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- The income gap *vis-à-vis* leading OECD economies has remained essentially unchanged, and reflects lower productivity and especially weaker labour utilisation. In most EU countries, unemployment rates have remained at unacceptably high levels.
- Essential reforms are being implemented to close regulatory and oversight gaps in the banking system. Progress has been made in the area of Community policies to improve market integration, including by adopting directives to reduce hurdles for labour mobility and to streamline public procurement procedures.
- Strengthening the Single Market should be at the centre of actions to raise productivity, including increasing integration in network industries and in the services sector. Creating a more innovation friendly environment would support productivity growth. Reducing and reforming support for agriculture would boost efficiency. Removing policy barriers to labour mobility would help to tackle unemployment.
- In addition to improving efficiency, better targeting and rebalancing agricultural support could help meet environmental objectives.

Growth performance indicators

A. Average annual trend growth rates

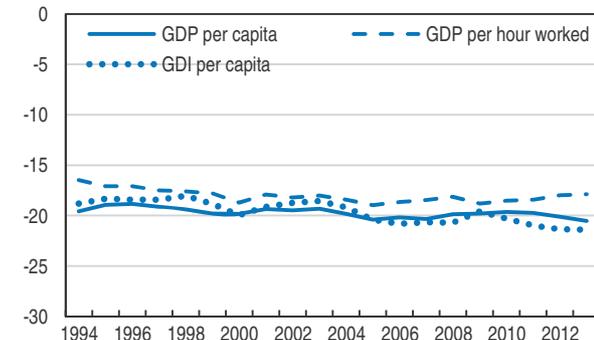
Per cent

	2003-08	2008-13
Potential GDP per capita	1.3	0.5
Potential labour utilisation	0.3	-0.1
<i>of which:</i> Labour force participation rate	0.2	0.1
Employment rate ¹	0.1	-0.1
Trend employment coefficient ²	-0.1	-0.1
Potential labour productivity	1.0	0.6
<i>of which:</i> Capital deepening	0.4	0.3
Labour efficiency	0.2	-0.1
Human capital	0.5	0.4

B. Gaps in GDP per capita and productivity persist

Gap to the upper half of OECD countries³

Per cent



1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).

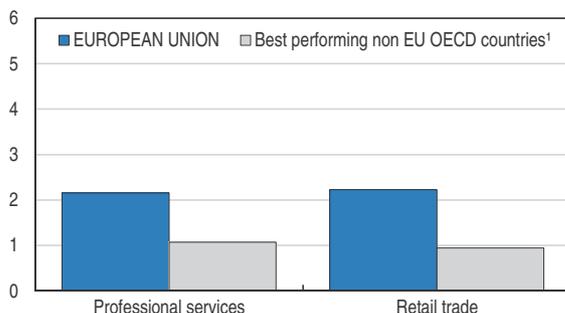
Source: Panel A: OECD, *Economic Outlook 96 Database*. Panel B: OECD, *National Accounts and Productivity Databases*.

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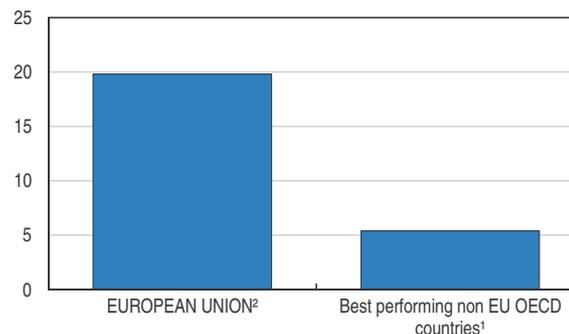
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Policy indicators

A. Regulatory barriers to competition in professional services and retail trade are relatively high
Index scale of 0-6 from least to most restrictive, 2013



B. Producer support to agriculture is relatively high
Percentage of farm receipts, 2013



1. The six non-EU OECD countries with the lowest barriers to entry in professional services and retail trade in Panel A and with the lowest producer support to agriculture in Panel B.
2. For this measure, EU refers to all 27 members of the European Union.

Source: Panel A: OECD, Product Market Regulation Database, www.oecd.org/economy/pmr. Panel B: OECD, Producer and Consumer Support Estimates Database.

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Going for Growth 2015 priorities

Priorities supported by indicators

***Enhance support for innovation.*¹** Higher innovation dynamics can reinforce productivity growth, which has been disappointing in the past.

Recommendations: Implement the EU Horizon 2020 framework programme for research and innovation to simplify procedures and strengthen the links between research institutions and businesses. Reinforce initiatives that reduce administrative burdens for enterprises. Identify and support best bankruptcy practices, such as laws that do not overly penalise failure. Strengthen co-operation in favour of lifelong learning and high-quality education and training.

Increase competition in the services sector. Restrictive regulations hinder cross-border competition and efficiency gains.

Actions taken: The public procurement legislative package, designed to streamline procurement tendering procedures, was adopted in 2014.

Recommendations: Improve the implementation of the Services Directive, in particular by eliminating unjustified and disproportionate restrictions to the cross-border provision of services and to the establishment of businesses. Improve legal and practical implementation of Single Market commitments. Build a regulatory framework for the digital economy by establishing technical and legal security and privacy standards.

1. New policy priorities identified in *Going for Growth 2015* (with respect to *Going for Growth 2013*) are preceded and followed by an “*”.

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Reduce producer support to agriculture. Markets for some agricultural products are distorted by price support and barriers to market access.

Actions taken: The agreement on the Common Agricultural Policy reached in 2013 provides for better targeting of funds to active farmers and phasing out of production volumes.

Recommendations: Reduce agricultural subsidies and move further away from unconditional income support and market measures. Create a stronger link with environmental and productivity objectives. Reduce bio-fuel subsidies. Reduce barriers to market access for non-EU countries.

Other key priorities

Increase competition in network industries. Network industries are still fragmented across borders and barriers to entry remain, hampering competition and thereby productivity.

Actions taken: In 2013, the EU Commission proposed the Fourth Railway Package, which aims to open domestic passenger railways to new entrants and services. The Commission also set out proposals to ease customs formalities for shipping. In 2014, the European Parliament voted legislation to move further towards a Single Telecoms Market.

Recommendations: Ensure effective implementation of policies to increase competition in transport, postal, telecommunications and energy markets. Strengthen co-operation between national regulators with a view to moving towards cross-border regulators. Further develop energy interconnections and encourage full ownership unbundling of generation, supply and network activities in the electricity and gas sectors.

Remove barriers to labour mobility within the European Union. Labour mobility in the European Union is still restrained by regulation, contributing to high unemployment while hampering the allocation of resources to where they are most productive.

Actions taken: In 2014 a directive on the free movement of labour was adopted that aims to reduce difficulties faced by mobile citizens to get information and assistance in EU host countries and another one on the acquisition and preservation of supplementary pension rights.

Recommendations: Move forward with the adoption of all remaining directives on free movement of workers. Take measures to eliminate double taxation of pensions, develop automatic qualification recognition, and eliminate disproportionate national barriers related to regulated professions. Open up public sector employment to all citizens.

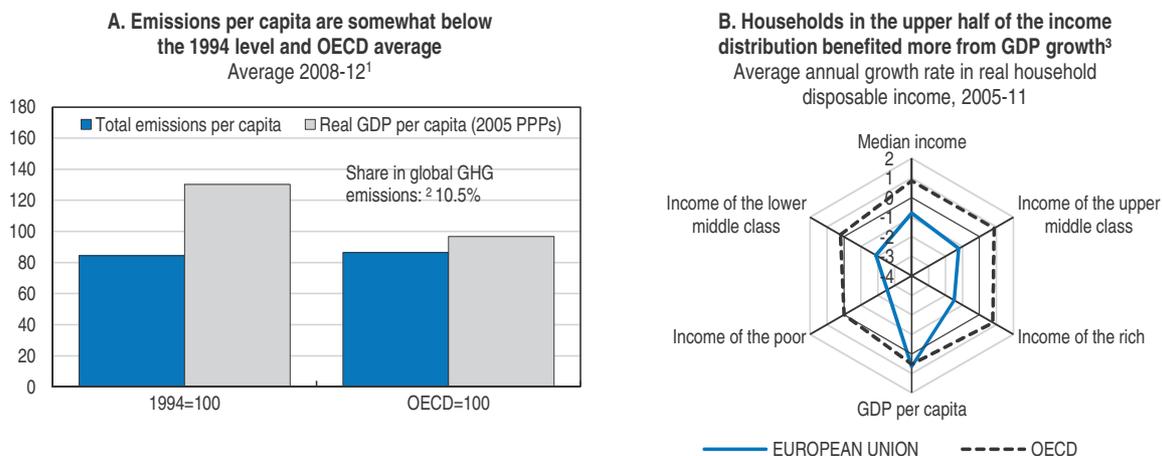
Reform areas no longer considered a priority in Going for Growth

Reform regulation to create a more stable and integrated financial system. In order to ensure a stable and integrated financial system, it was recommended to implement reforms to address regulatory and oversight gaps in the single market.

Actions taken: Essential reform initiatives have been taken, and their implementation is under way. This concerns mainly the establishment of single supervisory and resolution mechanisms in banking, including single rule books and a common resolution funds. A comprehensive assessment of banks' balance sheets is ongoing, and equity capital requirements are being tightened. The main task is now to make the new regulatory framework operational.

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Beyond GDP per capita: Other policy objectives



1. Total GHG emissions including LULUCF in CO₂ equivalents (UNFCCC). The OECD average (excluding Chile, Israel, Korea and Mexico) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data.
3. Household income across the distribution is measured by income standards with varying emphasis on different points of the distribution – from the low to the top-end of the distribution. See methodological notes at the end of the chapter for the computation of household income across the distribution.

Source: Panel A: OECD, *National Accounts and Energy (IEA) Databases*; and United Nations Framework Convention on Climate Change (UNFCCC) Database. Panel B: OECD, *National Accounts and Income Distribution Databases*.

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