

Economic Policy Positions of the CCI-Organisation

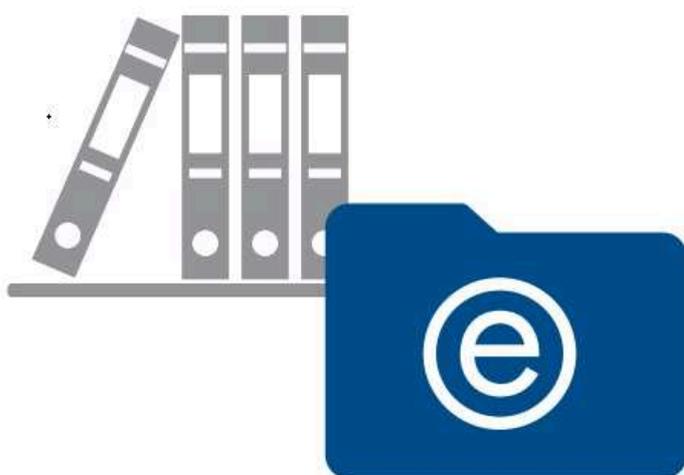
REDUCING BUREAUCRACY AND IMPROVING THE LAW: Avoiding unnecessary Regulation, using Digital Processes

The economic policy positions of the CCI-Organisation (WiPos) show politicians concrete fields of action for good economic policy. The WiPos reflect the coordinated opinion of the CCIs and their members. The DIHK Executive Board adopted this position on 27 November 2018.

REDUCING BUREAUCRACY AND IMPROVING THE LAW: Avoiding unnecessary Regulation, using Digital Process

For some time, the federal government has pursued specific targets to achieve a reduction of bureaucracy. In recent years, the reduction of burdens has come to a standstill. The use of digitization on a large scale would make it possible to relieve the burden for the economy. The CCI organisation regularly submits concrete proposals for tangible relief.

Savings potential through e-government



34%

This is how high the proportion of bureaucratic work is that can be saved by e-government in administrative contacts.

The following guidelines should determine economic policy action:

- Better laws: clear and consistent
- More courage for less regulation
- More realistic estimation of the effects of new regulations, paying greater attention to SMEs and small enterprises
- applying „One in, one out“ consistently
- Mutual promotion of e-government

Better laws: clear and consistent

Good legislation is a factor of an attractive location: Good legislation offers companies security for investments and scope for innovation. Overall, the location is kept attractive and growth is promoted. The regulatory environment for companies, especially for SMEs in Germany, is excessively complex, often incomprehensible, and many companies can no longer oversee obligations and regulations without external help. The opportunities offered by digitization are not sufficiently exploited to harmonise legal rules. From the point of view of small and medium-sized enterprises in particular, better regulation in the sense of simplicity, comprehensibility and legal certainty should be given high priority in legislation.

What to do: New legislation should encourage rather than hinder entrepreneurial activity. This should be formulated in an understandable way and be easy to follow. It is important to adapt laws to case law in a timely manner in order to avoid legal uncertainties, e.g. if regulations are declared illegal by the courts. The national legislator should avoid conflicts with European law. This is the only way to create for the companies the legal and planning security necessary for long-term investments. The necessity of introducing new regulations must be examined in advance with a realistic impact and cost estimate involving all the parties concerned. In the case of existing regulations, the burdens on companies must be significantly reduced. In the case of implementation deficits, the consistent application of existing laws should precede the adoption of new legal regulations. In addition, the policy should also regularly review existing laws and regulations for their necessity and their impact on the economy and amend them accordingly. EU rules should be implemented by the national legislator without additions or special rules that create competitive disadvantages.

More courage for less regulation

Companies see regulatory burdens continuing to rise: The extent of regulation is increasing in many economic sectors. The burden of reporting obligations has fallen for companies, measured by the bureaucracy cost index. With 50 billion euros, however, the level is still high. Compliance costs, including training and purchases of equipment, e.g. electronic cash registers, are many times higher. Examples include allergen labelling in the food industry, complex consumer rights in online trading and for travel businesses, extensive consultation and documentation obligations for financial services and, last but not least, partially impractical data protection rules that lead to risks, uncertainty and high documentation costs. It is not uncommon for information obligations to be based on EU directives. In addition, companies must keep items of proof, invoices, registration slips and receipts for years, e.g. for the city tax. Reporting requirements for energy use and environmental protection mean that many companies, especially small ones, are now only able to manage their legal affairs through external legal management. Companies have to set up "delegates" for more and more government tasks. This deprives personnel resources or increasingly requires consultants with correspondingly high costs.

Individual groups of companies are also experiencing a significant increase in regulatory costs; large companies with due diligence and reporting obligations on social issues and ecology, export-oriented companies with complex reporting obligations and statistics. The statutory minimum wage continues to cause bureaucratic effort and uncertainty, especially in medium-sized companies, due to recording and documentation obligations as well as certificates within the scope of client liability.

Even regulations such as the acceleration of social security contributions or the complicated and unclear rules on artists' social security contributions burden the companies concerned with bureaucracy and uncertainty.

What to do: Unnecessary bureaucracy and legal uncertainties must be avoided as a matter of principle. The need to introduce new rules should be examined in advance. Where regulations already exist, the burden on companies must be reduced. What is needed is a bureaucratic brake that also works in individual sectors and can control bureaucracy there. The Federal Government regularly monitors the development of compliance expenditure in relation to new laws, also with the help of the Regulatory Control Council. This does not prevent regulation from increasing sharply in individual sectors. Particularly affected sectors are, for example, the retail trade, the catering trade and hotel industry or the construction industry. The reliefs and simplifications are particularly required with respect to the bureaucracy relating to the legal minimum wage. This concerns issues such as client liability, documentation obligations or the unclear delimitation of minimum wage components. Regulations such as the legal entitlement to limited part-time work also entail high additional costs for companies and limit the scope for action – despite exceptions and limits of reasonableness for small and medium-sized enterprises. With regard to data protection, documentation requirements need to be reduced to a level that is manageable for SMEs.

For social security contributions, in 2017 the possibility of a simplified contribution estimate for all companies was opened up in order to reduce bureaucratic expenditure. However, the additional burden of many companies due to the early payment of social security contributions still exists. This should be abolished with no impact on contributions. The artists' social insurance fund should – in order to reduce the considerable effort involved in the inspection – only be paid by the artists and invoiced to the client and should only apply to insured artists or publicists. This would remove a source of great legal uncertainty for companies.

Estimating the effects of new regulations more realistically, paying greater attention to SMEs and small enterprises

Impact assessments too far removed from reality: The impact of legislation on small and medium-sized enterprises in particular is not sufficiently assessed either in Germany or at EU level. The entrepreneurial perspective is not sufficiently taken into account in the drafting of regulations, and the SME guidelines are not consistently applied. Despite control by the Regulatory Control Council, the burdens are rarely calculated convincingly. The implementation of legal re-

quirements by the administration is also not sufficiently taken into account in the impact assessment – in terms of time and administrative processes. The consequences are unforeseen practical consequences of national and European regulations – such as the minimum wage, the allergen and general data protection regulations. A careful practical check, as is to be introduced in Bavaria, for example, is lacking.

What needs to be done: The practical effects for entrepreneurs should already be played through in the development process of laws – with the involvement of the business community. In principle, SME friendliness should be given higher priority in national and European legislation. Legislation should take greater account of the assessments of the businesses concerned. Impact assessments for EU regulations should be carried out by the Federal Government, similarly to the national level, during the legislative process ("EU ex ante procedure") in order to avoid bureaucratic burdens from the outset. The "think small first" and "think innovation first" principles are helpful instruments for ensuring that small businesses and innovations are not unduly burdened by EU law – as well as the application of the SME guideline at national level. This would identify avoidable burdens on small businesses at an early stage.

"Applying "one in, one out" consistently, cutting red tape

"One in, one out" works – but not well enough: "one in, one out" is a sensible instrument to slow down the growth of bureaucracy. If the Federal Government adopts a regulation that burdens the economy, it must provide the same level of relief elsewhere. The ministries, however, do not always implement this consistently – this is shown by draft laws with estimates of burdens and reliefs that do not reflect everyday business life. Numerous exceptions to "one in, one out" are provided for, such as for the implementation of EU law. Even one-off compliance costs, which are a particular burden on companies, are not taken into account. A really effective bureaucratic brake is therefore currently not provided by "one in, one out". Digitization offers opportunities for relief that go far beyond a bureaucratic brake such as "one in, one out".

What needs to be done: The Federal Government should apply "one in, one out" more consistently and comprehensively than it has done so far, i.e. with realistic estimates with regard to 1:1 implemented EU law, administrative burdens and one-off compliance costs. In addition to the bureaucratic brake, the government should also set itself a new, comprehensive reduction target for the entire compliance costs. "One in, one out" should also be introduced as an instrument for controlling bureaucratic burdens at state, local and EU level. In Brussels, a European Regulatory Control Council based on the German model should ensure, together with experts from industry, that the Commission realistically assesses the impact of initiative proposals and already plans to reduce existing burdens.

Mutual promotion of e-government

Making use of efficiency potential: Companies have contact with many authorities on different levels. Through tax and statistical reports, employer reporting obligations, business registrations and re-registrations, a medium-sized company has around 200 administrative contacts every year, each of which must be served in a different way. This leads to considerable bureaucratic burdens and causes costs for businesses and the whole economy. Even in its 2015 report on e-government, the National Regulatory Control Council calculated that savings of more than 30 percent are possible.

Germany performs poorly in comparison with other European countries. Too often, in Germany thinking is not user-oriented, but is carried out from the internal viewpoint of the administration. As a result, the e-government potential remains largely untapped: e-billing, electronic court and administration mailbox, De-Mail or the new identity card are solutions that have hardly reached companies in practice to date. On the one hand, this is due to the lack of standards in IT infrastructures as well as inadequate communication and coordination between federal levels - on the other hand, it is also due to the sometimes poor level of user-friendliness.

What needs to be done: The bundled access to administrative services and the exploitation of potential for digitization leads to a reduction in bureaucratic costs - according to figures from 2017 amounting to around six billion euros per year. This is because companies do not have to permanently adapt their IT systems to different administrative requirements.

The Online Access Act (OZG) passed in 2017 obliges the federal government, the federal states and local authorities to merge their previously isolated online administrative services into a single portal network - or digitization platform - by 2022. However, it will only accelerate digitization in the public domain if the Federal Government and the German states consistently assume their political responsibility for a joint, cross-level solution. Administrative services are a basic infrastructure for the economy; here a federal competition for the solutions would not be the right approach, because it leads to increased costs for the companies. As a result, companies should be able to transact administrative services throughout the country and in a uniform manner via a central service account.

The IT Planning Council plays an important role as a central coordination and cooperation body. However, it needs more skills and effective decision-making mechanisms. The 100 most frequently used administrative services for companies should actually be available online across-the-board by 2022. The same regulatory framework is urgently needed: the federal states should implement e-government legislation in a uniform manner.

There is already high potential for effectiveness in the formulation of laws before they are enacted. A helpful tool for making the legislative act fit for the future is the e-government test guide of the Regulatory Control and IT Planning Council. This should become a binding part of the federal and state rules of procedure.

Public authorities should inform businesses about digitization opportunities and make them easily accessible and support electronic archiving. A targeted commitment on the part of the federal and state governments is also required to establish electronic seals as an instrument for trustworthy electronic business transactions between administrations and companies. After the review, unnecessary written form requirements should be quickly abolished.

The CCI-Organisation contributes to this, among other ways, by means of:

- Proposal lists for reducing bureaucracy at national and EU level
- Information and support of the Regulatory Control Council on practical bureaucratic hurdles for companies and assessments of bureaucratic costs
- Interactive checklists in cooperation with the administration to facilitate legal obligations
- Support for companies with digitization, e-billing and e-procurement