

Voluntary compliance – a regulator’s perspective

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International workshop for safety and energy regulatory bodies - 11-12 Nov 2015

Presentation outline

1. Regulatory mandate of the NRCS
2. The concept of voluntary compliance
3. The NRCS voluntary compliance program
4. Conclusion

1. Regulatory mandate of the NRCS

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Legal mandate

To provide for the administration and maintenance of compulsory specifications and technical regulations in the interests of

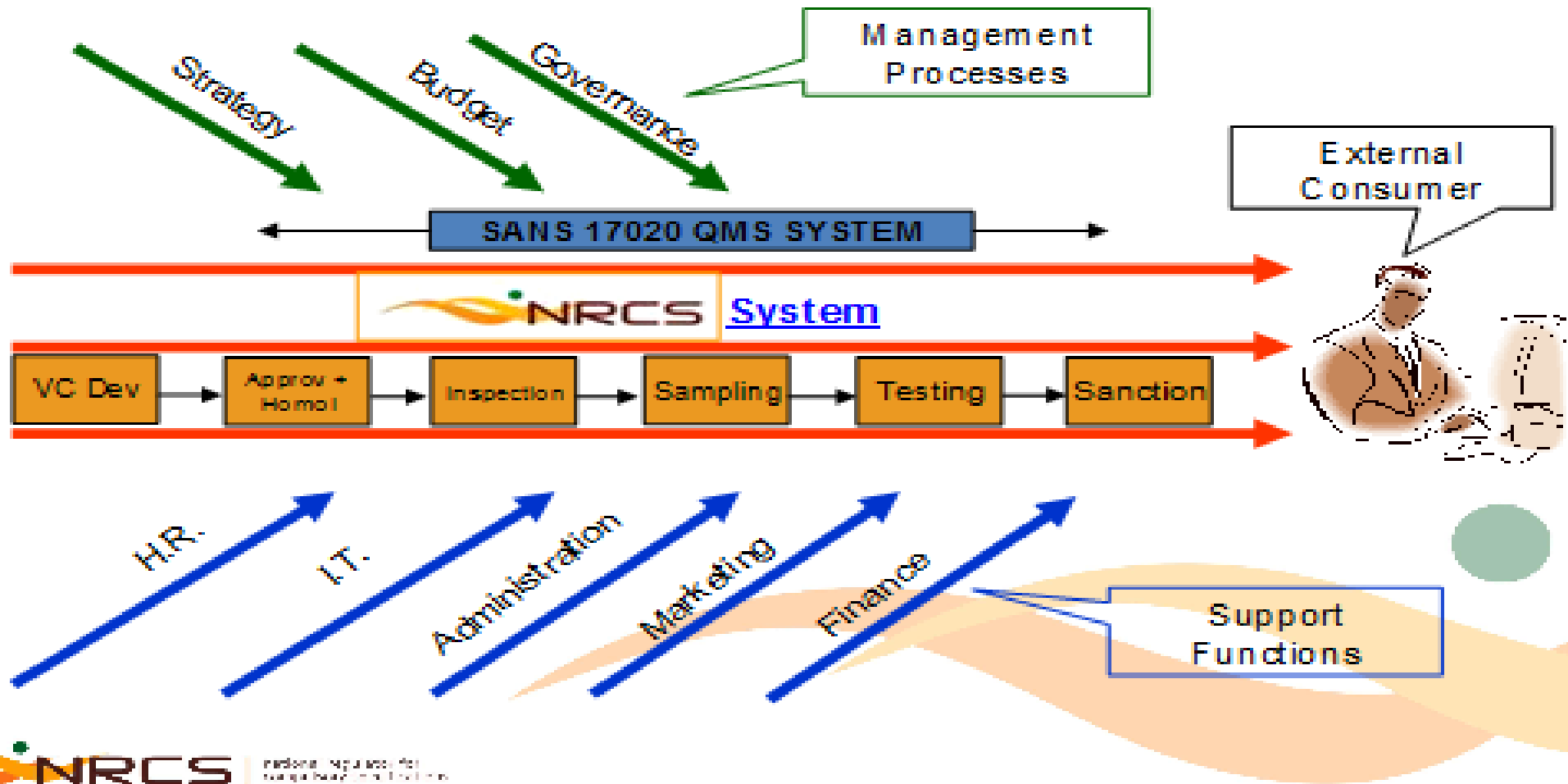
- public safety
- health
- environmental protection
- and fair trade.

Scope

- Electrotechnical
- Automotive
- Chemical, mechanical and materials
- Foods and associated industries
- Legal metrology
- Building regulations

NRCS value chain

NRCS Business



2. Concept of voluntary compliance

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Reasons why regulated entities fail to comply with regulations?

- Failure to understand the law
- Collapse of belief in the law
- Procedural injustice
- Costs of regulatory compliance
- Deterrence failure
- Incapacitation of those regulated
- Failure of persuasion
- Failure of civil society

– **OECD, 2000**

Behavioral classification of regulated entities

Regulatory scholars have divided regulated entities into four classes:

- Those who know the law and are willing to follow it
- Those who do not know the law but would like to be law abiding
- Those who know the law and do not want to follow it
- Those who do not know the law and do not wish to be law abiding

– **McInerney, 2005**

Regulatory response: use sanctions and the full might of the law when dealing with less cooperative entities, while efforts should be made to assist cooperating entities

Essential elements for voluntary compliance

- Win – win cooperative relationships can be achieved only if regulators and the regulated entities find ways to believe each others' intentions
- If enforcement is viewed as unreasonable, the essential trust in regulatory authorities and a sense of duty to comply will be undermined
- The style of interaction of the regulator's inspectors with the regulated entities has a bearing on the compliance behavior since this affects the degree of trust that develops between the parties
- Many regulated entities struggle with the response to regulatory challenges mainly because they have not made regulation a core element of strategy

3. The NRCS voluntary compliance program

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The NRCS voluntary compliance program

Regulatory inspectors cannot be omnipresent, it is therefore prudent for a regulator to leverage on the willingness of regulated entities to comply with regulations. NRCS is currently running a pilot project to encourage voluntary compliance.

- Target 20% of the entities who dominate the market with ~80% market share e.g. large retailers
- Assist them to comply through collaboration, consultation, education, information sharing, feedback, and control where necessary
- Enter into agreements for compliance with participating industry players
- For those who satisfy the regulator's criteria, the intensity and frequency of inspections is reduced based on trust
- The regulator's resources can then be deployed to deal with areas of greatest need
- Accrediting and recognizing voluntary compliance behavior

4. Conclusion

Mandatory and voluntary compliance approaches should be viewed as two ends of a continuum, rather than the sole options.

Encouraging voluntary compliance by the regulated entities has several benefits including:

- Reduced intensities and frequencies of inspection for the participating entities
- Enabling the regulator to deploy its resources to areas of greatest need, i.e. those who do not want to comply
- Increasing accountability and responsibility for compliance by the regulated entities

Thank you!