Regulatory services reform in the EU

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Introduction

- Economic effects of services reform
  - Professional services
- Which *type* of regulatory reform?
Why professional services?
Economic effects

- Generally, services reform 2.8 – 3.4 % increase in productivity
- This result is greater for professional services
- Long-term knock-on effect on GDP, i.e. EU welfare
## Economic effects

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<td>TFP LP</td>
<td>TFP HK</td>
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<td>Professional services regulation</td>
<td>-0.328***</td>
<td>-1.488***</td>
<td>-1.065**</td>
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Type of regulations

- Entry barriers - firm entry
- Conduct barriers - firm growth
  - Pushing out unproductive firms, even new ones!
Type of regulations

- Entry barriers
- Barriers to firm growth
Economic effects

Productivity

[Bar chart showing productivity across different industries such as Post, Telecom, Retail, Airlines, Eng/Arch, Rail/Road, Acc/Legal]
Strong institutions

Weak institutions and yet low regulations?
Strong institutions

- Regulatory management practice
- Strength and scope of competition regimes
DG GROW indicator

- Entry
  - Regulatory approach
  - Qualification requirements
  - Standard entry

- Conduct

2 additions - 48% weight
DG GROW indicator

Correlation 0.74
Conclusion

• Reforms in professional services pays off
• Entry barriers as Step 1; Step 2 barriers to firm growth
• Strong domestic institutions long-term *sine qua non*
• DG GROW indicator “of a higher regulatory level”