

Regulatory services reform in the EU

Erik van der Marel, PhD

ECIPE & Université Libre de Bruxelles

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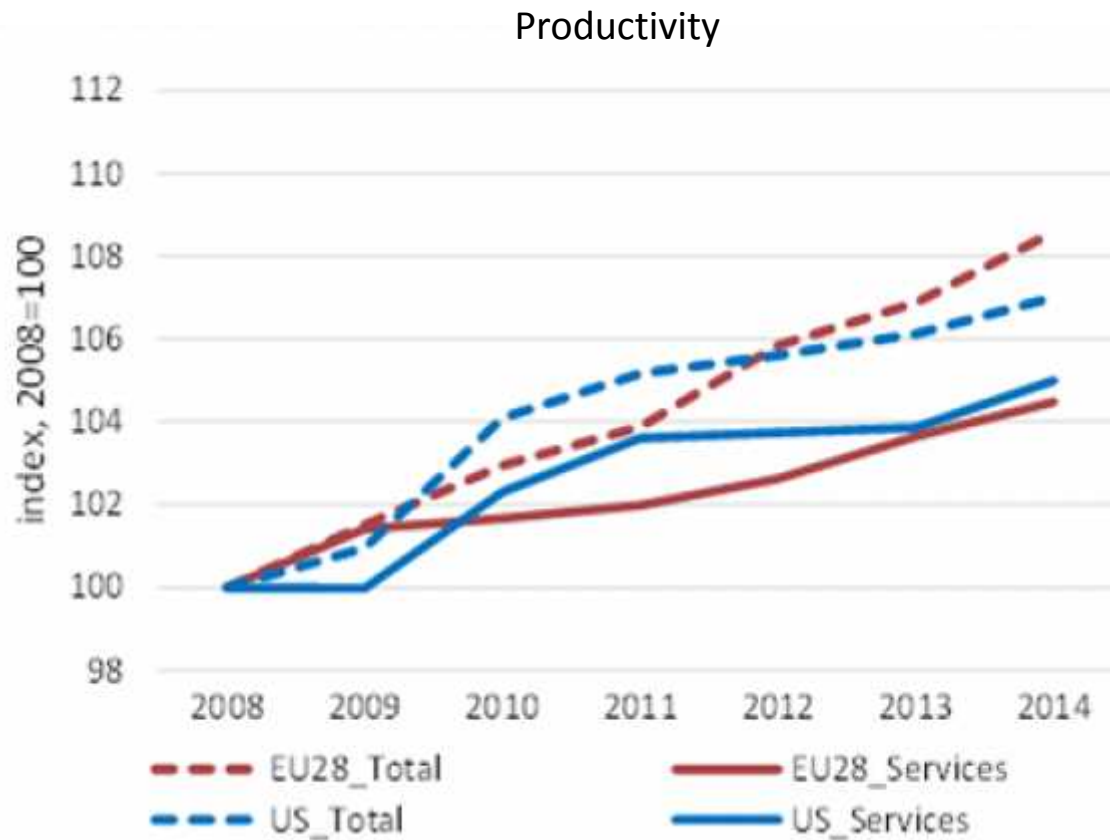
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Introduction

- 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

	(1)	(2)	(3)	(4)
	TFP ACF	TFP OP	TFP LP	TFP HK
Professional services regulation	-0.328*** (0.001)	-1.488*** (0.004)	-1.065** (0.048)	-4.188*** (0.000)
Observations	5705941	5705941	5705941	5706016
R2A	0.982	0.907	0.868	0.824
R2W	0.000	0.000	0.000	0.000
RMSE	0.129	0.459	0.433	0.690

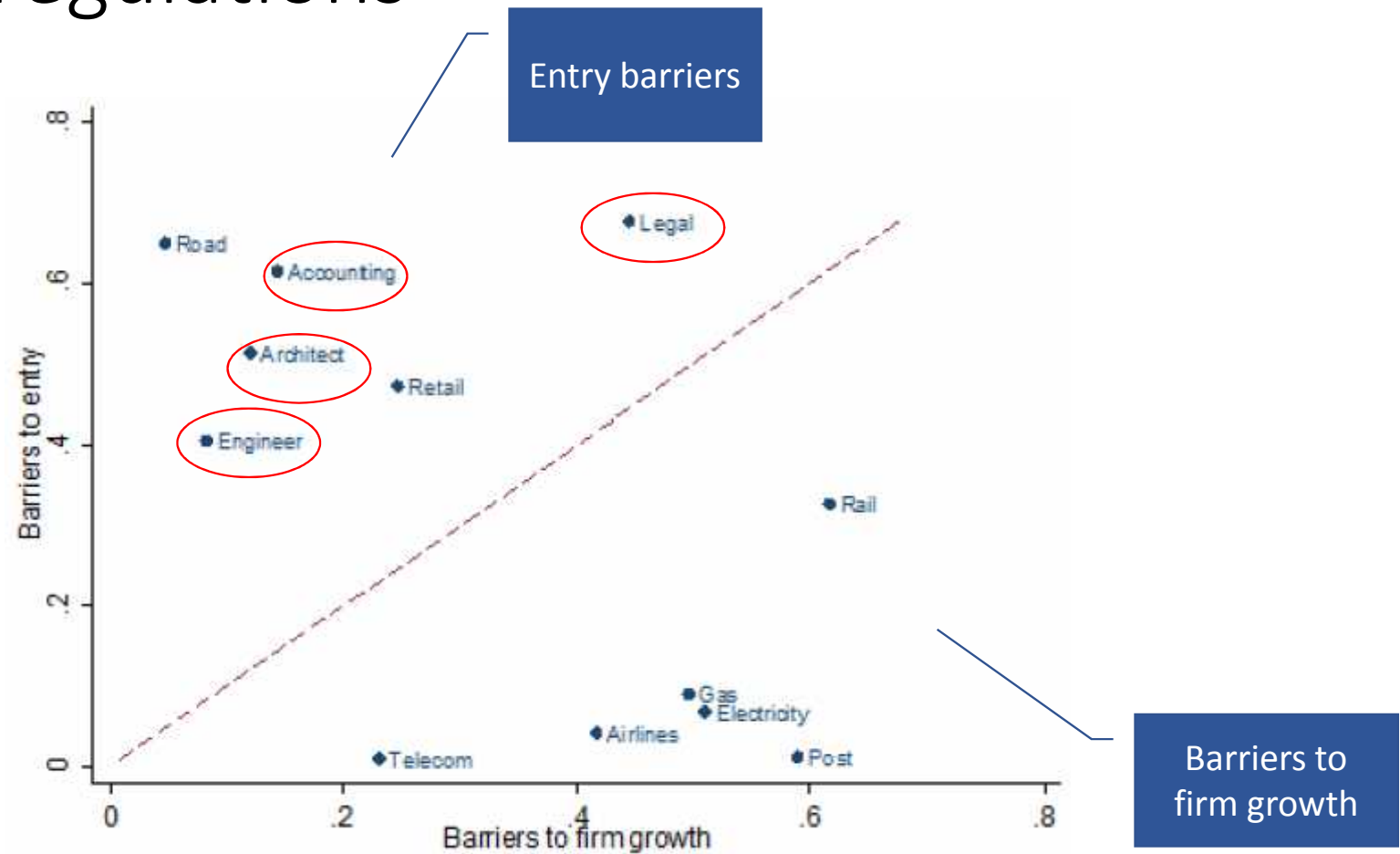


Type of regulations

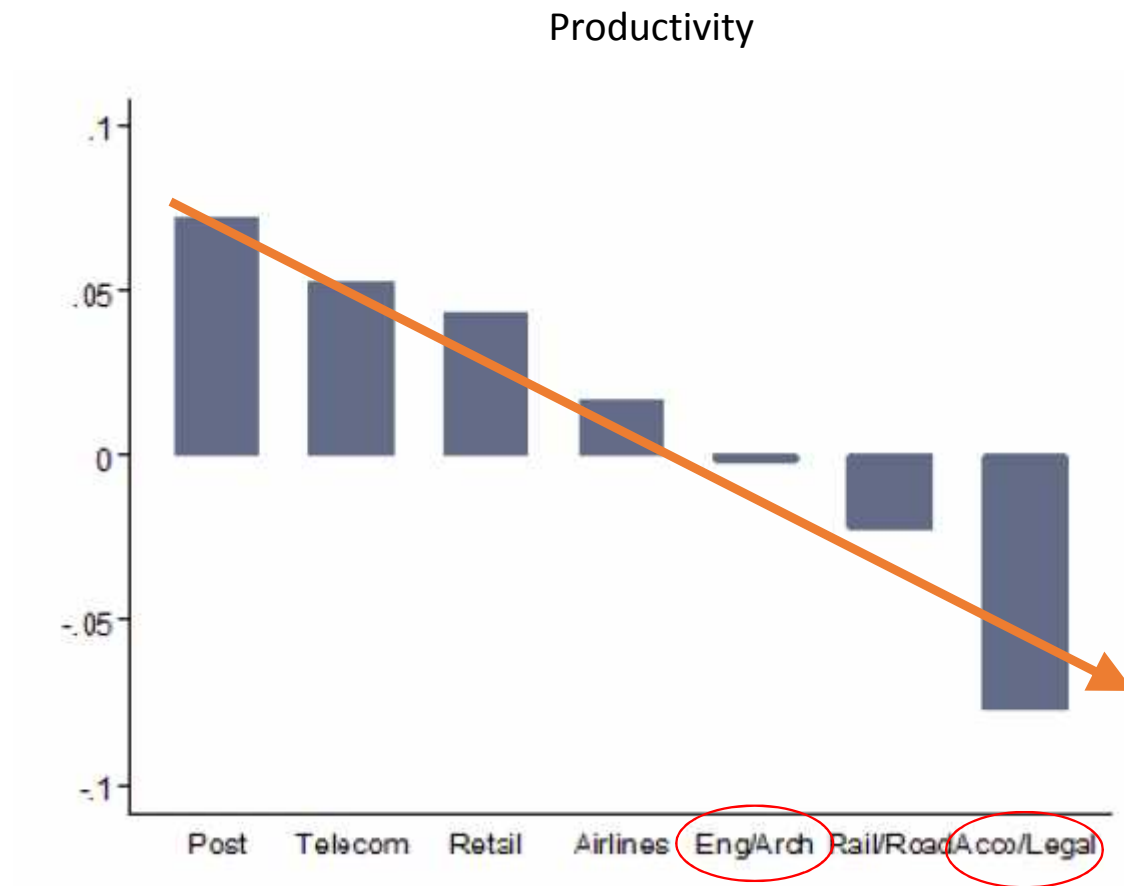
- Entry barriers - firm entry
- Conduct barriers - firm growth
 - ✓ Pushing out unproductive firms, even new ones!



Type of regulations



Economic effects



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

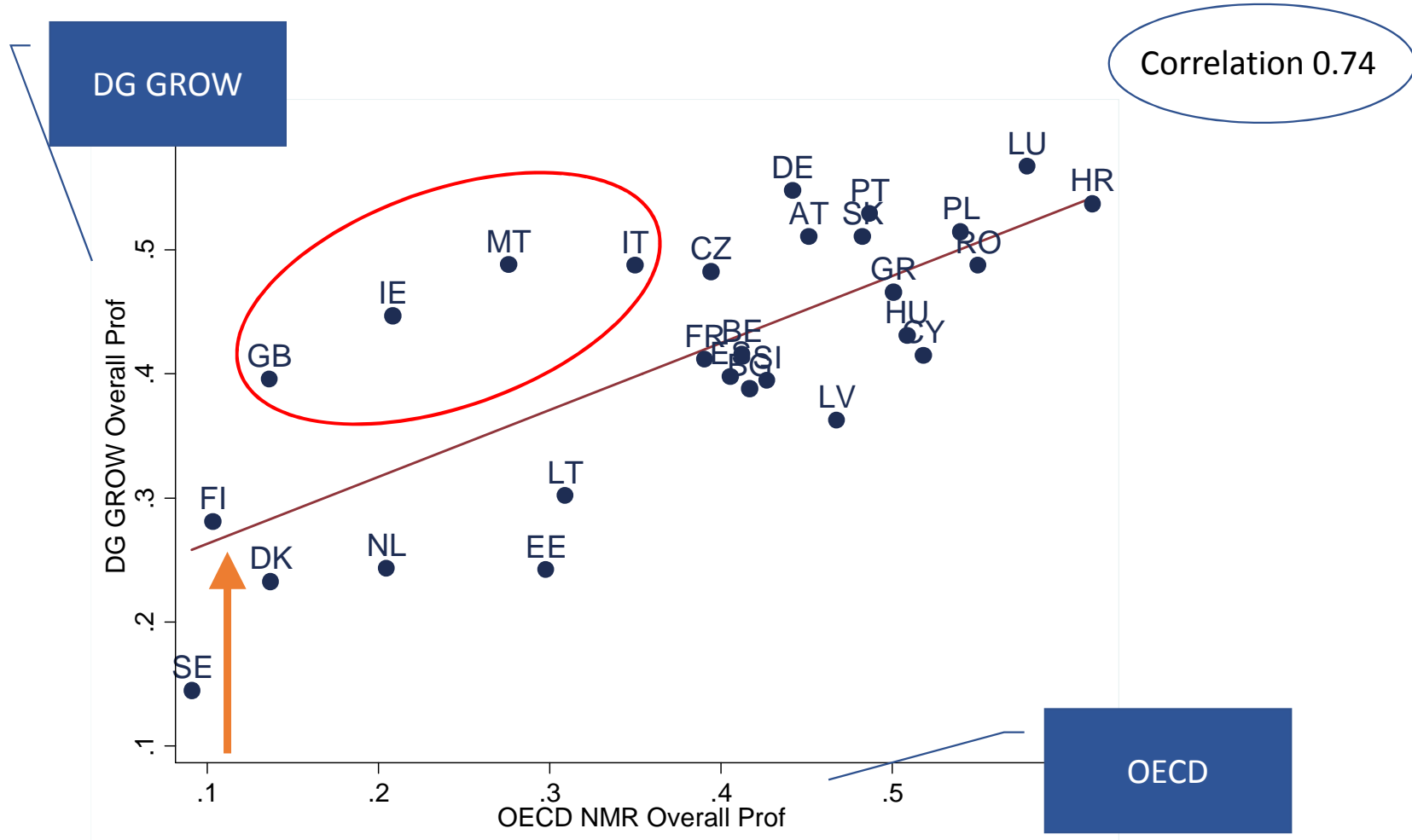
- ✓ Standard entry



2 additions - 48 % weight

- Conduct

DG GROW indicator



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”