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PRESS RELEASE - NEW POLICY BRIEF

Reforming Services: What Policies Warrant Attention?

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Brussels, 26th June 2017 - Economic growth in the European Union has been low for more than a decade now. While some of the poor performance can be explained by the crisis, the sustained low growth is to a very large extent the consequence of sluggish productivity performance. Productivity is above all an indicator of a society's long-term welfare and measures how effective we are at using our scarce resources in the economy. Therefore, it is critically important – and any reform effort should focus on boosting growth through higher productivity growth.

The recent Services Package – a set of proposals to support Europe's services sector – is a case in point. It has long been established that rates of productivity growth in Europe's services sector trails the rates in the United States and other comparable economies. As the economy increasingly gets dependent on services, the risk for Europe is that the natural economic transformation will weigh down our productivity growth.

Obviously, any services reform aiming at delivering growth should start from the policy barriers that hold back growth and a greater degree of economic dynamism. Few, however, do. The type of restrictive policy measures in the EU vary across different services sectors – and, hence, what is the right policy priority for one country may not be right for the other. Yet, when looking at some services policy developments in Europe more closely, some patterns do become clear. Those should now be the focus of policy reform.

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