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COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

An Internal Market Strategy for Europe

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2.2. Reforming regulated professions

Action: The Commission will improve access to professions at national and EU level through two actions. First, it will issue a Communication that identifies concrete reform needs for those Member States and specific professions that have unwarranted regulations. Second, the Commission will define an analytical framework for Member States to use when reviewing the existing regulations or proposing additional ones.

Single Market Issue

There are more than 5000 regulated professions in Europe, involving over 50 million citizens, with substantial differences between Member States. Cross-border service provision and mobility of professionals is hindered by diverging and inconsistent regulation of professions and reserves of activities across the EU. This leads to limited consumer choice, less entrepreneurship and employment, higher prices for consumers and SMEs, and ineffective resource allocation.

Evidence

Professional services generate 9% of EU GDP and their suboptimal regulation has dire consequences. Recent studies show that liberalisation reforms in Germany, Greece, and Italy led to further opening of the market, lower prices for consumers, more innovative services being offered and higher employment. There is sound evidence that prices have decreased as a result of liberalization reforms for real estate agent services, legal services, accounting and tax consulting services and physiotherapist/physiotherapy centre services in Greece. This price decrease benefits both SMEs and final consumers. Studies also show that regulating professions can have a negative impact on the mobility of professionals between jobs as it prevents them from reacting quickly to labour market opportunities.

In Greece, liberalisation led to a more than threefold increase of start-ups in professions ranging from auditors to tourist guides. The Spanish authorities have estimated that the economic impact of the adoption of the draft bill on professional services and associations in 2013 could be translated into a GDP potential growth of around 0.7%. In France, a report by the Inspection Générale des Finances estimated that the adoption of a reform on 37 regulated professions could increase GDP by 0.5% and create more than 120,000 jobs over five years. In Poland, the ongoing reform targets a total of 248 professions in all sectors of the economy. Polish authorities estimated that the reform could lead to the creation of up to 100,000 jobs in the long term. The first effect of the liberalisation of legal services increased the number of lawyers and solicitors between 2010 and 2014 by 70% and 30% respectively.

Policy Solution

The Commission will propose specific actions based on the current regulatory frameworks of Member States, promoting more open and flexible access to professions. These actions will identify concrete reform needs based on the peer review process of mutual evaluation, academic studies, a large scale survey and the updated Database of Regulated Professions. In

a pilot phase, the focus will be on selected professions in priority sectors (e.g. civil engineers, architects, accountants, lawyers, real estate agents, tourist guides, and patent agents). Bi-annual reports will present reform proposals for Member States.

The Commission will also define a binding analytical framework that Member States should use when reviewing the existing professional regulations or proposing new ones. This framework will be based on Articles 46, 53(1) and 62 of the Treaty, presenting a methodology to conduct comprehensive proportionality assessments. Member States will have to demonstrate that public interest objectives cannot be achieved through means other than limiting access to the professional activities in question. Such a tool is about to be implemented by the UK and NL.

2.4. A "services passport" for companies

Action: The Commission will launch a legislative initiative introducing a "services passport" for business services and construction services. The first objective is to reduce administrative barriers when offering services in another Member State. The second objective is to address selected regulatory obstacles faced by accountants, architects and civil engineers, as well as certification requirements faced by construction service providers.

The Commission's initiative will aim at facilitating mutual recognition of mandatory insurance in cross-border practice.

Single Market Issue

Business services and construction services are of high relevance to the European economy, respectively accounting for 11.7% and 5.9% of EU GDP. Both sectors are amongst the most heavily regulated service sectors, with providers facing significant barriers to expanding within the Single Market. Regulatory obstacles stemming from legal form, shareholding, multidisciplinary practices and management requirements impose barriers for providers of accounting, engineering and architecture services. So do professional indemnity insurance requirements. These requirements also impose obstacles for providers of construction services, which are moreover negatively impacted by certification requirements and rules for health and safety. A wider opening to service providers in the internal market would boost competition and increase productivity and growth for the economy as a whole.

Evidence

Accountants, engineers and architects represent almost 20% of the total EU business services sector and about 2% of EU GDP. Construction accounts for 6.1% of GDP and 7.3% of

employment. The productivity growth of these sectors has been negative in the last years, which has a major impact on the rest of the economy, in particular industry. Legal form restrictions exist in 5 Member States, shareholding and management restrictions in 13 Member States and multidisciplinary restrictions in 10 Member States. Economic analysis of these barriers shows that these restrictions impede competition (fewer firms entering the market), reduce productivity (through lower allocative efficiency) and lead to higher prices for consumers. Calculations show that if the services passport lowered barriers in four sectors (accounting, architectural, engineering, legal) by **10%, 3%** more new companies would be set up in the Internal Market.

Policy Solution

The Commission will introduce a new legislative initiative to reduce both regulatory and administrative obstacles faced by service providers in the business and construction sector. Under this initiative the home Member State plays a key role in supporting service providers with going cross-border on a temporary basis or when they want to set up a branch in another Member State. If a service provider requests so, the authorities of the home Member State should issue a "services passport".

The "services passport" will avoid the need for multiple and repetitive requests for information and documentation already provided to the home Member State through a common electronic repository of documents. In addition, a passport procedure could facilitate provision of information regarding posting of workers, such as social security and professional qualifications. The services passport project will equally address the mentioned regulatory obstacles under a mutual recognition regime in combination with partial harmonisation of some of these requirements.

The initiative will however not touch on national competence for regulating professions and activities reserved to them. This issue is addressed under the heading "Reforming regulated professions".