the impact of the various regulatory solutions

Preliminary studies and the preparatory drafting stage are intended for the assessment, on the basis of the present situation and the objectives, of the need to begin a drafting process, as well as for the selection of the organisational form for the process and for the preparation of the terms of reference for the project. At this stage, an assessment is necessary also as regards the issue whether new regulation is required for the attainment of the objectives, or if there are other equally effective or more effective solutions. When the project is being started, best efforts should be put into the planning of the extent and methods of the required impact assessment, if possible so that the plan may be incorporated already into the terms of reference.

In the beginning of the drafting, it is necessary to identify the impact of the regulatory project and look into the differences between the impacts of the various

regulatory alternatives. A *checklist* for the identification of the impact is provided as an annex. If the impact is not to be considered relevant, more detailed assessment can be forgone. As a part of the identification of the impact, also the need for supplementary studies and assessment support should be estimated.

The findings of the beginning stage regarding the significant impact of the project and the need for further assessment can be recorded e.g. as a memorandum or a preliminary study. At this juncture, a determination that the proposal appears not to have impact of a given type may also be an essential piece of information for the decision-maker.

Regular drafting, comments and continued drafting: Impact assessment, use of hearings and comments, recording of findings

Persons in charge of drafting projects, such as working group chairpersons, must see to it that the preliminary impact examination carried out earlier is expanded into the impact assessment proper. Where necessary, the person in charge of the project must consult with the commissioner or the other ministry official supervising the sector in question regarding the extent, type and costs of the impact assessment. Ultimately, the results of the impact assessment must be delivered also to the minister and the seniormost officials.

Hearings and comments by other ministries, authorities, experts and stakeholders should be utilised in the impact assessment. And conversely, when giving their comments on regulatory projects, the ministries should consider also whether there has been a sufficient impact assessment in the project in question. The hearings should not be restricted solely to the regular hearing stage appertaining to the drafting of legislative Bills, but they should be a continuous means for the utilisation of stakeholder expertise throughout the drafting process. After the hearing stage, the impact assessment can be specified on the basis of the comments received.

The results of the impact assessment performed during the regular drafting stage must be written down in the drafting documents, such as the draft Bill or working group report. It is necessary to record the assessment process and its results so that the information is accessible at the various stages of drafting, e.g. hearings, information provision and decision-making.

The description of the impact in a *Bill* should follow the HELO guidelines (Hallituksen esityksen laatimisohteet. Oikeusministeriön julkaisu 2004:4, also available in English: Bill Drafting Instructions, Ministry of Justice publication 2006:3). Accordingly, the following information should appear in the statement of reasons

- The main findings of the impact assessment
- The method of assessment

- The information sources used in the assessment
- The hearings of experts or stakeholders regarding the impact
- The assumptions underlying the assessment.

Tabulated data and graphics may be used as support information. If a more extensive, possibly separate, impact assessment has been prepared during the drafting process, only a summary should be taken into the Bill, with references to the full assessment provided.

Finalisation: Revision

Under section 30 of the Government Rules of Procedure, draft Bills and decree proposals are to be sent to the Ministry of Justice for revision, unless the urgency of the matter otherwise necessitates. However, draft decree proposals with little general significance need not be sent in for revision.

Under section 43 of the Ministry of Justice Rules of Procedure, the revision must cover *inter alia* whether the proposal takes due note of the legislation in force and of the various instructions and guidelines governing regulatory drafting.

Accordingly, the Revision Bureau seeks to monitor also compliance with the impact assessment guidelines as regards the drafting of Bills. If shortcomings in the assessment are observed, a remark to this effect may be directed to the official or the ministry in question.

Decision-making: Utilisation of impact information

According to the Manual for Presenting Officials in Government (2004), the *presentation document* should contain information on the impact of the proposal to be presented. For the use of the decision-maker, the front page of the presentation document contains a summary of the information relevant to the presentation. The proposed decision, e.g. the Bill or draft Decree, appears always as an annex, as does the presentation memorandum, if one is needed. The presentation memorandum contains a brief description of the relevant impact of the proposal. If a separate publication or report of the results of the assessment has been prepared, this should be mentioned in the presentation memorandum. Separate assessments are not annexed to the presentation materials. This is the case with Bills and also with decree proposals and other proposed decisions.

On occasion it may also be the case that more detailed impact information is needed in support of decision-making by the Government and the Parliament than what can be presented in the Bill. For this reason, it is very important

that the official in charge of the project retains the information and assessment data compiled during the drafting process, in a format that can be accessed in case they are needed. More detailed impact assessment reports and publications can be brought to the attention of the ministers e.g. in government roundtables or ‘evening classes’.

The official in charge of the drafting and the ministry in question monitor the progress of the Bill through the Parliament. If necessary, the impact assessment materials must be sent as background information to the select Committee preparing the Bill. If the Committee proposes material changes to the Bill, the ministry in question must draw the attention of the Committee to the need to assess the impact of the proposed changes.

Follow-up: Assessment of how the objectives have been met and what changes are necessary

Follow-up is an important element in the implementation of regulation; it involves an assessment of whether the anticipated impact of the reform has been realised and whether there has been an impact that was not foreseen before the decision-making. Follow-up measures should be discussed already during the drafting stage.

The purpose of follow-up is to yield information about how the objectives of the regulation have been met and what, if any, changes are needed. It may also happen that the Parliament, in its response to the Government, requires that the Government follow up on the impact of the regulation and then presents a statement to the Parliament regarding said impact.

Impact assessment in the drafting of EU provisions and other international obligations

The European Commission produces an impact assessment of all of the projects in its legislative working programme. These are based on the Commission’s Impact Assessment Guidelines (SEC(2005) 791), which cover the assessment of the economic, social and environmental impact of proposed regulation. The Commission, the Council of the European Union and the European Parliament have entered into an interinstitutional agreement that requires them to produce impact assessments.

It is not necessarily possible to take the special conditions and special needs of individual Member States in the EU impact assessment of legislation that is applicable Union-wide. Hence, the Government and the Ministries must be capable of monitoring and anticipating EU legislative projects with special relevance to Finland and to assess their impact at the national level. The identi-

fication of such projects can draw e.g. from the Commission's planning documents and its annual working programmes. Anticipation, in practice, can mean that a matter is taken up for consideration in the appropriate EU Affairs Section already before the Commission proposal becomes available.

Once the Commission has issued its proposal, the Ministry in charge draws up the *memorandum* in accordance with the guidelines laid down by the Ministerial Committee for EU Affairs (Processing and Co-ordination of EU Affairs in the Government); the fundamental memorandum lays out the main substantive, legal, economic and political aspects of the EU legislative proposal. The fundamental memorandum must also cover the main regulatory, economic and other impact of the proposal as regards Finland. The impact assessment in the Commission proposal is utilised in the national impact assessment process in so far as appropriate.

“U” matters, as referred to in section 96 of the Constitution, are matters to be decided in the European Union, which otherwise, were Finland not in the EU, would according to the Constitution fall within the competence of the Parliament; such matters must be brought before the Parliament by a communication of the Government. Such a communication should summarise the contents of the proposal and its regulatory, economic and other impact as regards Finland. The communication should also cover the possible impact assessments already carried out at the EU level.

“E” matters, as referred to in section 97 of the Constitution, are EU legislative matters with broader significance in terms of principle, scope or political controversy; such matters must be brought before the Parliament by a report of the Government already before they have proceeded to a stage where a proposal is issued at the EU level. The report should cover the impact assessments carried out by the Commission and, in so far as possible, also the preliminary impact assessments carried out in Finland.

In the adoption and implementation of international obligations, Impact Assessment Guidelines are to be observed in so far as appropriate. In such cases, and taking the substance of the proposal into account, the impact assessment may cover also the international impact of the proposal from the viewpoint of Finland.

Information sources and methods of impact assessment

Existing data sets, such as statistics, research reports, studies and follow-up reports can be used as information sources in impact assessment. It is likewise important that the target groups of the regulation, stakeholders and experts are heard for the purpose of garnering information. For instance, the request for comments may draw special attention to impact assessment and ask for the views of the commentators about the impact of the proposal.

In the impact assessment, it is also possible to utilise the experiences gained from earlier, similar projects and the research covering the actual effects of earlier reforms. Other useful sources include impact assessment and follow-up studies carried out in other countries in the context of similar reforms. In projects with an EU origin, the national impact assessment may draw from the impact assessments carried out by the European Commission, the Council, the European Parliament and the other Member States.

The selection of methods should be based on an evaluation of what is the most cost-effective means for procuring the information needed for the impact assessment. There are a number of different quantitative and qualitative methods of impact assessment. In the event that the impact cannot be assessed quantitatively or precisely, it is nonetheless important to assess the direction and magnitude of the impact and the various causal chains that may arise.

Especially in the case of projects with a significant and complex impact, under conditions of inadequate reliable information on the impact, there is reason to consider whether to commission a separate impact assessment report from an external expert. In the commissioning of expert services, the legislation on public procurement and the more detailed instructions on State procurement must be observed.

More detail on the information sources and methods of impact assessment is provided in the sector-specific instructions below in chapters 2–5, as well as on the Better Regulation section of the Ministry of Justice website. It is also possible to approach the relevant sector Ministry for support in the procurement of sector-specific information and in the utilisation of methods specific to that sector.

2 Economic impact assessment

“Economic impact” is an impact that pertains to

- households
- businesses
- public finances
- the economy.

Nature and types of economic impact

The objective of economic impact assessment is to ensure that the proposed regulation promotes growth, employment, business, competitiveness and the welfare of the public to the greatest extent achievable.

Economic impact can be categorised into direct benefits and costs and into indirect impact. The savings or extra costs in the finances of the State or the municipalities arising from the proposed regulation, as well as e.g. changes in business taxation, are typical examples of direct impact.

In addition to the direct impact, it is essential to examine the indirect impact on the activities and behaviour of the target groups, as well as the long-term compound impact of the proposed regulation. Behavioural impact may take the form of incentives e.g. in the labour market, or it may pertain to the adaptation of the target group to the change in circumstances brought about by the new regulation. The latter situation may arise e.g. by the regulation effecting a change in relative prices and thereby giving rise to a need to adapt consumption patterns, investment rates or production technologies to the new situation.

In economic impact assessment, the first step is to determine whether the proposed regulation and its impact pertain mainly to individuals and households,

businesses, municipalities, the State, or some other target group. Once the target groups of the regulation have been identified, the impact is first assessed from their respective viewpoints and only thereafter from the viewpoint of public finances or the economy at large. In most cases, a single regulatory proposal will not have notable or significant macroeconomic impact, which means that the assessment may be redirected at the impact most relevant to the target groups of that particular proposal.

Impact on households

Does the proposal have an impact on the financial position of various population groups and households?

Economic impact on households usually takes the form of direct impact on the position of various population groups and various types of household. In this context, a more detailed analysis of the impact on *consumption, prices, income* and *investments is necessary*.

In the assessment, due note should be taken of the different financial standings of different individuals and of the realisation of basic rights. Economic impact on households may be significant even if directed at a limited group of individuals, e.g. if the matter is of basic subsistence or the realisation of some other very important right.

A typical direct impact is one arising from regulation pertaining to the standard of social welfare provision or public services or to the charges collected from service users, as these affect the income and costs of households as a matter of course. Also, tax regulation often has direct impact on the financial position of households. An impact of this kind may be assessed also in terms of income redistribution among various population groups.

Does the proposal have an impact on household behaviour?

Besides the direct impact described above, a regulatory proposal may have an impact on household behaviour which will have another indirect, but financially significant, impact. Such impact may take the form of increased demand for consumer goods and services, changes in the supply of or demand for labour, or rises in price levels. For instance, social welfare or tax reforms may have a direct impact on the state of the labour market. It is also possible for a regulatory proposal to have as a deliberate objective to effect changes in consumer behaviour that will result in significant economic impact.

It is possible to use taxation, e.g. as regards foodstuffs, tobacco or alcohol, to promote changes in the consumer behaviour of households with the objective of achieving improvements in health or social well-being of individuals and thereby in their propensity to seek medical or social welfare services, finally resulting in an impact on public finances.

Impact on businesses

In the assessment of impact on businesses and its significance, the first step is to identify *the types of business* and *the set of businesses* impacted by the regulatory proposal and the size of the set of businesses so impacted. In this context, the analysis must cover both the overall number of businesses that the impact pertains to, as well as how the impact affects businesses of different turnover or personnel sizes, of different business sectors and of different territorial bases. It is quite possible that the impact will be different for different businesses, as well as that it will be positive for some businesses, but negative for others.

From the business point of view, the impact can be deemed to be *significant* if it pertains to businesses at large, to most businesses or otherwise to a noteworthy proportion of businesses. In this event, there is need to carry out a thorough business impact assessment; the need arises also when the impact pertains to a more limited set of businesses, but is significant in view of the activities or operating conditions of the target businesses, the functioning of the market, or the economy.

In addition to impact assessment on the level of the whole business sector, it is also possible to assess the impact of the regulation on businesses on the company level, that is, from the viewpoint of a *typical target* business. For instance, if the proposed regulation is especially relevant to small businesses, it is often useful to examine its impact on a typical business.

Besides identifying the target businesses and the target sectors of a regulatory proposal, it is necessary to form a view of the current state of the environment and the market where the businesses targeted by the regulation operate, as well as of the parameters of their operations (such as customers, suppliers, subcontractors, input costs, technical advances, market access, competitiveness and the nature of the competition). In order to assess the impact of the proposals to be enacted in the future, it is essential to know what the situation is now. It is likewise important to form a view of the operating environment of the businesses for the reason that, in addition to direct impact on businesses, it is more often than not the case that there is indirect impact and causal chains of impact both as regards the target businesses and as regards other businesses and markets.

Does the proposal have an impact on the costs or profits of businesses?

Taxation and various *charges* result in direct financial costs for businesses. Other direct costs arise from employers' social security contributions, corporation tax, tax on capital gains, environmental taxes (such as energy and fuel taxes), real estate taxes and consumption taxes (VAT and excise). Indirect impact arises from income taxes (payroll tax, capital gains tax, municipal and State taxes) through their effect on overall demand and labour costs. In addition to tax changes, various forms of *state aid to businesses* have an impact on business operations, competitiveness and the functioning of the market.

Adaptation to regulation and compliance give rise to *costs of doing business*. Such costs can be one-off, such as the necessary investments in machinery, tools, production methods, plant, information systems and personnel training, or recurring, such as labour, capital and financing costs. That being said, regulation may also result in more liberty and more options for businesses to operate.

Various regulatory reporting requirements give rise to *administrative costs*. These include costs of notifications, licenses, reporting and registration. In practice, administrative costs often fall on the financial departments of businesses or strain the working hours of entrepreneurs, or require the use of outsourced financial services. It is possible to measure administrative costs e.g. by means of the "standard cost model". The method is based on the working hours expended by businesses when complying with reporting requirements, the evaluation of the costs of the same, as well as of the costs of outsourced services. Usually, administrative costs are proportionately a greater burden on small businesses and businesses just beginning their operations.

Does the proposal have an impact on competition and the functioning of the market?

Impact assessment must include the identification of *whether the proposal prevents, restricts or distorts competition* between businesses. Regulation may influence market access and market concentration, as well as the operation of businesses in the market and the equality of competitive positions. Competition is beneficial to consumers, because it is conducive to lower prices and works as an incentive for businesses to develop new goods and new services. Competition contributes in an essential manner to economic efficiency and productivity. If it is determined in a regulatory project that the reform would prevent or distort competition, an evaluation should be carried out in respect of whether another regulatory alternative, less restrictive on competition, can be chosen and still attain the objectives of the regulation.

Market access, the number of businesses operating in the market and the degree of market concentration are dependent e.g. on exclusive rights, quotas,

licensing regimes and requirements governing business operations. Regulation may also entail advantages to given businesses, which may then give rise to unjustified distortions of competition. In addition, the operations of businesses in the market may be directly impacted by regulating the ways in which businesses compete, such as quality of products, pricing, marketing or advertising, or indirectly by reducing the incentives to compete.

Does the proposal have a specific impact on small or medium-sized businesses, on starting up new businesses, or on the ability of businesses to grow?

Most businesses are small or medium-sized (e.g. in 2005 such businesses represented 99.8 per cent of all businesses). In most regulatory projects, the impact is proportionately more severe on *small businesses*. Their operations are more often than not affected especially by regulations pertaining to taxation, employment contracts, employers' contributions and corporate forms, as well as various registers, statistics and other administrative burdens and the concomitant costs.

One element of the assessment must be whether the regulatory project promotes *entrepreneurship* or whether it acts as a barrier to the same, that is, whether the project makes it easier or harder to start up a new business. Regulation may also impact the chances of businesses to grow. It is necessary to assess the impact on "growth entrepreneurship" and on *growth businesses*, as such businesses play a major role in the creation of new jobs and in the increase of productivity.

Does the proposal have an impact on investment, research and development, or innovation?

Regulation may have an impact on *investment* and *investment opportunities*. One element of business impact assessment is to determine whether businesses are likely to increase their investments as a result or whether it is more probable that the investment rate will decrease. Regulation may also impact investment targets and timing. In many business sectors, investment in research and development is a vitally important factor of productivity and competitiveness. Moreover, investment e.g. in environment-friendly production technologies and products may be promoted by means of regulation. Innovation, for its part, is impacted e.g. by the financing available to businesses and by the regulation governing intellectual property rights.

In addition, it is important to consider the *predictability* of regulation at the drafting stage, because only in this way can businesses plan their investments and operations with a long enough time perspective.

Does the proposal have an impact on the international competitiveness of businesses?

Regulation may reinforce or weaken the *competitive position of Finnish businesses* in relation to other businesses operating in the global market. In principle, all of the impact types discussed above pertain to the productivity of businesses and to their international competitiveness. In terms of competitiveness, it is necessary to recognise whether the proposal will make Finnish businesses adapt to conditions that do not apply to their most significant competitors. The competitiveness assessment entails also an analysis of whether Finland and the Finnish regulatory environment provide an incentive to establish businesses here.

Impact on public finances

When assessing the impact of a regulatory proposal on public finances, it is possible to utilise the following categorisation: State administration, municipal administration, other public administration, and independent social security funds.

Does the proposal have an impact on the financing of public corporations or on the allocation of resources?

From the viewpoint of financial management, *State administration* can be divided into budgetary finances, State enterprises and off-budget State funds. When the impact on State finances is being assessed, it is important to determine how the financing has been arranged within the State financial framework or in the budget, or in the finances of off-budget funds. When the likely financial impact of a regulatory proposal is considered, it cannot be contrary to the State budget or to the other provisions or instructions governing the public finances.

According to section 31 of the Rules of Procedure of the Government, a statement must be obtained from the Ministry of Finance where a matter under preparation in another ministry has major economic or budgetary implications. A statement must likewise be obtained from the Ministry of Finance where a matter that is to be brought before the Ministerial Finance Committee pertains to the inclusion of a separate appropriation in the budget or to the change of the terms of an appropriation already in the budget.

The estimated financial impact and its magnitude may also be relevant to the process to be observed in governmental decision-making. Namely, matters that are significant in terms of finances or principle must undergo prelimi-

nary consideration by the Ministerial Finance Committee, as has been determined by a Government resolution to this effect. That resolution (Ministry of Finance, 3 Jan 2002, N:r TM 0201) lays down the monetary thresholds and other criteria for the assessment of whether a matter is significant in terms of finances or principle.

The assessment of the impact on *municipal finances*, that is, the income and expenditures of municipalities, municipal federations or their enterprises, must involve due consideration of the principles governing municipal autonomy, as well as the special procedures to be observed in decision-making when matters with impact on municipal finances are at hand. Municipal autonomy requires that the lawgiver sees to it that the municipalities have also in practice the funds to perform their statutory mandates. The basic question in the assessment of financial impact is what happens to municipal income and expenditures and whether various groups of municipalities have a real chance to perform the obligations to be imposed on them. In this context, there is normally reason to carry out a more detailed analysis of the obligations that the proposed regulation imposes on municipalities and their financial impact, by using the regular methods of strategic accounting and economics. The impact on municipal finances may be significant also in the event that they pertain to municipalities in dire financial straits, to the effect that it becomes harder for the municipality to perform its statutory mandates.

A regulatory proposal may have a direct impact on the financing of given corporations, and also on the flow of financing between different corporations. Typically, this may involve the economic and financial relationship between the State and the municipal sector, which can be treated and evaluated by a number of different methods and management tools. Proposals with a significant impact on the municipal finances must undergo preparatory discussions in the Consultative Committee for Municipal Finances and Administration (Kuthanek). In addition, the statement of reasons for the State budget contains a specific section on budgeting for basic services. The established calculation assumptions that are in use in these procedures must be taken duly into account also in the assessment of the financial impact of proposed regulation. The financing of basic social services, which is the responsibility of the public sector, proceeds by adding to the municipal tax revenue and customer charges those co-payments and subsidies that the State contributes from its funds. Therefore, a regulatory proposal concerning the social services system may have several different types of economic impact. In order to develop the service provision, additional funds may be allocated from State or municipal funds in a number of ways, but it is equally likely that a regulatory proposal has an impact solely on the payment liability as between the State and the municipalities. It is important to assess also such balance of payments impact.

Other public administration covers e.g. the administration of the autonomous Åland Islands, the Evangelical Lutheran Church and the Greek Orthodox Church, as well as public-law corporations such as the National Pensions Institute. *Social security funds*, in turn, mean private employment pensions institutions and other social security funds, such as support funds for the unemployed.

In addition to the various actors and sectors of public finances, it may be the case that the economic impact of a regulatory proposal needs to be assessed also from the point of view of non-profit organisations and other elements of the third sector. Besides the promotion of special interests, non-profits may also have various service provision missions, which may under certain conditions be subsidised from public funds. In such cases, it is possible to carry out a more detailed assessment of the impact of the service provision from the viewpoints of several actors, with the aim of optimising the cost-effectiveness of the outcome.

That being said, public funding for the regular service provision of non-profits is allowed only to the extent that it has only little or no distortive effects on competition or the functioning of the market. Where applicable, this issue should be assessed in the terms described above regarding competition between businesses and the functioning of the market.

Does the proposal have an impact on the various aspects of public finances?

Besides the economic impact on the various corporations involved in public finances, the economic impact of a regulatory proposal may also be assessed in more general terms with reference to financial sustainability and the functioning of the financial system. In this context, it is possible to examine in more detail the impact on public revenue and expenditures, the coverage of services and social welfare and employment in the public sector. Over the longer term, it is also necessary to consider the impact on the behaviour of households and businesses. Behavioural changes, again, may have a further impact on the demand for public services.

It is also important to take note of the project's possible impact on public sector productivity and the promotion of productivity. At a minimum, the productivity resolutions of the Government and the sector-specific productivity targets must be taken into account in this assessment.

The economic impact of regulation may manifest differently over the short, medium and long term. Changes in economic circumstances, such as demographics, technological progress and economic growth rates may affect the costs and benefits of regulation on the long term. Accordingly, the impact assessment should also cover the likely impact over different time periods.

Impact on the economy and assessment of overall economic impact

Does the proposal have an impact on general economic development and the national economy?

Once the assessment of the economic impact of proposed regulation on the target groups has been completed, it may be necessary to assess the impact of the proposal on the *economy as a whole*, from a macroeconomic viewpoint. Macroeconomic impact may pertain to employment rates, investment, consumption, production, imports, exports and price levels.

Macroeconomic assessment allows also for the consideration of very-long-term trends that have an extensive impact in several administrative sectors. This viewpoint is concerned with more general policy aims and the stability and sustainability of public finances.

For instance, demographic change, resulting in a decrease in the proportion of employed persons to persons off the labour market (decline in the maintenance ratio) and difficulties in the supply of labour, may have a general growth-slowing effect. In this situation, it is important to use also regulatory means to incentivise people to stay at work for longer. Indeed, impact such as this is often a direct aim of regulatory proposals concerning e.g. the pensions system or employment subsidies. That being said, it is important to recognise an impact on the economy also in other contexts, such as regulatory proposals on social welfare provision or adult education.

Finally, it is important to assess the economic impact of proposed regulation also from the point of view of the justifiability of the proposal itself. This *assessment of overall economic impact* balances the beneficial economic impact on e.g. a given target group, such as households or businesses, against the new economic burdens placed on the municipal economy or other public corporations. The economic impact may also be assessed from the points of view of several State entities with performance targets and only thereafter from the point of view of the State economy at large. For instance, savings in one State entity or State sector may give rise to costs in other entities or sectors, possibly with the result that there is no overall savings for the State. The conclusion, for the whole system, may well be that the planned change should not be carried out after all.

In most cases, there is reason also to assess the significance and the distribution of different economic incentives and risks. It may sometimes be difficult to estimate the extent or allocation of economic risks very precisely, but the order of magnitude should be assessed, and in the very least the uncertainty inherent in the assessed economic impact of the proposal should be properly documented in the process.

Methods and information sources in economic impact assessment

Best efforts should be made to assess economic impact in *money terms*. For instance, the impact of changes in taxation, public charges or the administrative burden placed on businesses can normally be assessed quantitatively. If a quantitative assessment is not possible, the magnitude and range of the impact should nonetheless be assessed. It is also possible to use benchmarking data (such as numbers of outputs and customers) in the assessment process.

If it is not possible to assess the economic impact of a regulatory project quantitatively, it is necessary to carry out a *qualitative* assessment of the emergence of the impact, the factors influencing the impact, chains of causation, and the direction and magnitude of the impact. This is the case especially as regards forms of indirect impact and as regards “dynamic” economic impact that a regulatory amendment usually has in addition to a regular direct impact. An example of such an impact is the behavioural change arising from tax amendments, as they either broaden or restrict the tax base and thereby affect revenue. Other examples relate to the impact of regulation to entrepreneurship, market entry, investment opportunities, competitiveness and the functioning of the market.

The quantitative assessment of economic impact requires *adequate statistical data*. In many cases, the assessment takes given communities or target groups as entities or uses estimated averages as the starting point. If there are no statistical data available, the economic impact will have to be assessed at least roughly, e.g. by reference to *questionnaire data* or *expert analyses*.

Besides averages, economic impact assessment must also be concerned with extremes. For instance, in the financial relationship between the State and municipalities, it is essential to consider the funded-mandate principle linked to municipal autonomy, meaning that the State must see to it that municipalities receive the necessary resources if new tasks are assigned to them. As a result, the situation of the municipalities in the direst financial straits will have to be assessed separately, where necessary. Similar considerations apply also to the assessment of the impact on other communities and on individuals (e.g. as regards the realisation of basic rights).

It is a given that the *expertise of the agencies and institutions in the sector* should be utilised in economic impact assessment. For instance, the State Treasury produces accounting and budgetary information for the State and Statistics Finland produces statistics on the Finnish national accounts.

Information sources for the assessment of impact on businesses include the Statistics Finland business register, which contains basic data on all businesses, tax

statistics and the “Toimiala Online” service of the Ministry for Employment and the Economy and the Ministry of the Interior. The information available at business organisations and businesses themselves should also be utilised in the assessment of impact on businesses. Business panels, that is, direct online questionnaires, and interviews of businesses can also be used as an assessment element. In addition, it is important to draw from the knowledge of the competition authorities in the event that a project is likely to have an impact on competition and the functioning of the market.

Normally, economic impact assessment requires knowledge of *methods of economic analysis* (such as numerical equilibrium models, econometric models, cost-benefit analysis) and accountancy, as well as other special expertise; often it is necessary to enlist the aid of external experts. For instance, the Government Institute for Economic Research (VATT) provides expert advice in extensive impact assessment projects. Also in other cases, economic research and the support of experts in business economics should be utilised as a part of the drafting and assessment.

3 Assessment of impact on public administration

Impact on public administration pertains to

- inter-authority relationships
- the duties and procedures of the authorities
- personnel and organisation
- administrative procedures and costs.

Impact on public administration should be assessed especially in those cases where the proposed regulation has as its immediate addressee an authority or some other public sector organisation and in those cases where the purpose is to regulate the duties, activities or procedures of the authorities. For instance, in the assessment of impact on the State administration, attention should be paid to how the proposal affects the resources available for official action, the allocation of said resources or the mutual co-operation of the authorities.

Impact on inter-authority relationships

In the assessment of impact on public administration, it should be determined how the proposal affects the division of tasks and competences between the authorities. Possible changes in the *division of tasks between the State and the municipalities* is addressed under this head, as is the impact on the interrelationship of State authorities (for instance, transfers of tasks from one authority to another) and on their co-operation. Such changes may involve e.g. transfers of registration or notification duties to other authorities or more intensive co-operation efforts.

Impact on duties and procedures

In the assessment of impact on public administration, it should be determined whether the proposal entails changes in the duties or procedures of the authorities. For instance, where the right of appeal is expanded or other developments in legal remedies are considered, it is necessary to assess the workload of the authorities, their chances to operate within their resources and to perform the tasks assigned to them. One possibility of assessing the change of workload is to measure it in person-years. It should also be assessed whether the impact on duties or procedures requires personnel training or increased information provision by the authorities. It should likewise be assessed how the change may affect the operating procedures of various authorities and their smoothness.

Another point of assessment is to determine whether tasks are being re-assigned from the authorities to individuals or to the private sector, or vice versa, and whether the proposal has an impact on how individual get service from the authorities.

Impact on organisation and personnel

As regards impact on personnel and the organisation in its entirety, it should be determined how the proposal will affect the number of personnel and their position, as well as whether the proposal will have effects e.g. on organisational structure and functioning. If the proposal will lead to *personnel cut-backs*, it must also be explained how the status of redundant personnel will be arranged. If *personnel increases* are envisaged, the assessment will have to cover the issue of permanence or non-permanence of personnel contracts. In addition, the assessment should cover the issue of possible *acquisitions of premises, furniture or equipment*.

Administrative tasks and costs

Regulation often contains various *notification, accounting and reporting requirements* that may give rise to administrative tasks and costs for the authorities. In order to measure such administrative burdens, it should be assessed what kind of tasks are involved and how demanding they are, as well as how they have been envisaged as being performed. A specific point of assessment is to determine how the administrative tasks *affect the capability of the authorities to perform their main tasks*.

4 Environmental impact assessment

Section 2 of the Act on the Assessment of the Environmental Impact of Official Plans and Programmes (200/2005) defines environmental impact as an impact on

- human health, living conditions and comfort
- the soil, waters, air, climate, vegetation, animals and natural diversity
- community structure, the built environment, landscapes, cityscapes and cultural heritage
- the use of natural resources
- the interrelationships of the aspects referred to above.

A regulatory proposal may have as its express objective the achievement of beneficial environmental impact. In contrast, a regulatory proposal may sometime involve detrimental environmental impact, which should be recognised by means of impact assessment and then avoided or reduced.

In most cases, regulation will have an *indirect* environmental impact. A given norm may alter the conditions of society in a manner that will reflect on the state of the environment by way of a number of chains of causation. The probability of the indirect impact can be estimated by determining the functions and target groups impacted by the regulation and by assessing how the operating conditions change. Environmental impact is often *linked to other forms of impact*, such as economic impact and business impact. According to the “polluter pays” principle, the costs of operations harmful to the environment and of measures to mitigate the harm should be incorporated into the costs of production or consumption, that is, to be paid by the polluter. Regulation on charges, subsidies and taxes can be used for achieving this objective.

For example, regulation on taxes, charges and subsidies may affect the rate of production and thereby the quantity of emissions into the atmosphere or waters, or the amount of waste. Regulation with an impact on energy production and consumption will often have such indirect effects on emissions and air quality that may be significant also in terms of health or of climate change.

For example, regulation on transport pricing, the taxation of different means of transport or different fuels, public transport subsidies or contracting may be used to direct traffic rates, the choice of vehicle, vehicular emissions and transport infrastructure. The geographical location and concentration of industry and services, such as retailing, will reflect on people's need to move and to transport goods. This need, in turn, affects community structure, the nature, emissions, air quality, climate change, living conditions and people's enjoyment of the same.

Regulation may have an impact on the *probability* of environmental risks and on their *management*. Some examples of such regulation pertain to the transport of hazardous materials, waterway traffic, or the import and use of genetically modified organisms. Regulation aiming for the control of e.g. floods or storm damage is relevant also in terms of environmental risks.

For instance, the objective of the regulation on ships' ice classes and fairway dues is to raise funds for the maintenance of fairways and the provision of icebreaker assistance. If ships with low ice classes are penalised with high fairway dues, they are less likely to operate in Finnish waters in wintertime, which will have an impact on accident risks and risk management.

It is also possible to achieve environmental impact by way of regulation on administrative structures and activities, e.g. by enacting a change in the responsibilities relating to planning and decision-making in environmentally significant matters. For instance, if the power of decision is concentrated in an organisation with multiple tasks and perhaps also mutually inconsistent objectives, environmental considerations may receive less attention than they should. In contrast, improvements in administrative functionality may be beneficial also in terms of environmental conservation. Also the timing of decisions may be relevant: Swift measures in response to perceived problems may reduce long-term detrimental effects from what they would otherwise be.

Environmental impact is characterised by its global nature. Almost any impact may have cross-border implications. For instance, development aid or the export of goods may entail an indirect environmental impact.

Methods and information sources

As the environmental impact of regulation normally manifests indirectly, as a result of various chains of causation, and as these can be recognised at a relatively general level, environmental impact assessment is *normally qualitative*, rather than based on accurate numerical data. It is often sensible to *describe trends and causal relationships* instead of producing precise forecasts. Correspondingly, the assessment methods usually take the form of expert analyses, checklists and matrices drawing from existing data, such as statistics and longitudinal environmental studies. The uncertainties inherent in such data and methods should be made clear. That said, uncertainty does not preclude environmental impact assessment; environmental impact, as well as the prevention and reduction of a harmful impact, should always be included in the impact assessment of proposed regulation.

The Finnish Environment Institute (SYKE), and specifically the Research Programme for Environmental Policy and the Environmental Management Division of SYKE, provide support for environmental impact assessments, especially at the planning stage, and offer advice as to information sources and methods.

5 Social impact assessment

Social impact, as distinguished from the other forms of impact discussed above, means

- Impact on the status of the citizens and the functioning of the democratic society
- Impact on social affairs and health
- Impact on equality, children and gender equality
- Impact on employment and the working life
- Impact on crime prevention and security
- Impact on regional development
- Impact on the Information Society.

Nature and types of social impact

By its nature, social impact takes many forms, which interact both among themselves and with other types of impact. For instance, social impact cannot always be distinguished from economic impact or environmental impact. The present chapter provides a view on social impact assessment from viewpoints not yet covered in the preceding chapters.

Most forms of social impact discussed here are linked to the *fundamental rights provisions* of the Constitution. It is possible that regulation has as its express objective to promote a given fundamental right, such as equality; it is likewise possible that regulation has an indirect effect on the realisation of fundamental rights. Some assessment criteria arising from the Constitution are equality (section 6), the right to privacy (section 10), the right to language and culture (section 17), the right to work and the freedom of enterprise (section 18), the right to social security (section 19) and the right to a fair trial (section 21). According

to section 22 of the Constitution, the public authorities must ensure the realisation of fundamental rights and human rights. An assessment must address the realisation of the rights in fact, and not merely in principle.

Impact on the status of citizens and on the functioning of democratic society

Impact on the status of citizens in society and on the functioning of democratic society covers e.g. impact on values and attitudes, the realisation of fundamental rights and due process, the co-operation and legal relationships among citizens, the status and behaviour of population groups, and the functioning of democratic society.

Firstly, the impact of proposed regulation should be assessed from the point of view of the *private individual*. For instance, the assessment of impact on due process, access to justice and the processing times of various authorities is becoming more and more important as society becomes more varied, more globalised and more diverse.

The assessment of impact on individuals should cover also the symbolic impact, that is, the effects of the regulation on behaviour, moral values and attitudes. An example is criminal regulation, whose impact is generally considered to arise precisely from people's values and the concomitant behavioural adjustments.

The second issue to be addressed is whether the proposal has an impact on human interrelationships or on the decisions they make in this respect. For instance, does the proposal alter or restrict e.g. the freedom of contract or the freedom of enterprise? At the same time, it should be determined whether the proposal alters individuals' chances to make decisions on their family relationships, the formation of the same or e.g. the relationship between the generations.

Thirdly, it should be assessed whether the proposal has an impact on the *chances of individuals to influence* political decisions or an impact on the functioning of democratic society. The main vehicles for influencing decisions and participating in the political process are party politics, union activity and other NGO work, as well as participation in the administrative processes, particularly in public hearings about various pending matters. At the same time, the assessment should cover the status of NGOs and associations and how they work in society, as well as the interrelationships among individuals, NGOs, officials and legislators at the various stages of the regulatory process.

Methods and information sources

In the decision-making pertaining to the status of citizens and their mutual relationships, one useful information source is the case-law of the European Human Rights Court, as it pertains to Finland, as well as other judicial decisions relevant to Finland where these may have a direct effect on national regulation.

Impact on social affairs and health

Impact on social affairs and health means *impact e.g. on the mental and physical health of individuals, their well-being and living conditions*. Such impact, concerning individuals, groups of individuals, communities or society as a whole, results in *changes in health, well-being or the distribution of well-being* (e.g. between different socio-economic groups). If the impact is limited to a given group of individuals, such as children or elderly people, the assessment must be correspondingly geared to that group.

In every administrative sector, there are duties that entail decisions with an impact on social affairs and health. Any decision on our everyday life, the home, day-care, school, jobs, neighbourhoods and traffic may have an impact that either promotes health and social welfare, or is detrimental to them.

The health and social well-being of the people can be influenced by a variety of means. These means may be personal, social, structural, environmental or cultural and they include resources for better health and well-being, attitudes, coping with one's everyday life, a health-conscious lifestyle, the capability to receive and interpret health information, and access to, and willingness to use, services. Measures targeting these means, that is, the promotion of well-being and health, may have an impact on several social and health problems, such as poverty, social exclusion, joblessness and public health issues. The impact of regulation on social well-being and health normally manifests indirectly, through the means referred to above, but sometimes also directly, as is the case e.g. with traffic safety effects.

In the case of precautionary measures, it is possible that there is no direct impact at all, but the longer-term impact both on health and social well-being and on the economy may nonetheless be significant. Regulatory projects should be considered in their entirety, which means that individual enactments or measures are significant precisely as parts of a bigger whole.

The requirement of adequate financing means that social and health impact must be assessed also from an economic point of view. If behaviour can be adjusted to a less risky and socially more inclusive direction, considerable sav-

ings can be made. Some health hazards can be addressed by restrictive provisions (e.g. tobacco regulation, alcohol pricing policy, traffic policy, housing policy and employment policy). This means that it will be necessary to evaluate conflicting and possibly also qualitatively different impacts and assess their relative significance.

Methods and information sources

The National Research and Development Centre for Welfare and Health (STAKES) has published materials useful in societal impact assessment. If needed, STAKES offers also planning and implementation support for such assessments. The National Health Institute and the Occupational Health Institute also provide information on impact on human beings. Other useful information producers in this sector are the Finnish Centre for Pensions and the Social Insurance Institution.

Impact on equality, children and gender equality

When carrying out an impact assessment at the individual level, it is to be determined whether the proposal has an *impact on the equality of individuals or groups or on the requirement that no one is discriminated against for reason of sex, age, ethnic origin, language, religion, convictions, opinions, state of health, disability or other personal circumstance*. Normally, the impact of a regulatory proposal on the status of different population groups is examined already in the context of economic impact assessment relating to households. This examination may be expanded in the context of social impact assessment. Special attention should be paid to the impact of the regulatory proposal in terms of fundamental rights.

The starting point for the *assessment of impact on children* is the UN Convention on the Rights of the Child, whose Article 3(1) states that the best interests of the child shall be a primary consideration in all actions concerning children, whether undertaken by public or private social welfare institutions, courts of law, administrative authorities or regulatory bodies. Under the Convention, all persons under 18 years of age are classified as children. The definition in Finnish law is the same.

Impact on children covers the direct and indirect impact that a decision has on the everyday life of the child population or a part thereof. The assessment should cover, in general terms, whether, and how, the project is conducive to promoting the best interests of the child, as well as recognise in advance any adverse impact on children, so that this can be avoided. It is perhaps easiest to illustrate an impact on children by reference to decisions relating to our liv-

ing environment. Accordingly, impact on children should be examined in the context of health, human relationships, living and moving about, coping with everyday life, participation and equality. Children may be indirectly impacted also by changes in family finances and family services, community and regional changes and alterations to the social fabric.

Impact on gender equality means the impact of regulation on women and men as members of society. In brief, it is assessed by examining how the regulation under preparation will affect women, how it will affect men and how it will affect their relationship in society. The need for this sort of assessment is determined in the beginning of the regulatory process. The first issue to be found out is whether the sector where the regulatory project places itself already manifests differences between women and men and whether the sector is relevant in terms of promoting equality between them. If impact on women and on men exist in the sector in question, it should be assessed whether it is more detrimental to one sex than to the other, or whether members of one sex are placed at a disadvantage because of the impact of the regulation. The assessment of gender impact should be carried out also in the event that the regulation is in practice applicable to one sex only.

The following questions may be utilised in the assessment of the impact of a regulatory proposal on the equality of women and men:

Does the proposal have an impact on the equal treatment of women and men e.g.

- at work
- in finances
- in the opportunities to care for children and to balance work and family
- in training and professional development
- in employment prospects, employment, advancement and career progress
- in political participation and influence
- in health and the probability of illness and in the need for health and medical services
- in security and the risk of violence
- in leisure, hobbies, recreation and other sectors that are relevant to the equal treatment of the sexes?

Equal treatment does not mean equality of condition, but equality of opportunity. Hence, differences do not always translate into unequal treatment. For instance, the equal treatment of leisure activities would mean that the different activities that women and men pursue for recreation receive similar levels of support.

Methods and information sources

There is a Handbook on the assessment of impact on children (Taskinen, Sirpa: *Assessing impact on children*, 2006, STAKES). The assessment should involve also the children themselves, in that their opinions are taken into account. Another useful information source in the assessment of impact on young persons is the materials produced by the State Consultative Committee on Youth Affairs (NUORA).

The assessment of gender impact should address, e.g. by means of statistics, the issue of which sectors relevant to the regulation under preparation manifest differences between men and women. For instance, much of the statistical material available at Statistics Finland has been categorised also by sex. Another tool for the assessment is the Ministry of Social Affairs and Health Handbook on the assessment of gender effects in regulatory projects (the SUVA Handbook).

Impact on employment and the working life

Impact on employment may be assessed on the basis of changes in the demand and supply of labour. Individuals either offer their labour to a company or corporation or employ themselves as entrepreneurs. Regulation may have an impact on the demand and supply of labour and on their equilibrium by way of economic or (structural) labour market factors.

Changes in social welfare or in the taxation of labour may act as incentives for the supply of labour. Such changes may relate to amounts or to the basis or duration of welfare provision. In contrast, the demand of labour is impacted by regulation with relevance to the labour costs payable by employers, e.g. social welfare contributions.

Structural labour market factors with an impact on employment include regulation on training, workplace safety, working hours and the hiring and firing processes. In addition, the setting of minimum wage levels and also wage composition in general (e.g. performance-related pay) can be described as structural factors.

Employment impact may be different for different groups, depending e.g. on region, professional background, sex and nationality. For this reason, it may be necessary to assess employment impact separately for different groups of individuals.

Regulation with an impact on the national economy may of course have also an employment impact. Regulation with an impact on public finances may have an impact on employment in the public sector and thereby indirectly also on employment in the private sector.

Besides specific employment impact, regulation may have also a more general impact on the working life. For instance, regulation on the opening hours of retail businesses affects working hours and qualification requirements may determine whether an individual can be hired on a permanent or only on a temporary basis. Regulation on workplace safety and occupational health has an impact on burnout avoidance and on the overall length of working careers. If regulation allows for nationwide labour unions and employers' federations to contract out of the otherwise mandatory provisions in the law, the impact will be a divergence of terms of employment in different sectors. Such regulation will have an impact also on the status of non-organised businesses as employers.

Methods and information sources

The assessment of impact on employment may draw from the Statistics Finland statistics based on workforce polls and jobholder rates. Statistics based on research on working conditions may also be used as information sources in the assessment. Other statistics useful in this respect pertain e.g. to time-use, regional economic indicators and regional production and labour indices.

In addition to the statistical material available from Statistics Finland, information for the assessment of the impact of work-related regulation can be found also in the research and publications of the Institute for Occupational Health. Moreover, the Labour Policy Paper series of the Ministry of Employment and the Economy contains research e.g. on the functioning of single pieces of employment regulation.

Impact on crime prevention and security

Security may be defined as the trust of individuals in the rules of the society and the communities therein being followed and any disorder being addressed. The impact of a regulatory proposal on security may be direct or indirect, pertaining e.g. to data security in the community or organisation, premises security, individual physical security, personnel security, work safety, emergency services and guarding. The present section contains a closer look into crime prevention and the impact of regulation on criminality.

Crime causes considerable costs and other harm to society. Criminal policy measures aim for the reduction of crime and the harm caused by it. There are

also measures that do not constitute criminal policy *per se*, but may still have noteworthy impact on crime and crime prevention; one example is the design of residential neighbourhoods and business districts. General social policy choices or e.g. new business practices may likewise decrease the opportunities for crime or the lucrativeness of the criminal lifestyle.

For instance, the wearing of crash helmets is mandatory for motorcyclists; the objective of this measure was to reduce traffic injuries, but it turned out to reduce motorcycle theft, as well. Potential thieves do not normally carry helmets with them, and a thief riding without a helmet runs a dramatically higher risk of getting caught.

A typical criminal offence has three elements: The object or victim of the offence, the willing perpetrator, and a lack of monitoring or protection. Crime ensues when a willing perpetrator encounters a suitable object without adequate monitoring. A change in any of these elements may result in a change in criminality: The willingness of individuals to commit crimes, the accessibility of suitable crime objects or victims, and control.

When assessing impact on crime and crime prevention, it is useful to examine factors that are known to be linked to the level and nature of criminality and the preconditions of crime prevention work. Crime prevention measures are often divided into two main groups: Situational prevention and social engineering against crime.

Situational prevention aims for the reduction of everyday opportunities to offend, by making it more difficult, by reducing its profitability and by increasing its riskiness. The core of situational prevention is to adjust concrete, everyday situations so that opportunities arise less often, the difficulty of offending increases, and lawful conduct becomes more rewarding. *Social engineering against crime* involves measures for reducing risk factors during childhood and adolescence, as well as for eliminating social conditions that further the criminal lifestyle.

Methods and information sources

At its most demanding, the assessment of impact on crime and crime prevention may require extensive cost-benefit analyses of the various regulatory options. In many cases, the impact may be estimated e.g. by reference to empirical data on similar situations or to generally accepted criminological precepts.

Data for the assessment of impact on crime are available e.g. at Statistics Finland and the National Research Institute for Legal Policy (Optula). Optula issues series-format publications on the crime situation and the current state of law and justice. Statistics Finland produces ready-made justice statistics,

some of which are available free of charge. The specific statistical tables in this field cover e.g. reported crimes, criminal verdicts, defendants, convicts, sentencing and enforcement, as well as police, prosecutorial and court measures and liability issues.

Impact on regional development

A regulatory proposal may have an impact on regional development, that is, a direct or indirect *impact on the development of the various regions, regional policy and other measures for achieving regional effects*. In most cases, regional development impact takes the form of economic or environmental impact, which means that it can be assessed by reference to the methods described above in the respective sections.

The main elements and impact targets in regional development are

- production and employment in the regions
- business activities and competitiveness
- well-being of the inhabitants and availability of services
- financing of regional development and investment
- infrastructure and the state of the environment.

The main objective of the Act on Regional Development is to improve the competitiveness of the regions and to promote balanced regional development. Accordingly, the assessment of the regional development impact of proposed regulation should address the issue of how the state of the various regions changes in those respects as a result of measures linked to the proposed regulation. Special attention should be paid to the issue of whether the proposal is detrimental to certain regions. From the business point of view, the main aspects are on the opportunities for business development, e.g. by way of investment subsidies and the availability of labour. From the individual point of view, the main point is the promotion of well-being in all its aspects. Thus, it is important to determine how regulation on social and health services, education and transport infrastructure affect the availability of services in the region. Another issue to be considered is the realisation of linguistic rights.

The impact of any given piece of regulation may vary from region to region, depending on geography, industry structures and demographics.

For instance, fisheries regulations are advantageous either to coastal areas or to riverine areas, depending on what kind of catches are allowed. Salmon fishing in the Baltic Sea area is advantageous to the coastal and archipelago areas, but may hamper the fishing industry along the rivers flowing into the Gulf of Bothnia, as well as the tourism industry connected to it.

The impact on regional development should be assessed with respect to different types of region and with respects to regions in different parts of the country. The primary levels at which the assessment should proceed are State administrative regions, greater regions, provinces, metropolitan areas and municipalities. Depending on the contents of the proposed regulation, other divisions may be used as well, e.g. urban regions, suburban regions, main rural regions, sparsely populated rural regions and archipelago regions. In most situations, the province is a suitable starting point for the assessment. Depending on the contents of the proposed regulation, other larger divisions (greater region, State administrative region) or smaller divisions (metropolitan region, municipality) should be used, as well.

Methods and information sources

The Association of Finnish Local and Regional Authorities is the main information source in the assessment of regional development impact. Other useful data are available from the Statistics Finland regional statistics (regional database, city indicators, regional indicators etc.). Statistics Finland produces also analyses on regional development. Among the research institutions, the Government Institute for Economic Research (VATT) and the Pellervo Economic Research Institute (PTT) specialise also in the assessment of regional development impact.

Impact on the Information Society

Impact on the information society means direct and indirect impact on

- businesses offering information society services
- individuals using such services and the behaviour of these individuals
- the ICT infrastructure.

Impact on the information society may arise as an express regulatory objective, or be indirect. Impact on the information society is normally linked to other types of impact, most commonly economic impact and business impact, as well as to the status and opportunities of individuals.

A regulation with beneficial impact on the information society lends support to the basic structures of the information society and improves the competitiveness of Finnish ICT businesses in the global communications market. If a regulation increases supply and demand in e-services, networks and equipment, it normally improves the situation of businesses offering information society services and promotes the development of the information society also in more general terms. The most typical regulation with beneficial information society impact is one that provides incentives for R&D and the adoption of new e-services, as well as lends support to innovative technological business ventures.

Regulation has positive information society impact also if it increases individuals' opportunities to participate in, and exert an influence on, political processes by electronic means and offers forms of service provision that are alternatives to the customer being physically present at the provider's premises. That being said, it is possible that individuals will have to possess special ICT competence or acquire ICT equipment, systems or applications in order to make use of such opportunities. Accordingly, in the development of new e-services it is important to make sure that the services are available and accessible to all individuals on an equitable basis.

If the proposed regulation increases the dependency of the vital functions of society on information technology or communications networks, this state of affairs should be expressly mentioned in the proposal. Under such circumstances, it is essential that the system functions properly and reliably also in exceptional conditions.

Moreover, regulation has positive information society impact if it improves individuals and businesses' data security and data protection and the overall credibility of electronic communications. Communications networks and technological solutions are particularly susceptible to various breaches of data security, which should be taken appropriately into account in the preparation of the regulatory proposal.

Communications policy aims for a fair, competitive and developing operating environment for the provision of varied, progressive, reliable and user-friendly communications services equitably for all. A major part of this operating environment is formed by the basic communications infrastructure, communications networks and structures. Proposed regulation concerning e.g. the location or cost of radio masts, equipment rooms and cables will have an impact on the basic communications infrastructure. In this event, the information society impact may be either beneficial or detrimental, depending on whether the regulation makes the construction of infrastructure easier or e.g. makes it more costly to construct or to maintain such infrastructure.

Methods and information sources

Useful material for the assessment of information society impact is provided e.g. by the Finnish Communications Regulatory Authority (Ficora) and the Office of the Data Protection Ombudsman. Ficora monitors the communications market on a standing basis and collects market data from service providers. Ficora publishes the data in its quarterly market reviews and in its main annual review.

Checklist for impact identification

This checklist serves as a support tool for the identification and assessment of economic impact, administrative impact, environmental impact and social impact, as discussed in the Guidelines. It is an aid that can be used also at other stages of the regulatory process.

The questions in the checklist are meant to help the drafter to identify and to assess the relevant impact of the project.

The idea is that the drafter goes through the questions on the list and determines whether the impact is manifest or not. Some forms of impact are more easily identified and anticipated, while others may require more detailed analysis and more precise information (the entry “TBD” (to be determined) can be used to indicate these points).

The purpose is not to assess every impact on the checklist in every project; instead, the assessment should be directed at the relevant impact. Moreover, the checklist is not exhaustive, but rather an indicative list for impact identification, assessment and follow-up. Accordingly, regulation may also have an impact not mentioned on the list.

I Economic impact

Impact on households	Yes	No	TBD
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<p>Does the proposal have an impact on the financial position of various population groups and households?</p> <ul style="list-style-type: none"> The impact may be beneficial or detrimental to the position of anyone with an income, or be different for different population groups. 			
<p>Does the proposal have an impact on household behaviour?</p> <ul style="list-style-type: none"> Is it probable that consumption will increase or that behaviour changes in a manner giving rise to indirect economic impact? 			

Impact on businesses	Yes	No	TBD
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<p>Does the proposal have an impact on the costs or profits of businesses?</p> <ul style="list-style-type: none"> Does the proposal result in changes in taxation, charges or business subsidies? Will there be changes in business operations? Will the various notification, license, reporting and registration procedures give rise to administrative costs? 			
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<p>Does the proposal have an impact on competition and the functioning of the market?</p> <ul style="list-style-type: none"> • Does the proposal prevent, restrict or distort competition between businesses? • How will the proposal affect market access, market concentration and the ways in which businesses compete (such as pricing, quality, marketing)? 			
<p>Does the proposal have a specific impact on small or medium-sized businesses, on starting up new businesses, or on the ability of businesses to grow?</p> <ul style="list-style-type: none"> • Will the impact of the proposal be proportionately heavier on SMEs? • Does the proposal promote or prevent entrepreneurship and the chances of businesses to grow? 			
<p>Does the proposal have an impact on investment, research and development, or innovation?</p> <ul style="list-style-type: none"> • Does the proposal have an impact on investment or investment opportunities? • Does the proposal promote innovation, that is, the development of new production methods, products and services? 			
<p>Does the proposal have an impact on the international competitiveness of businesses?</p> <ul style="list-style-type: none"> • Does the proposal reinforce or weaken the competitive position of Finnish businesses in relation to other businesses operating in the global market? 			

Impact on public finances and the economy	Yes	No	TBD
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<p>Does the proposal have an impact on the financing of public corporations or on the allocation of resources?</p> <ul style="list-style-type: none"> • Does the proposal have an impact on the functioning of the financial system and the sustainability of finance, the financial relationship between the State and municipalities, municipal finances in general, or the operations of non-profit organisations and the third sector? 			
<p>Does the proposal have an impact on the various aspects of public finances?</p> <ul style="list-style-type: none"> • Does the proposal have an impact on the standard and coverage of public services and social welfare, employment in the public sector or the promotion of productivity in the public sector? 			
<p>Does the proposal have an impact on general economic development and the national economy?</p> <ul style="list-style-type: none"> • Will there be an impact on prices, the labour market, the supply and demand of goods and services, or the structure of the national economy and public finances? 			

II Impact on public administration

Impact on public administration	Yes	No	TBD
<p>Does the proposal have an impact on inter-authority relationships?</p> <ul style="list-style-type: none"> • Does the proposal have an impact on the division of competences between authorities, or on the division of tasks between the State and the municipalities? 			
<p>Does the proposal have an impact on the duties and procedures of the authorities?</p> <ul style="list-style-type: none"> • Does the proposal have an impact on the workload of the authorities or the nature of their tasks, or their operating procedures and capability to provide service? 			
<p>Does the proposal have an impact on the organisation and personnel of the authorities?</p> <ul style="list-style-type: none"> • Does the proposal affect the number or status of personnel? • Can it be seen to have an impact on the premises or equipment of the organisation? 			
<p>Does the proposal have administrative effects on the authorities?</p> <ul style="list-style-type: none"> • Does the proposal have an impact on the reporting or accounting requirements of the authorities? • Does the proposal increase the administrative tasks of the authorities so that the performance of their main tasks is thereby hampered? 			

III Environmental impact

Environmental impact	Yes	No	TBD
<p>Does the proposal have an impact on the use of natural resources and energy?</p> <ul style="list-style-type: none"> • Does the proposal increase or decrease the need to use mineral resources, forest resources, water resources, other natural resources or energy, or does the proposal have an impact on the interrelationship of different energy generation alternatives? 			
<p>Does the proposal have an impact on production or consumer behaviour?</p> <ul style="list-style-type: none"> • Does the proposal have an impact on the quantity or quality of goods produced, so that the amount of emissions, waste, resource use or energy increases or decreases? • Does the proposal affect consumer behaviour in a manner relevant to energy use or waste generation? 			
<p>Does the proposal have an impact on the location of operations, the need for transport and locomotion, or the relationship of various modes of transport?</p> <ul style="list-style-type: none"> • Does the proposal steer the location of housing, industry or other activity? • Will traffic increase or decrease? • Will there be a change in the relationship of different modes of transport, such as roads, railways, waterways? 			

<p>Does the proposal have an impact on human health, living conditions, and enjoyment of the same?</p> <ul style="list-style-type: none"> • Will emissions and noise increase or decrease? The impact may arise e.g. from a change in land-use regulations, such as the conversion of greenfield sites into building sites. 			
<p>Does the proposal have an impact on the quantity, quality or processing of emissions and waste?</p> <ul style="list-style-type: none"> • How much and what kind of emissions ensue into the air, surface water, groundwater and the soil? • Is there an impact on the generation of waste and the prevention of the same, recycling and different forms of waste disposal? 			
<p>Does the proposal have an impact on the soil, waters, air, climate, climate change, natural diversity, plants and animals?</p> <ul style="list-style-type: none"> • Do emissions, land-use changes or new operating procedures give rise to changes in the soil, waters, valuable nature areas or locations, plant or animal species, ecological niches or the interrelationships between species? • Does the proposal have an impact on climate change or the opportunities to prepare for or adapt to it? 			
<p>Does the proposal have an impact on community structure, the built environment, landscapes, cityscapes or cultural heritage?</p> <ul style="list-style-type: none"> • Does the proposal have a direct impact, or an indirect impact e.g. through traffic arrangements or construction, on the overall structure of the various functions of society, the built environment, landscapes, cityscapes, areas or locations with significant cultural heritage value, or the uses to which the areas are put? 			

IV Social impact

Impact on the status of citizens and on the functioning of democratic society	Yes	No	TBD
<p>Does the proposal have an impact on the realisation of fundamental rights and due process?</p> <ul style="list-style-type: none"> • Does the proposal have an impact on the realisation of the fundamental rights of an individual, as referred to in chapter 2 of the Constitution? 			
<p>Does the proposal have an impact on human interrelationships and the decision-making concerning the same?</p> <ul style="list-style-type: none"> • Does the proposal have an impact on social networks and the community spirit? • Does the proposal have an impact on the chances of individuals to make decisions on their family life? • Does the proposal have an impact on the legal relationships of individuals, e.g. the right of contract or the freedom of enterprise? 			
<p>Does the proposal have an impact on the chances of individuals to participate in, or exert an influence on, the political process?</p> <ul style="list-style-type: none"> • Does the proposal have an impact on the chances of individuals to influence matters pertinent to themselves, their neighbourhood or society at large, as well as to associate and otherwise to participate in NGO work? • Does the proposal have an impact on the status of NGOs and associations and how they work? 			

Impact on social affairs and health and impact on equality, children and gender equality	Yes	No	TBD
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<p>Does the proposal have an impact on the mental or physical health of individuals, their well-being or the distribution of well-being?</p> <ul style="list-style-type: none"> • Does the proposal have an impact on whether individuals act in a health-conscious way, or on the major public health risks or preconditions for a healthy life? • Does the proposal have an impact on the opportunity of individuals to receive or to use health and welfare services? • Does the proposal have an impact on living conditions or the way individuals cope with everyday life? 			
<p>Does the proposal have an impact on equality and non-discrimination?</p> <ul style="list-style-type: none"> • Does the proposal have an impact on the equality of individuals or groups or on the requirement that no one is discriminated against for reason of sex, age, ethnic origin, language, religion, convictions, opinions, state of health, disability or other personal circumstance? 			
<p>Does the proposal have an impact on children?</p> <ul style="list-style-type: none"> • Does the proposal have an impact on the interests of the child population or a part thereof? • Does the proposal have an impact on children's health, human relationships, living and moving about, coping with everyday life, participation and equality either directly through the children themselves or indirectly through their families or other communities? 			
<p>Does the proposal have an impact on gender equality?</p> <ul style="list-style-type: none"> • Does the proposal have an impact on the equal treatment of women and men e.g. at work, in finances, in the opportunities to care for children and to balance work and family, or in other respects relevant to the equality between women and men? 			

Impact on employment and the working life	Yes	No	TBD
<p>Does the proposal have an impact on employment?</p> <ul style="list-style-type: none"> • Does the proposal have an impact on the supply and demand of labour? • Does the proposal have an impact on the mobility of labour or of businesses? • Does the proposal have an impact of employment in the private or the public sector? 			
<p>Does the proposal have an impact on the functioning of the labour market or on structural issues?</p> <ul style="list-style-type: none"> • Does the proposal have an impact on the respective labour market positions of various employee categories (the young, the elderly, the long-term unemployed, special groups etc.)? • Does the proposal have an impact on the functioning of employer organisations of varying sizes, or on their ability to offer jobs? • Does the proposal have an impact on the status of organised and non-organised employers? • Does the proposal have an impact on the competitive position in the market in question? 			
<p>Does the proposal have an impact on the status of employees?</p> <ul style="list-style-type: none"> • Does the proposal have an impact on working hours arrangements, or the duration or permanence of employment contracts? • Does the proposal have an impact on wages and salaries? • Does the proposal have an impact on the minimum standard of terms of employment, occupational hazard management or job security? • Does the proposal have an impact on workplace safety, occupational health, job satisfaction and burnout avoidance? • Does the proposal have an impact on training or activities at the workplace level in different businesses? 			

Impact on crime prevention and security	Yes	No	TBD
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<p>Does the proposal have an impact on crime opportunities?</p> <ul style="list-style-type: none"> • Does the proposal have an impact on how easy or hard it is to commit a criminal offence? • Does the proposal have an impact on social control or other control, or on the risk of getting caught? 			
<p>Does the proposal have an impact on the propensity of individuals to commit criminal offences?</p> <ul style="list-style-type: none"> • Is it possible that the proposal has a crime impact e.g. because of changes in the living environment or individual livelihoods? 			
<p>Does the proposal have an impact on the ability of the authorities to prevent, reveal or investigate crime?</p> <ul style="list-style-type: none"> • Does the proposal have an impact on the chances of the authorities to gain knowledge about crime? 			
<p>Does the proposal have an impact on security?</p> <ul style="list-style-type: none"> • Does the proposal have an impact on data security, data systems security, premises security, physical security, personnel security, work safety, emergency services, or guarding? 			

Impact on regional development	Yes	No	TBD
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<p>Does the proposal have an impact on production and employment in the regions?</p> <ul style="list-style-type: none"> Does the proposal have an impact on production and employment in given regions or on differences in rates of employment in different regions? 			
<p>Does the proposal have an impact on business activities, business financing and investment?</p> <ul style="list-style-type: none"> Does the proposal have an impact on the operating conditions and competitiveness of businesses in the regions, the financing of regional development and investment? 			
<p>Does the proposal have an impact on the availability of services in the regions?</p> <ul style="list-style-type: none"> Does the proposal have an impact on the availability of basic services (education, culture, social welfare, health, transport) and other services in the regions? 			

Impact on the Information Society	Yes	No	TBD
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<p>Does the proposal have an impact on the data security and data protection of individuals and businesses?</p> <ul style="list-style-type: none"> • Does the proposal have an impact on the credibility of the protection of personal data or of business data security? • Does the proposal have an impact on the dependence of the vital functions of society on information technology or communications? 			
<p>Does the proposal have an impact on information society services?</p> <ul style="list-style-type: none"> • Does the proposal have an impact on the use of given information society services, the provision or content of such services or the activities of service providers? 			
<p>Does the proposal have an impact on the availability of services or on service users?</p> <ul style="list-style-type: none"> • Does the use of the new services introduced by the proposal require special skills or equipment from the users? • Does the proposal have an impact on the user-friendliness or availability of the services, with a view on the needs of the various groups of users? • Does the proposal have an impact on the chances of individuals to participate and to influence matters? 			



MINISTRY OF JUSTICE
Finland

PO BOX 25, 00023 GOVERNMENT
tel. +358 9 160 03, www.om.fi/en

PL 25, 00023 VALTIONEUVOSTO
puh. (09) 160 03, www.om.fi