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Rebalancing EU Regulation: Progressive responses to the deregulation push

For nearly three decades, the European Commission has been pursuing the so-called Better Regulation agenda. At present, however, we are entering an era in which simplification is being given priority over essential protections, with a growing risk that key labour and environmental standards — which help ensure protection for workers and the environment worldwide — will be weakened or dismantled. While originally intended to simplify complex legislation, the agenda has been increasingly shifted towards serving business interests. Under President Ursula von der Leyen's Commission, this shift has accelerated: regulations are now routinely portrayed as burdensome, especially when they entail costs for companies. In early 2025, the Commission introduced the “Omnibus” package to simplify EU rules and boost competitiveness. This includes an at least 25% reduction of administrative burdens and reporting obligations for companies and 35% for small and medium-sized enterprises (SMEs), as well as the suspension of several legislative initiatives such as due diligence, corporate sustainability reporting, and EU taxonomy. After analysing these policies, this policy brief issues an urgent call for a rebalancing of the Better Regulation agenda to safeguard core social and environmental protections against an increasingly one-sided push for deregulation.

The politics of Better Regulation: Tracing Europe's shift from simplification to deregulation

The EU's Better Regulation agenda was conceived in the early 1990s as a response to growing concerns about the complexity and technical nature of EU legislation. Its original goal was to make legal texts clearer, simpler, and more accessible to citizens and stakeholders alike¹. By the late 1990s, however, the political framing began to shift: legislation was no longer seen merely as too complex, but as a barrier to business, particularly for SMEs. This change in narrative — supported by a “growing call from business” — paved the way for deregulatory initiatives such as SLIM and BEST, both focused on reducing regulatory burdens².

The 2001 White Paper and the 2002 Action Plan further institutionalised this *volte face*, moving the EU's agenda above and beyond simplification in the direction of a deregulatory mandate. The creation of the High-Level Group on Administrative Burdens in 2007 — known as the Stoiber Group — marks this turning point. It actively promoted reporting exemptions and streamlined supervision for SMEs, but has also faced sustained criticism for its close alignment with corporate interests. The

group opposed, for instance, a food safety regulation intended to improve consumer information because it would create an estimated € 104 million in additional annual administrative costs³. Such claims were forwarded without the industry affiliations of several group members being disclosed⁴. Four civil society members of the group even strongly opposed the group’s report, arguing it to be an outdated push for deregulation prioritising business interests over public health, safety, and environmental protection. These early developments show how simplification gradually evolved into deregulation — a swing that has since then been leveraged and exploited by vested interests to challenge protections for workers and the environment⁵.

From critique to continuity: The Juncker Commission (2014–2019)

Responding to criticism about corporate influence, the Juncker Commission portrayed Better Regulation as a more neutral and technocratic agenda — not a vehicle for deregulation⁶. Yet its substance continued along the established trajectory. The Commission introduced new instruments such as the Regulatory Scrutiny Board (RSB), the REFIT programme, and clear standards for impact assessments, all with a strong emphasis on reducing administrative red-tape⁷. For instance, the REFIT platform in 2015 established regular meetings between the Commission, national authorities, and specific stakeholders to identify potential for a reduction of the burden. Nonetheless, stakeholder consultations under REFIT were dominated by corporate players — with more than half of platform members coming from business associations⁸. Thus, despite the more velvety rhetoric, the aim of Better Regulation remained the same: simplifying regulation to ease compliance for businesses.

Therefore, the agenda under Juncker — promoted as neutral simplification — in fact often resulted in weaker labour, consumer, and environmental safeguards. By equating complexity with inefficiency, Better Regulation under Juncker helped institutionalise a deregulatory mindset that followed the trajectory of the early 2000s and laid the groundwork for deeper shifts under the next Commission.

The shift under von der Leyen: From efficiency to cost-driven deregulation

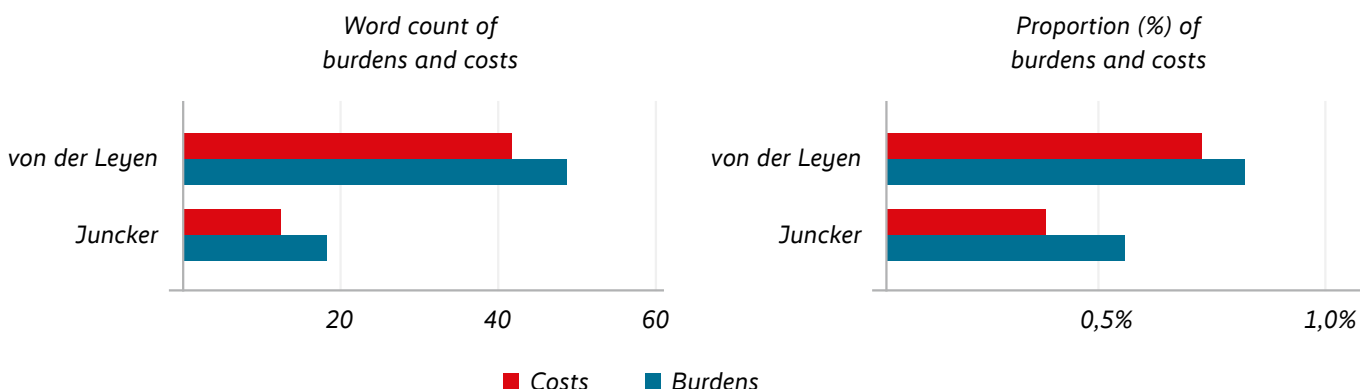
Under Ursula von der Leyen’s leadership, the Better Regulation agenda took a decisive turn. While her first Commission launched flagship initiatives such as the European Green Deal and Digital Transition, it also advanced a regulatory strategy centred on competitiveness with cost-reduction for businesses — especially for SMEs — at its core. Official communications increasingly framed EU legislation as too burdensome and costly for businesses, while attention to societal benefits or the cost of inaction became marginal⁹.

The frequency with which terms like “burdens” and “costs” were mentioned nearly doubled under the von der Leyen Commission, signalling a clear redefinition of Better Regulation as a cost-control tool rather than a governance framework for societal well-being (see Figure 1).

Against this background, the Commission introduced a 25% reporting reduction target and launched a dedicated SME relief package, reinforcing the notion that business cost-efficiency should take precedence over other policy goals. However, the definition of SMEs — encompassing 99.8% of all EU companies — enabled even large and complex firms like Signa Holding to benefit

Mentions of “burdens” and “costs” in Commission communications on Better Regulation in 2015 and 2021

Figure 1



Source: own compilation, also published in Pircher (2024)¹⁰

from eased regulation. The collapse of Signa, one of Europe's largest real estate insolvencies, highlighted the dangers of under-regulation under the halo of SME support¹¹. Nevertheless, the 2025 Commission work programme places burden-reduction at the heart of its agenda, even purporting to raise the target to 35% for SMEs.

In addition, the Commission further announced in 2025 the introduction of a new 'small-mid-cap' category, targeting companies with 250–500 employees that currently fall between SMEs and large enterprises. This group constitutes an estimated 0.11%¹² of all businesses and will also be exempted from certain regulatory standards. The details remain to be seen, however. Combined with SMEs, these two categories will account for 99.91% of all businesses in Europe. The exemptions primarily affect obligations related to sustainability reporting, due diligence, and taxonomy rules, but also extend to broader social, labour, and consumer-protection standards. As a result, recently adopted safeguards in these areas are now being watered down or repealed under the guise of simplification.

Simplification promised, deregulation delivered!

"Simplification promised, simplification delivered!" — it was with these words that von der Leyen announced the Omnibus packages in early 2025. Yet, what has been delivered is not mere simplification, but a wide-ranging push towards deregulation. This thrust was prepared in part by the Draghi and Letta reports, both of which framed EU legislation as a key obstacle to European competitiveness. Subsequent to this, the Competitiveness Compass 2025 identified regulatory burdens as a major drag on Europe's growth. This diagnosis is not supported by comparative evidence, however. According to the OECD's Product Market Regulation indicators, EU Member States on average already have relatively liberal regulatory environments comparable to other advanced economies¹³, suggesting that the core problem may not lie in excessive regulation, but rather in underinvestment or fragmentation. However, by defining the problem in this way — as a brake on Europe's growth — the Commission was able to justify introduction of the Omnibus simplification package.

Crucially, under President von der Leyen, the narrative surrounding regulation has become overwhelmingly negative: regulation is portrayed as a burden, a drag on competitiveness, and a costly obstacle for businesses¹⁴. What is entirely missing from this narrative is the recognition that regulation also plays a vital role in enabling governments to make social progress and respond to pressing challenges. For instance, the European Environment Agency estimates that the health-related external costs of air pollution in the EU range

When worker safety becomes a "burden"

In its 2022 Annual Burden Survey, the Commission classified € 33 million in business costs for protecting workers from asbestos exposure as a regulatory "burden"¹⁹. The proposal focused on reducing these costs, without acknowledging the broader economic and societal benefits — including fewer sick days, lower healthcare costs, and continued tax revenue from healthy workers. This cost-centric approach overlooks the long-term value of regulation and the high price of non-regulation, especially in key areas such as labour, health, and climate. Such examples underscore the risk of politically motivated misuse of regulatory offsetting to justify deregulation.

from € 330 billion to € 940 billion annually, depending on the methodology used to measure this¹⁵. Similarly, studies estimate that work-related accidents and ill-health cost national economies between 1.5% and 4% of GDP¹⁶. These are only two examples of the high price of non-regulation. Moreover, regulation can foster economic growth in the long run: well-designed rules — particularly in the environmental and digital domains — enhance innovation, investment, and productivity. Thus, a more balanced approach to regulation is urgently needed.

What is also often forgotten in the current debate is that regulation serves as a fundamental tool to protect human rights, environmental standards, and democratic accountability. Without enforceable rules, such rights are unlikely to be upheld. Moreover, a rules-based regulatory framework ensures legal certainty and creates a level playing field for multinational corporations — especially within a transnational market like the EU. As recently argued, the push for "less bureaucracy" increasingly risks eroding institutional checks and balances, weakening transparency and accountability in the EU's policymaking process¹⁷.

Regulatory offsetting in the EU: One-in, One-out

One of the most visible instruments for this Better Regulation logic under von der Leyen has been the introduction of regulatory offsetting, known as the „One-In, One-Out“ (OIOO) principle. This approach, which requires that every new regulation be matched by the removal of an existing one, was initially framed as a way to streamline policymaking, reduce red tape, and improve administrative efficiency — especially in the face

of stagnant capacities and growing implementation challenges. Although initially resisted by the Commission, which argued that quality should count more than quantity, offsetting was formally adopted after 2019 due to pressure from Member States such as Germany and Portugal, both of whom advocated a reduction of the burden for SMEs. While promoted as a pragmatic tool to limit overregulation, this principle structurally favours deregulation. Several Member States, including Belgium and Luxembourg, have expressed concerns about its implications for essential protections — arguing that the focus should be on eliminating double or redundant reporting, rather than reducing necessary regulatory obligations per se¹⁸.

By merely focusing on business costs, the Commission's framing reinforces a deregulatory logic that sidelines long-term societal resilience. The asbestos case illustrates how regulatory offsetting can undermine core social and environmental safeguards. When regulation is assessed solely in monetary terms, the focus shifts from public goods — like health and worker safety — to short-term savings for businesses, with little regard for broader consequences. In reality, the societal costs of regulatory inaction are immense: asbestos-related lung cancers alone are estimated to cost the EU between € 35 and € 76 billion, covering medical care, productivity losses, and social security expenses²⁰. As the Better Regulation logic became more deeply embedded in EU governance, regulation itself has increasingly been treated as a cost rather than as an investment in social and environmental resilience. Moreover, offsetting has even enabled cross-sector trade-offs: in one case, stricter Green Deal obligations were “balanced” by rolling back consumer protections in digital regulation²¹.

In light of these developments, it is important to critically reassess whether regulatory offsetting is an effective instrument in practice and, thus, if it curbs the increase in regulation or, instead, erodes essential protections. The potential for an undermining of the EU's broader goals is particularly visible in areas like climate policy, public health, and social rights. A minimum safeguard would be to subject such offsetting decisions to parliamentary scrutiny to ensure democratic legitimacy. Without democratic oversight, this instrument threatens to undermine key safeguards and shift policymaking away from long-term public interest. For instance, it remains unclear how decisions are made regarding whether to retain or abolish a policy, as the criteria are opaque. **More importantly, the Commission decides on offsetting policies and not legislators, which gives the Commission the possibility to offset policies that both legislators — the Council and the Parliament — have adopted in the past (e.g., Corporate Sustainability Due Diligence Directive). Democratically, this raises serious concerns, as it grants non-majoritarian actors the authority to un-**

determine decisions passed by elected assemblies whenever they conflict with powerful interests.

Based on the foregoing analysis, the following measures are proposed to strengthen progressive policymaking in the EU regulatory framework.

Rebalancing Better Regulation: Concrete steps forward

As the EU has entered a new institutional cycle, the emphasis on competitiveness, strategic autonomy, and simplification — reaffirmed by the 2024–2029 Strategic Agenda, the Letta and Draghi reports, the 2025 Commission's work programme, the Competitiveness Compass as well as the Omnibus packages — risks reinforcing a deregulatory trajectory that undermines key social and environmental protections. While administrative streamlining can enhance policy efficiency, the current framing of Better Regulation often conflates simplification with deregulation and prioritises cost savings over public interest. To restore balance and legitimacy to the EU's legislative processes, several measures are necessary to reinforce democratic oversight, transparency, and societal goals. Four key policy recommendations are presented below.

- Strengthening democratic oversight in regulatory scrutiny
- Improving transparency and stakeholder participation in legislative consultations
- Rethinking simplification and prioritising welfare over deregulatory gains
- Reclaiming regulation for the public good and workers' rights

1. Strengthening democratic oversight in regulatory scrutiny

The role of the European Parliament and civil society in regulatory scrutiny must be significantly strengthened to ensure democratic accountability and transparency in EU policymaking. Over the past years, the establishment of regulatory platforms such as REFIT and the Fit-for-Future (F4F) platform has concentrated decision-making power in small expert groups within the European Commission. While these bodies are tasked with evaluating existing legislation and proposing simplification measures, their composition and procedures have largely excluded the European Parliament and broader societal interests. As a result, essential legislative functions have increasingly been carried out in technocratic settings with a lesser role being played by parliamentary oversight or public debate. A similar development is cur-

rently visible when debating impact assessments on substantial amendments. While their focus is solely on businesses as sole entities in regulation with a primary focus on economic impacts — thus a clear deregulatory approach — parliamentary oversight is largely lacking.

A sidelining of democratic institutions is particularly problematic in the context of regulatory offsetting. Decisions about which policies to maintain or abolish under the OIOO principle are made by the Commission — even though the original legislative acts were adopted through the ordinary legislative procedure involving both the European Parliament and the Council of the EU. Lawmakers who once negotiated and adopted these rules are effectively excluded from decisions about their repeal. This disconnect raises serious concerns about democratic legitimacy and transparency — especially in the case of recent initiatives such as the Omnibus packages, where sweeping deregulatory measures are introduced with little input from elected representatives or civil society.

In parallel, the role of the Regulatory Scrutiny Board (RSB) — the Commission’s internal body tasked with reviewing draft impact assessments — is in need of reform. Currently, the RSB’s evaluation primarily focuses on regulatory efficiency and the administrative burden. To safeguard public interest legislation, the Board should be more clearly mandated to explicitly assess social and environmental impacts, especially in cases where simplification may weaken labour rights, environmental protection, or consumer safety. This also includes RSB members not only having business or economics backgrounds, but also providing social or environmental perspectives to a greater extent. In addition, a lack of personnel and work overload have been salient problems within the RSB. Moreover, the RSB’s opinions should be made accessible to the European Parliament and the Council of the EU before legislative proposals are finalised, ensuring that legislators are part of this process and can thus make informed decisions. As co-legislators in the EU, both institutions require access to all relevant evidence and evaluations to exercise democratic oversight and assess social, environmental, and economic implications as well as conduct their reviews of proposed laws. Denying them access to the RSB’s opinions not only undermines transparency, but also weakens the legitimacy and accountability of the Commission’s Better Regulation agenda²².

In sum, to uphold democratic standards and ensure a fairer regulatory process, the European Parliament and civil society organisations must be systematically integrated into the entire lifecycle of regulatory review. A comprehensive reform of regulatory scrutiny requires a multi-level approach that goes beyond internal Commission procedures. While some improvements can be made through changes in the Commission’s internal

guidelines and practices, more structural reforms should be embedded in an updated Interinstitutional Agreement (IIA). Such an agreement could provide a binding framework for transparency, access to RSB opinions, and the early involvement of the Parliament and civil society in the review and simplification process. However, institutional balance must be restored by ensuring that decisions about the repeal or modification of legislation ultimately rest with the co-legislators — the European Parliament and the Council — not with technocratic or non-majoritarian bodies such as the Commission or its expert platforms. Democratic overseeing must be embedded not only in terms of participation, but also in decision-making power.

2. Improving transparency and stakeholder participation in legislative consultations

Transparency in legislative consultations and hearings must be significantly improved to ensure democratic accountability and public trust in the regulatory process. A recent trend giving rise to concern is the increasing use of omnibus packages, which pool multiple legislative revisions into a single reform initiative. While this approach may be administratively efficient, it reduces transparency by making it harder for parliaments, stakeholders, and the public to scrutinise specific legislative changes. To allow for more targeted and democratic review, such reforms should be clearly disaggregated by policy area, enabling proper oversight by the European Parliament, national parliaments, and the actors affected.

Moreover, several legislative initiatives — many of which were originally the result of broad compromises among institutional actors, industry, trade unions, and civil society — have recently been suspended or withdrawn without re-engaging the stakeholders involved in their development. This exclusion of previously involved actors undermines trust in the process. Trade unions, for example, have criticised that they are no longer systematically included. This growing pattern of stakeholder exclusion not only weakens the quality of legislative proposals, but also risks further eroding the legitimacy of the Better Regulation agenda itself. To counter this, a balanced composition of consultations should be made mandatory, and all relevant stakeholders must be informed in a timely and transparent manner to ensure their meaningful participation.

Transparency must also be strengthened in the technical underpinnings of simplification. The methodologies used to calculate regulatory burdens, such as those applied in line with the OIOO principle, should be made publicly accessible and open to external review. The Better Regulation toolbox provides rather opaque criteria, and it is unclear how these criteria are applied in practice.

Finally, to enhance participatory democracy, the Commission's public consultation portals —such as “Lighten the Load – Have Your Say” — require improvement. These platforms must become more accessible, user-friendly, and transparent in their outcomes, including clearer explanations of how public input has influenced policy decisions. Without meaningful feedback mechanisms, such consultations risk being perceived as symbolic exercises rather than genuine democratic tools.

3. Rethinking simplification and prioritising welfare over deregulatory gains

In the future, it is essential to ensure that simplification measures do not come at the expense of social or environmental objectives. While the EU is committed to a ‘Do no significant harm principle’ (DNSH) principle, there is currently no clear definition of the principle and what it means, leaving discretion to Commission services in this assessment. Without a clear definition, there is a risk of inconsistent application. To address this, the DNSH principle should be clearly defined in the Better Regulation toolbox, providing a binding and uniform benchmark for all assessments. Additionally, it is concerning that the Better Regulation toolbox suggests options to mitigate or compensate when significant harm is unavoidable. While the toolbox calls for transparent reporting, it does not provide guidance on when to adhere to DNSH versus opting for mitigation or compensation measures²³. Thus, the DNSH clause should be legally binding, requiring all proposals to undergo ex-ante evaluations regarding their compatibility with social and environmental standards. Identified trade-offs must be documented and justified in a transparent manner.

More importantly, rather than pursuing regulatory cost reduction as a policy goal in itself in the framework of the OIOO principle, the EU should shift its focus towards regulatory quality — evaluating legislation based on its capacity to improve public welfare, health, safety, and environmental sustainability. The debate must also include the often-overlooked costs and problems resulting from non-regulation or under-regulation. These include social and environmental harms, increased inequality, market failures, and long-term public costs due to the absence of preventive or protective rules. For example, failing to regulate harmful chemicals or labour standards may reduce short-term burdens on businesses, but it can lead to serious health crises, environmental degradation, and social unrest, which ultimately impose far greater costs on society and the economy.

Moreover, there is an urgent need for robust ex-post monitoring mechanisms that assess the long-term effects of deregulatory actions. These evaluations should examine whether such measures have led to diminished

protections or increased risks for citizens and, wherever necessary, prompt corrective legislative responses. By broadening the assessment framework to include the negative consequences of non-regulation, EU policy-making can ensure that deregulation does not come at the expense of fundamental rights, safety, or long-term societal well-being.

4. Reclaiming regulation for the public good and workers’ rights

Progressive actors should use the current EU mandate to reclaim the political space for socially and ecologically responsible regulation, while also challenging the dominant narrative that portrays regulation as inherently burdensome. Instead of accepting deregulation as a default solution, they should advocate for a more nuanced approach that distinguishes between necessary public interest regulation and poorly designed administrative procedures. Much of the so-called “burden” stems not from the regulatory goals themselves, but from how policies are implemented — often through complex, overlapping, and poorly coordinated instruments that create unnecessary bureaucracy. For example, in the case of the Corporate Sustainability Reporting Directive (CSRD), many companies acknowledge the importance of transparent reporting, but have raised concerns about administrative hurdles caused by uncoordinated standards and limited guidance. Addressing such design flaws would prevent cascading administrative effects often used to justify deregulation, without sacrificing policy ambition.

Moreover, the Better Regulation agenda has overwhelmingly focused on reducing burdens for businesses, while largely ignoring the increasing strain on public administrations. This is a critical oversight. Public administrations are not just rule enforcers — they are the backbone of public service delivery across the EU. Undermining their capacity through deregulation or by neglecting their workload reduces their ability to implement policies effectively and provide essential services to citizens. Progressive actors should therefore broaden the burden debate to include the public sector, advocating for better resource alignment, capacity-building, and implementation support.

Concrete points of departure include defending and advancing legislative initiatives currently at risk, such as the Corporate Sustainability Reporting Directive, the Corporate Sustainability Due Diligence Directive, EU Taxonomy, the Carbon Border Adjustment Mechanism Regulation, and the InvestEU Regulation. These are precisely the types of policies threatened by the deregulation agenda, and they provide visible cases through which progressive actors can promote regulatory quality over cost-cutting. The goal should not be

to block simplification per se, but to preserve the original aims of these initiatives — such as sustainability, fairness, and public accountability — while improving their design and implementation to avoid unnecessary administrative burdens. This includes clearer guidance from the Commission, better digital infrastructure for reporting, and early stakeholder involvement to identify practical obstacles. In this way, simplification can serve progressive ends rather than undermine them.

Finally, upcoming EU legislation should not be seen as technocratic exercises in competitiveness, but as political arenas to redefine what a competitive, socially just, and resilient Europe means. Progressive actors can use these moments to articulate a new narrative — one that connects fairness, sustainability, and well-functioning public administration to long-term European prosperity and a globally responsible, outward-looking perspective on regulation. Together, these steps can help restore the balance between economic competitiveness and the EU's broader social and environmental commitments — ensuring that better regulation truly serves the public interest in the years to come. By reclaiming regulation as a democratic tool for societal progress, the EU can strengthen trust, protect public goods, and advance a vision of fairness, sustainability, and collective resilience.

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About the Publication

This policy brief examines how the EU's Better Regulation agenda has shifted from simplification to a deregulatory logic that prioritises cost-cutting over public welfare. Increasingly framed as a burden, regulation is being rolled back through measures like the Omnibus legislative package, "One-In, One-Out," and SME-focused relief initiatives — putting democratic oversight and essential social and environmental standards under pressure. The brief offers concrete recommendations to strengthen scrutiny, ensure fair participation, and reclaim regulation as a tool for resilience, trust, and public good. A must-read for anyone working towards a fairer, greener, and more democratic Europe.

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