

EUROPEAN UNION

A slowdown in labour productivity growth since the mid-1990s combined with weak growth in labour resource utilisation has resulted in a widening of the per capita income gap vis-à-vis the United States.

Policy priorities

Ease the regulatory burden on business operations

Challenge and recommendations: To strengthen labour productivity performance, it was recommended that internal regulatory obstacles to cross-border trade and entry be further eased. This should include an improvement of the EU-wide public procurement regime and the adoption of EU-wide standards if needed.

Actions taken: The Commission submitted a draft Directive on Services in the Internal Market for a first reading to the European Parliament in March 2005. It underpins the freedom to provide services in another member state and the freedom for consumers to purchase services from providers in another member state. After the draft met with heavy opposition from some member states, the Commission is reconsidering the most contentious provisions.

Raise competition in network industries

Challenge and recommendations: To promote greater competition in product markets, it was recommended that barriers to market contestability in network industries, where incumbents remain dominant despite liberalisation measures in recent years, be further reduced.

Actions taken: A new liberalisation package for port services, to be phased in by 2020, was tabled by the Commission in late 2004. In June 2005, the Commission began investigating possible distortions of competition in the electricity and gas sectors, and in July 2005, a regulation favouring competitive tendering processes in both public rail and road transport was introduced.

Reduce producer support to agriculture

Challenge and recommendations: To improve economy-wide and global efficiency, it was recommended to reduce high producer support to agriculture and to improve market access for non-EU countries. This would involve further moves away from production to income support and the elimination of export subsidies.

Actions taken: Decoupling of support from output is being implemented in the hops, cotton, olive oil and tobacco sectors, adding to the range of products which were decoupled in 2003. A reduction of support to sugar producers has been agreed. Other actions are pending the outcome of the Doha trade round.

Enhance intra-European labour mobility

Challenge and recommendations: To promote the efficient allocation of labour resources, it was recommended that obstacles to cross-border labour mobility, notably the lack of cross-border portability of pension and social security entitlements, be removed.

Actions taken: A pan-European Job Mobility Portal (EURES), disclosing information of national public employment services, is being implemented. A new "Social Agenda" launched by the Commission in February 2005 aims to promote the cross-border portability of pension and social security entitlements.

Further integrate European financial markets

Challenge and recommendations: In order to foster economic integration, the Financial Services Action Plan, the EU central tool to foster financial market integration, is being implemented. However, more progress needs to be made to enhance the cross-border integration in markets for retail financial services.

Actions taken: The Commission has opened an inquiry into the stance of competition in retail banking and has launched a consultation on the functioning of the EU mortgage market, looking for ways to strengthen competition and raise efficiency.