



Structural Reforms for Adjustment and Growth

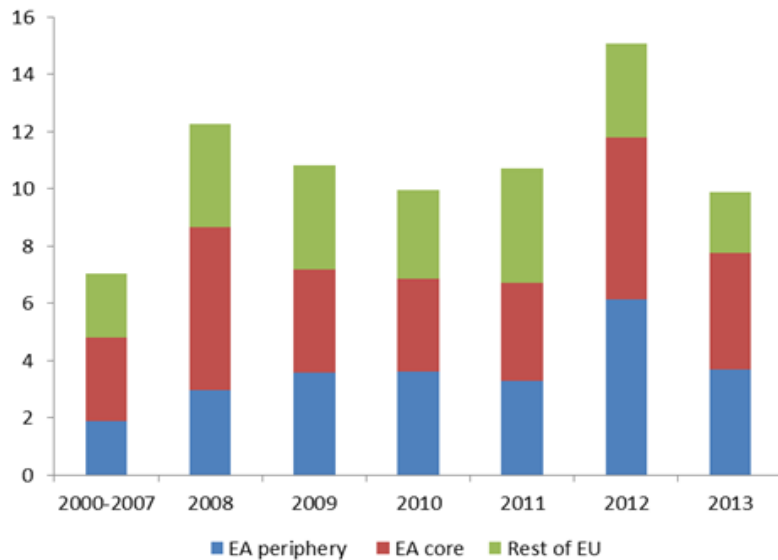
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Brussels Economic Forum, 10 June 2014

Crisis has accelerated labour market reforms but product market reforms lag behind

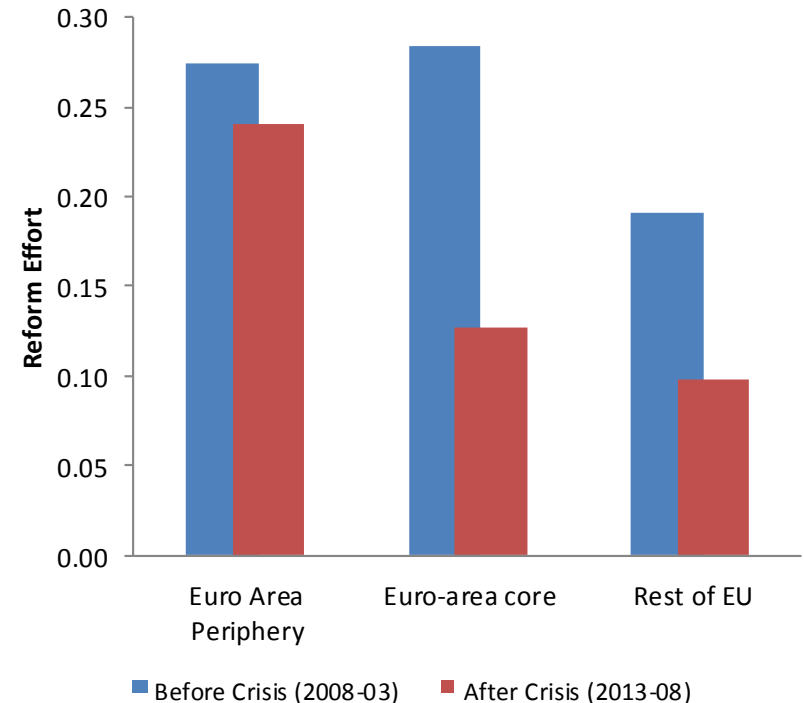
Labour market reforms (average number of adopted reforms per year)



Periphery: EL, IT, IE, PT, ES; Core: AT, BE, FI, FR, DE, NL, SK; Rest of EU: CZ, DK, UK, SE, HU

Source: European Commission.

Product market reforms (Reform effort (changes in the level of regulation in groups of Member States before and after the crisis))

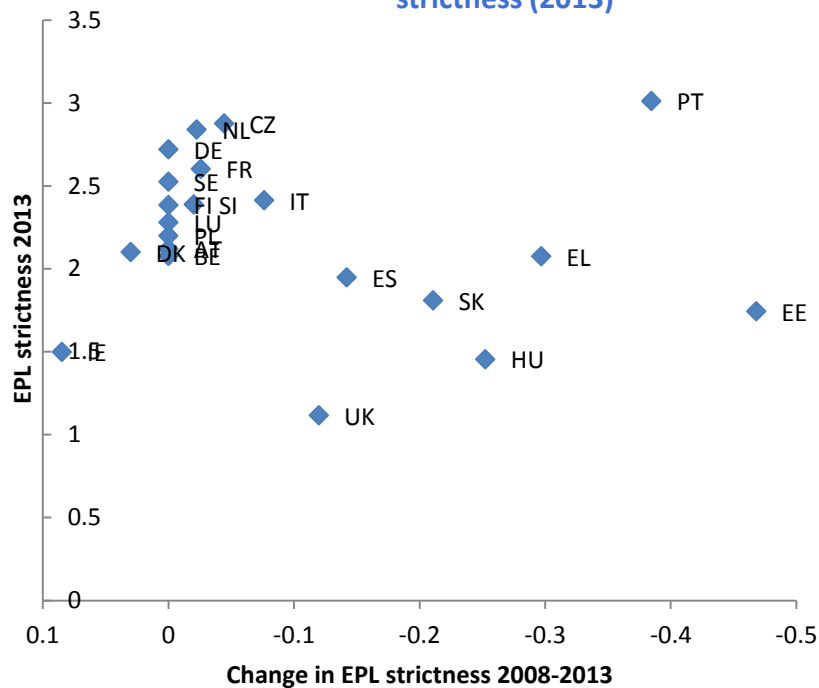




Large reform efforts have been made in a number of countries but more is needed

Labour market reforms

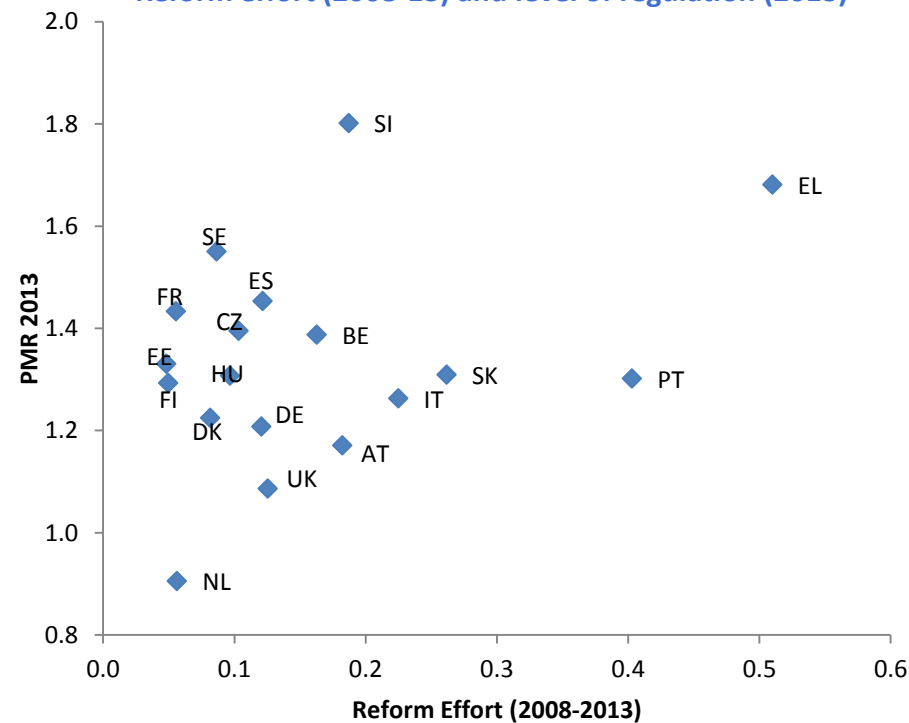
Reform effort (2008-13) and employment protection strictness (2013)



Source: European Commission

Product market reforms

Reform effort (2008-13) and level of regulation (2013)

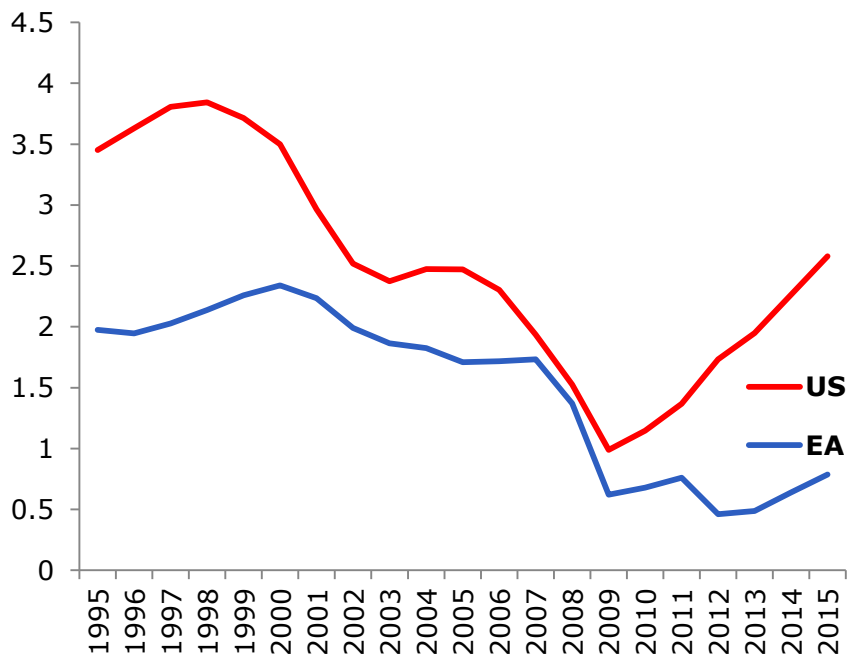


Source: OECD (PMR)

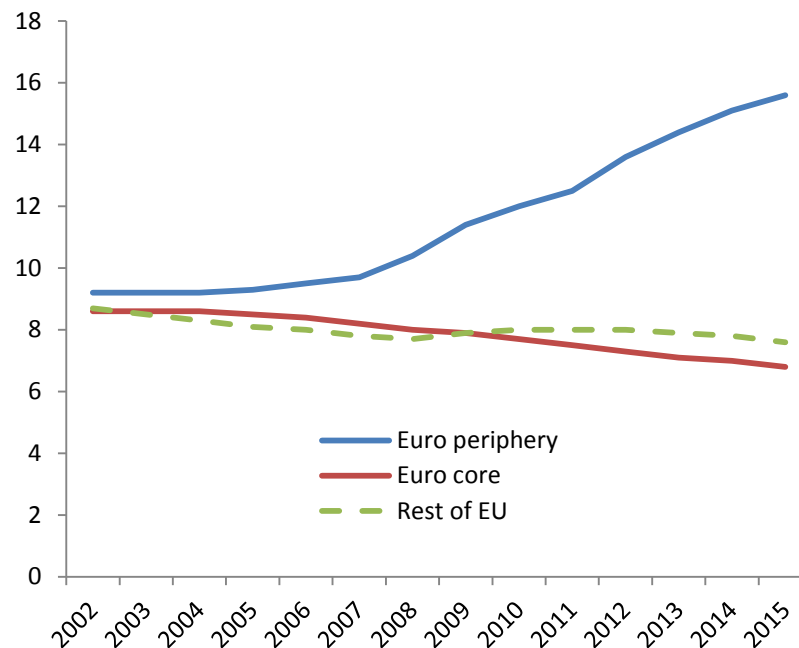


Low potential growth and high structural employment point to sizeable reform needs

Potential GDP growth in the US and EA
(% p.a.; 1995-2015)

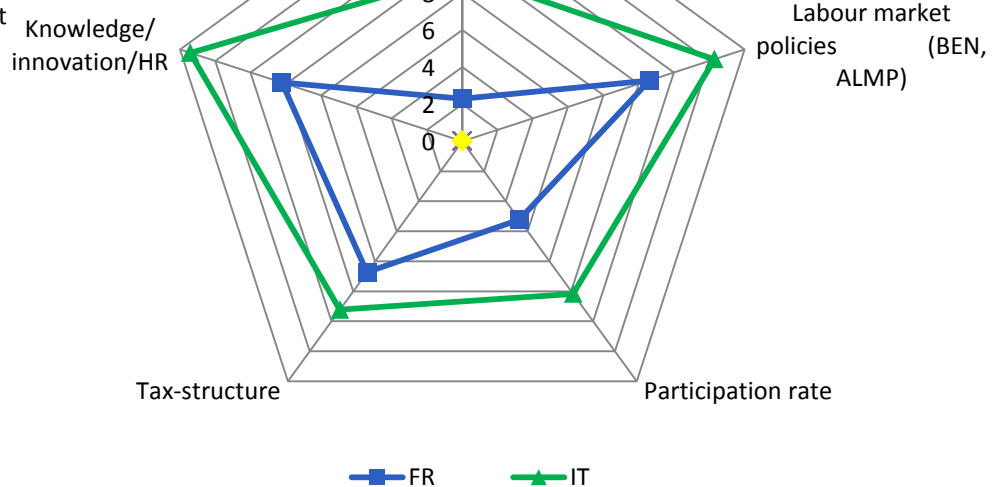
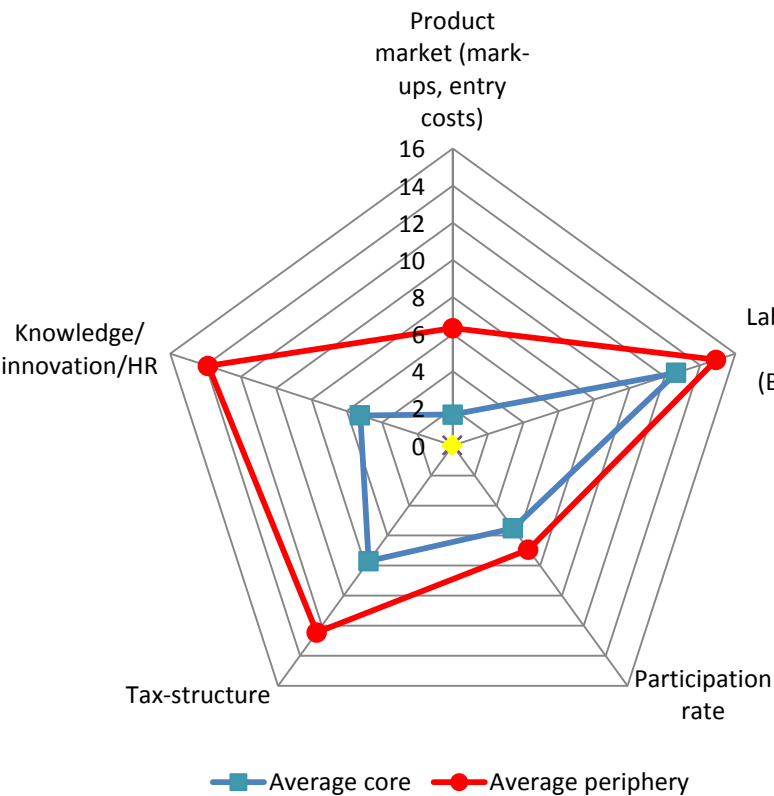


Structural unemployment
(%; 2002-2015)



The distance to the EU's best performers is still large

Relative distance across countries (best performers = 0)

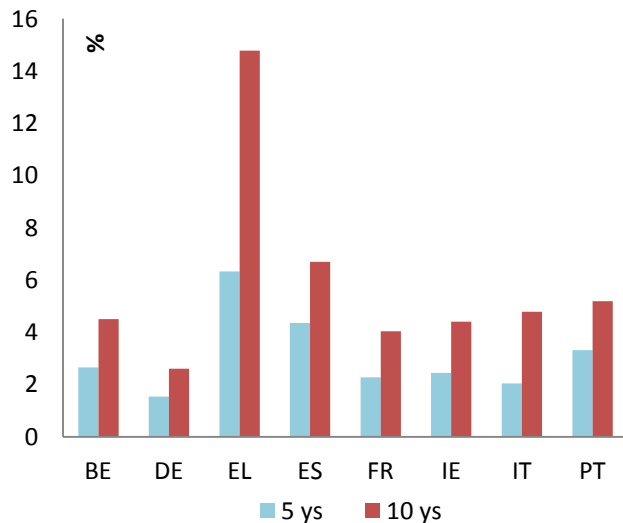


Core: DE, FR, NL, BE, FI, AT
 Periphery: IT, ES, PT, EL

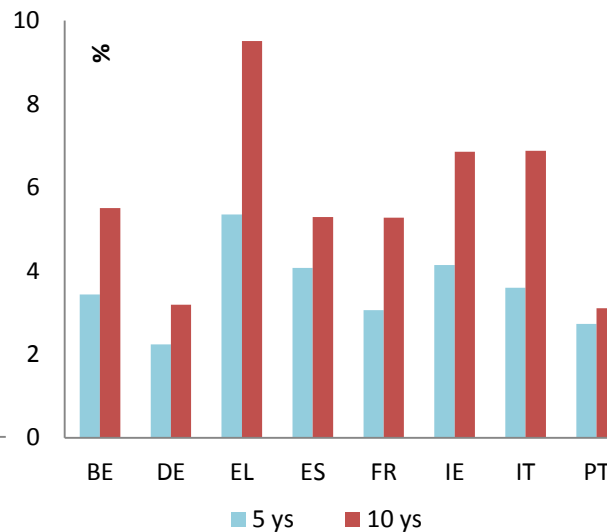
Structural reforms have the potential to raise GDP, employment and the budget balance

Model simulations of narrowing the gap with best performers by half

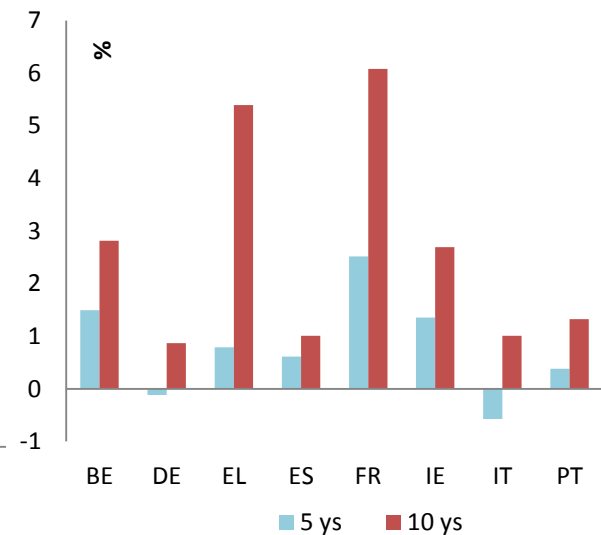
GDP (% difference)



Employment (% difference)



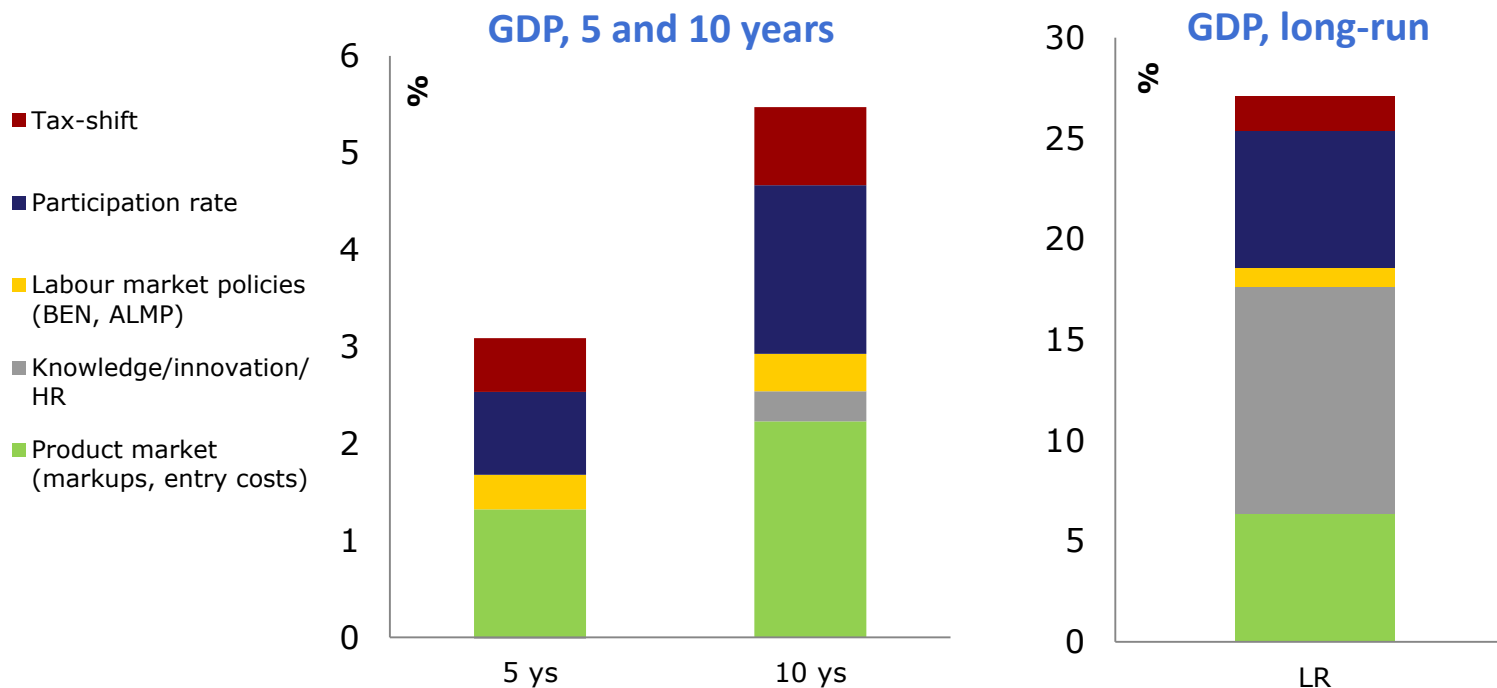
Government balance (% difference)





Product market reforms and higher participation rates boost medium-term GDP while innovation effects unfold over the longer term

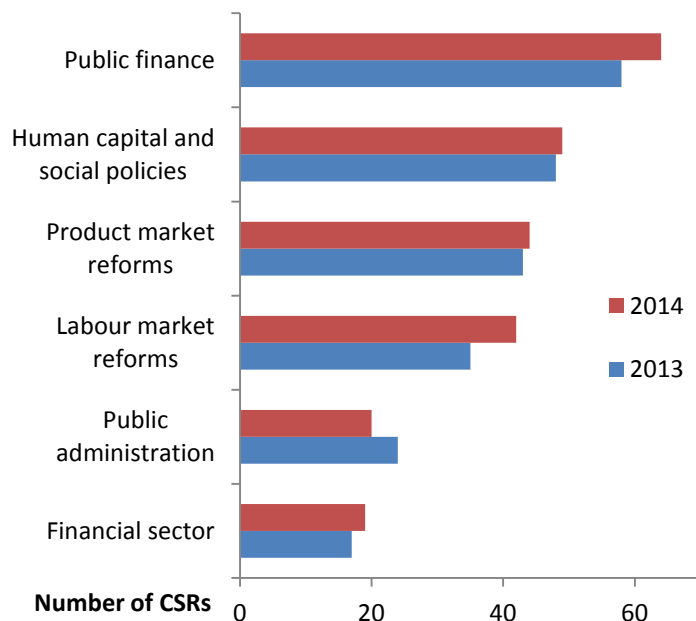
Simulated GDP effects, for each grouping of reform areas





Country-specific recommendations (CSRs) reflect major structural reform priorities

Number of CSRs in 2013 and 2014, by policy areas



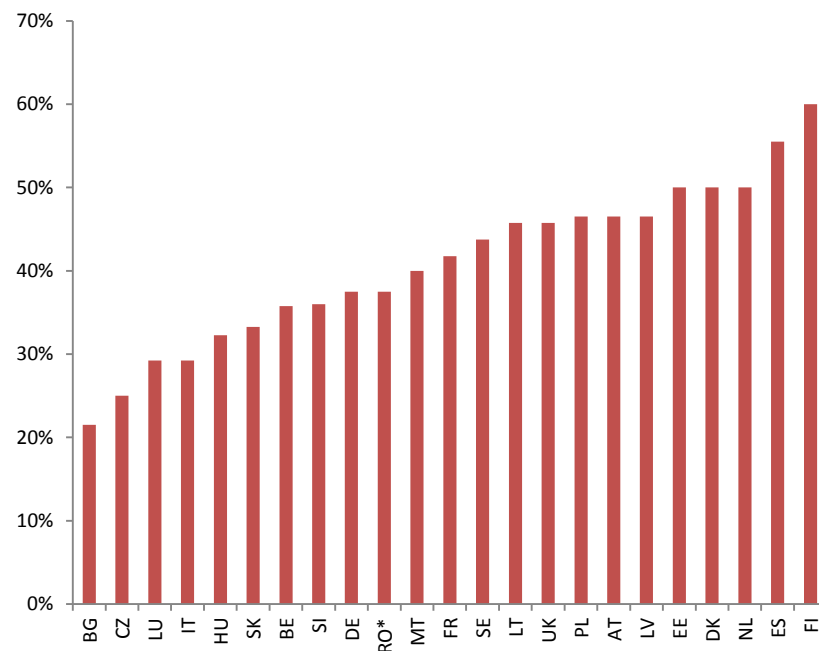
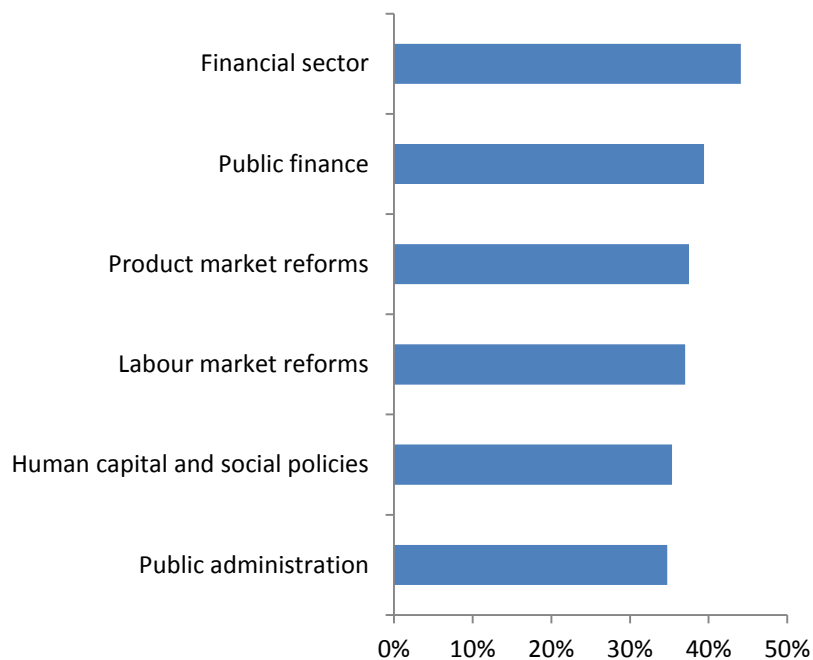
Source: Commission services

Germany	France
<ul style="list-style-type: none"> • Tax and SSC reduction for low-wage earners • Cost-effectiveness of renewable energy • Competition in services & railway markets • EU public procurement • Retail business restrictions 	<ul style="list-style-type: none"> • Labour cost reduction • Labour market rigidity, ALMP & vocational training • Efficiency of innovation • Professional services & business restrictions • Competition in network industries
Italy	Spain
<ul style="list-style-type: none"> • Efficiency of public administration • Labour market and wage setting reforms • Youth employment & vocational training • Regulatory business environment • Banking sector resilience & access to finance 	<ul style="list-style-type: none"> • Labour market segmentation & ALMP • Youth employment & vocational training • Market unity & professional services • Efficiency of public administration • Savings banks & access to finance



CSRs implementation remains mixed

Average implementation of 2013 CSRs by policy area and by country
(100% = full implementation score)





Incentives and cooperation pave the way for reform implementation

Clear policy objectives

- Growth and jobs
- Financial macro stability
- Sustainability of welfare state, tackling inequalities

Clear priorities at the EU level

- Single market
- Banking union

Clear priorities at the national level

- Customising CSRs according to challenges
- In many countries, product market and labour market remain priority areas

Commission's role

- Identification of priorities per country
- Effective use of existing surveillance instruments, with carrots and sticks
- Truth-teller in identifying vested interests
- Careful trade off between structural reform and fiscal policy