

Management-based Regulation: Implications for Public Policy (Risk and Regulatory Policy: Improving the Governance of Risk)

A common set of challenges faced by regulators is to achieve public risk management objectives at lower cost, often by giving greater flexibility to the private sector without sacrificing public health and welfare. In addition to improving existing regulation, challenges increasingly arise from new kinds of risks that seem to evade resolution through traditional forms of regulation. A potentially promising regulatory solution -management-based regulation- may help regulators better address both existing risks and new ones. The underlying concept is to deploy regulatory authority in a way that leverages the private sector's knowledge about its particular circumstances and engages firms in developing their own internal procedures and monitoring practices that respond to risks. This flexibility also raises the question of whether this regulatory strategy can actually deliver value to society. Empirical evidence indicates that management-based regulations can lead firms to make risk-related behavioural changes and induce positive behavioural change within industry. The purpose of this chapter is to explain where management-based regulation fits within government's overall policy toolkit and examine the conditions under which management-based regulation is both a viable and superior policy strategy.

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