



SPRING 2012 REFORM BAROMETER – UNITED KINGDOM

	Level			Rank			Gap		Areas of Action	
	2010	2011	Change	2010	2011	change	EU top 5	Gap ¹		
Pillar I	1 GDP per capita (Purchasing Power Parity- PPP)	27851	28277	1,5%	13	13	0	NL AT IE SE DK	-12%	
	2 GDP per capita (€ at 2000 prices)	26473	26481	0,0%	15	15	0	DK IE SE NL AT	-24%	
	3 Labour productivity per hour worked (PPP)	36,3	37,2	2,4%	14	14	0	NL BE FR IE DE	-17%	
	4 Labour productivity per person employed (PPP)	59446	60207	1,3%	15	15	0	IE BE AT FR NL	-13%	
	5 Private investment (excluding non residential, %GDP)	4,3	4,2	-0,1	19	21	-2	SK AT BE IT CZ	-4,2	
	6 Industrial activity (% total value added)	15,1	15,0	-0,1	27	27	0	SK CZ IE RO HU	-15,5	
	7 R&D expenditure (% GDP) *	1,9	1,8	-0,1	12	15	-3	FI SE DK DE AT	-1,4	
	8 Operating surplus (% total value added)	34,2	38,2	4,0	26	24	2	BG GR RO LT IE	-16,9	
Pillar II	9 Current Account (% GDP)	-2,5	-2,5	0,0	20	20	0	SE DK NL LU DE	-8,2	
	10 Export market share (gain from 2000)	-4,0	-4,0	0,0	21	21	0	LT RO HU BG CZ	-67,2	
	11 Net export contribution to GDP	-0,8	1,4	2,1	26	11	15	PT IE GR SK HU	-1,7	
	12 Relative yearly gain in global trade share (% total trade)	-0,04	-0,05	0,0	12	27	-15	EE LT LV BG CZ	-0,16	
	13 Relative unit labour cost (gain from 2000)	8,4	10,0	1,5	21	21	0	DE SE AT PL GR	16,9	
	14 High-tech exports (% total exports) **	15,1	18,2	3,1	12	10	2	MT LU HU IE CY	-11,8	
Pillar III	15 Employment rate (% working age population)	69,5	69,4	-0,1	15	16	-1	AT NL LU DE CY	-1,0	
	16 Employment rate 15-24 (% population 15-24)	47,6	46,0	-1,7	8	9	-1	NL DK AT DE UK	-7,4	
	17 Employment rate 55-64 (% population 55-64)	57,1	56,9	-0,2	9	9	0	SE DE DK UK FI	-3,7	
	18 Annual hours worked (per capita)	1636	1618	-1,1%	22	23	-1	PL PT CZ GR HU	-18%	
	19 Labour participation (% working age population)	77,6	77,9	0,3	10	10	0	SE DK NL PT DE	-1,9	
	20 Working age population (as % total population)	66,5	66,5	0,0	23	23	0	SK PL CY LT RO	0,9	
	21 Unemployment rate (% labour force)	7,8	7,9	0,1	15	16	-1	AT NL LU DK MT	2,5	
Pillar IV	22 Gross debt - general government (% GDP)	79,9	84,0	4,1	20	22	-2	EE BG LU RO SE	61,4	
	23 Net debt - general government (% GDP)*	-60,9	-67,7	-6,8	24	24	0	EE DK BG RO SE	-73,1	
	24 Government budget balance (% GDP)	-10,3	-9,4	0,9	29	30	-1	HU SE EE LU FI	-8,0	
	25 Primary balance (% GDP)	-7,4	-6,3	1,1	29	30	-1	HU SE DE EE IT	-8,7	
	26 Tax burden (% GDP)	37,4	37,8	0,0	19	20	-1	BG LT LV RO SK	9,9	
	27 Highest marginal tax rate, individual rate (%)	50,0	50,0	0	26	26	0	BG CZ LT RO SK	41,6	
	28 Public investment (% total public expenditure)	5,4	4,6	-0,1	26	27	-1	RO PL BG LV LT	-10,3	
	29 Net foreign assets (% GDP) *	N/A	N/A	N/A	N/A	N/A	N/A	LU NL CY BE DE	N/A	
Pillar V	30 Net financial assets, households (% GDP) *	N/A	N/A	N/A	N/A	N/A	N/A	BE IT MT NL CY	N/A	
	31 Net financial liabilities, non financial corporations (% GDP)*	N/A	N/A	N/A	N/A	N/A	N/A	SK DE NL GR DK	N/A	
	32 Regulatory tier 1 capital to risk weighted assets *	11,6	13,2	1,6	16	14	2	EE BE MT LU RO	-1,7	
	33 Non performing loans to total gross loans	3,5	4,0	0,5	14	12	2	FI LU SE AT BE	-8,0	
	34 Loans to private sector (% GDP) *	N/A	N/A	N/A	N/A	N/A	N/A	RO SK PL CZ LT	N/A	
	35 Bank liabilities (%GDP) *	N/A	N/A	N/A	N/A	N/A	N/A	RO SK PL LT BG	N/A	

 Five best
 Lowest third

1. Percentage points, when not indicated otherwise

* 2009/ 2010 data
** 2008/ 2009 data

A methodological note can be found in the report or [here](#).

PRIORITIES FOR REFORM IN 2012

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?	
			Yes	No
Priority 1	16	Deliver Fiscal adjustment programme, to put public finances on a sustainable path, with falling public sector net debt to GDP ratio by 2015-16, with minimal deviations -where considered necessary in the light of evolving economic circumstances- to encourage enterprise and growth.	x	
Priority 2	17	Government to accelerate more efficient procurement in the public sector, by using private sector providers, eliminating needless duplication, getting economies of scale via centralisation, re-examining how things are done. Tough targets announced already for spending cuts in the departments of state should act as an incentive to work more efficiently rather than make more painful cutbacks to services, but we suspect a combination of both will follow. The CBI believes there is much scope to work, and to procure inputs, more effectively than now.	x	
Priority 3	22	Improve the availability of finance not just for small firms, but medium sized ones too, to overcome a perceived gap in funding markets, and inhibitions to business and trade expansion. Support Trade finance through export Credits, and stronger performance by UKTI (UK Trade and Investment Department).	x	
Priority 4	18	Infrastructure. Set a clear plan for major infrastructure projects that includes a rolling two year ahead programme each quarter, of publicly funded projects, and help to unlock more private sector involvement by tackling delays in the planning system and cutting "red Tape" (Excess regulation).	x	
Priority 5	8	Active labour market policies that increase the incentive to find and hold employment, and increase employment more generally. Make progress towards a consolidated, "Universal" tax and benefit system that rewards work by eliminating the very high marginal tax rates that bite as benefits are withdrawn from those earning often quite low incomes. Help to get lone parents working.	x	

Policy areas

1. Business Environment - Regulatory barriers to entrepreneurship
2. Business Dynamics - Start-up conditions
3. R&D and Innovation
4. ICT
5. Competition policy framework
6. Sector specific regulation (telecom, energy)
7. Market integration - Openness to trade and investment
8. Active labour market policies
9. Job protection
10. Labour supply measures for specific groups (older workers, women...)
11. Wage bargaining and wage-setting policies
12. Labour market mismatch and labour mobility
13. Making work-pay: interplay of tax and benefit system
14. Pension and health care reforms
15. Quality of fiscal institutions and budgetary framework
16. Consolidation of public expenditures
17. Public sector efficiency
18. Public investment
19. Tax reforms
20. Access to bond markets
21. Access to equity markets
22. Venture capital and SME financing instruments
23. Bank lending conditions
24. Long term investment instruments

REFORM PROGRESS IN 2011

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?		How do you assess reform progress over the past year? (1 for excellent progress; 5 for no progress) *	Are these priorities properly identified in the National Reform Programme submitted by your government in 2011?		
			Yes	No		Yes	No	
Priority 1	7	Increasing Exports is a key priority for the UK as it seeks to rebalance away from credit-assisted consumption towards more exports and investment	x		The weak growth performance of Europe is inhibiting exports. The investment climate is not helped by low growth, and the feedback to that of fiscal adjustment. Rebalancing is likely to take longer against a backdrop of stagnant or shrinking European economies. Being positive about something unwelcome, one can say that falling personal consumption has been assisting the rebalancing shift to exports and investment. There have been some measures to support trade finance and insurance (assisting smaller exporters) but some are pilots (experiments) and others have had low take-up.	3		
Priority 2	17	As part of rebuilding the fiscal health of the nation CBI is keen to see Government explore more efficient procurement including from private sector providers where beneficial to the public	x		Limited progress. The Cabinet Office has sought to renegotiate contracts with 50 of its main private suppliers, resulting in £800m worth of immediate savings. We think there is room to do more. Effective schemes to manage performance, collaboration to share or pool back office functions and eliminate service duplication, as well as re-examining the design and delivery of public services.	3		
Priority 3	8	Active Labour Market Policies in so far as they increase the incentive to find and keep employment, and increase employment more generally. 12 and 13 are also a part of this and cannot really be segregated out.	x		The backdrop of rising unemployment and applicants per job make too aggressive an approach politically difficult. The Government wants to roll its assorted (and interacting) benefits and tax credits into an Universal Credit System by 2013, so as to prevent the loss of benefits and assistance from becoming a deterrent to taking work. But this is two years away.	3		
Priority 4	22	The CBI is very keen to make finance available for smaller firms so as to support growth in the UK, as well as to overcome obstacles to increasing exports to newly industrialising countries, eg via letters of credit, Export Credit Guarantees	x		The independent Vickers Report, as well as European efforts to strengthen Banks tier 1 capital, are not an ideal approach for raising SME funding. The CBI is using a report on funding for mid-sized companies to keep up pressure to develop more sources of funding.	3		
Priority 5	1	Not just about barriers to entrepreneurship, but more to guard against too many regulations which may have unintended consequences and to have an environment in which private sector risk taking can flourish	x		Government is proving unable to stop job destroying EU regulation from being imported, such as the Agency Temps Directive, FTT; Solvency II; CRD IV; corporate governance; and reforms of the audit market. Re the FTT, the Commission's own impact analysis had shown that this was a blunt instrument that would increase the cost of capital for businesses and severely dent EU gross domestic product. The EU must focus on growth enhancing initiatives	3		

* Please see list of areas on page 2 "reform priorities for 2012"

* Rank of reform progress: 1. Excellent/ no further progress needed; 2. Satisfactory; 3. Mixed; 4. Unsatisfactory; 5. No progress

REFORM PROGRESS IN OVERALL POLICY AREAS 2011

	<i>Excellent</i>	<i>Satisfactory</i>	<i>Mixed</i>	<i>Unsatisfactory</i>	<i>No progress</i>
Productivity and investment			X		
International competitiveness		X			
Labour market			X		
Public finances		X			
Financial stability			X		

EUROPEAN SEMESTER

1. Do you believe the European Semester will bring a real change to policy coordination in Europe?

<i>Yes, absolutely</i>	<i>To a large extent</i>	<i>To some extent</i>	<i>Not enough</i>	<i>Not at all</i>
		x		

2. Basing your analysis on the National Reform Programme submitted by your government, would you consider that it reveals a greater commitment from your country to this process?

<i>Yes, absolutely</i>	<i>To a large extent</i>	<i>To some extent</i>	<i>Not enough</i>	<i>Not at all</i>
		x		

3. Do you believe the National Reform Programme submitted by your government properly reflects the key challenges in your county?

<i>Yes, absolutely</i>	<i>To a large extent</i>	<i>To some extent</i>	<i>Not enough</i>	<i>Not at all</i>
		x		

4. The Commission's country specific recommendations for your country are:

<i>Excessively complacent</i>	<i>Slightly too positive</i>	<i>Absolutely appropriate</i>	<i>Slightly too negative</i>	<i>Excessively harsh</i>
		x		

5. Are the country-specific recommendations being properly implemented?

<i>Yes, absolutely</i>	<i>To a large extent</i>	<i>To some extent</i>	<i>Not enough</i>	<i>Not at all</i>
		x		

6. Are commitments concerning the euro plus pact properly addressed by your government in the NRP?

<i>Yes, absolutely</i>	<i>To a large extent</i>	<i>To some extent</i>	<i>Not enough</i>	<i>Not at all</i>
		x		

7. Do you believe the Commission recommendations in this area to be appropriate?

<i>Yes, absolutely</i>	<i>To a large extent</i>	<i>To some extent</i>	<i>Not enough</i>	<i>Not at all</i>
			x	