

SPRING 2014 REFORM BAROMETER - GERMANY

		Q1: the recommendation is:	Q2: implementation effort is:	Detailed comments
CSR 1	<p>Preserve a sound fiscal position as envisaged which ensures compliance with the medium-term objective over the programme horizon. Pursue a growth-friendly fiscal policy through additional efforts to enhance the cost-effectiveness of public spending on healthcare and long-term care through better integration of care delivery and a stronger focus on prevention and rehabilitation and independent living. Improve the efficiency of the tax system, in particular by broadening the VAT base and by reassessing the municipal real estate tax base; use the available scope for increased and more efficient growth-enhancing spending on education and research at all levels of government. Complete the implementation of the debt brake in a consistent manner across all Länder, ensuring that monitoring procedures and correction mechanisms are timely and relevant.</p>	Helpful	Unsatisfactory	<p>The recommendation to preserve a sound fiscal position without strengthening the competitive position of the German industries is not sound. The recommendations by the Commission to pursue a growth-friendly fiscal policy by broadening the VAT base is not helpful without adjusting competition distortions and without reducing the overall tax burden by considering a compensation for fiscal drag. Further reforms of the tax system to simplify taxation and to limit distortions of the competition of German Industries should be recommended by the Commission. The coalition agreement of the CDU, CSU and SPD of 27 November 2013 as the relevant plan for any reforms in Germany the next four years does not pursue any reforms in these directions. The agreement is limited to small adjustments and the development on IT-processes. When it comes to the efficiency of federal fiscal policy the coalition treaty is also unsatisfactory. Even though the Federal Government officially declares that meeting the debt brake requirements and "Maastricht"-criteria are main goals, the treaty contains excess expenditures of at least 23 billion Euros.</p>
CSR 2	<p>Sustain conditions that enable wage growth to support domestic demand. To this purpose, reduce high taxes and social security contributions, especially for low-wage earners and raise the educational achievement of disadvantaged people. Maintain appropriate activation and integration measures, especially for the long-term unemployed. Facilitate the transition from non-standard employment such as mini-jobs into more sustainable forms of employment. Take measures to improve incentives to work and the employability of workers, in particular for second earners and low-skilled, also with a view to improving their income. To this end, remove disincentives for second earners and further increase the availability of fulltime childcare facilities and all-day schools.</p>	Important	Mixed	<p>Reduction of taxes and social security contributions will increase employment. Employment effects on domestic demand exceed wage growth effects by more than 100%.; reduction of long-term unemployment and integration of low skilled persons is a major challenge of German labour market policy; the CSR failed to recognize flexible forms of employment as one of the key factors of the positive labour market development. Effort of government: no reduction of taxes etc.; discussion about disincentives for second earners goes on without result; Government plans overregulation of flexible employment. Social security contribution rates need to be reduced wherever it is possible. It is the contributor's money and must not be alienated. Low contribution rates help to avoid additional expenditures that are not fundable in the long run. Mini-jobs are a vital element of flexibility and a necessary valve on the over-regulated German labour market. Employees and employers both benefit from this option for students, retirees, pupils and spouses to earn a bit extra or activate unemployed and integrate low-skilled people.</p>

CSR 3	<p>Improve the coordination of the energy policy with neighbouring countries and keep the overall costs of transforming the energy system to a minimum, in particular by further reviewing the cost-effectiveness of energy policy instruments designed to achieve the renewable energy targets and by continuing efforts to accelerate the expansion of the national and cross-border electricity and gas networks.</p>	Extremely important	Unsatisfactory	<p>The coalition agreement of the new government is too little ambitious in terms of energy reform.</p>
CSR 4	<p>Take measures to further stimulate competition in the services sectors, including certain crafts — in the construction sector in particular — and professional services to boost domestic sources of growth. Take urgent action to significantly increase the value of public contracts open to procurement. Adopt and implement the announced legislative reform to improve the enforcement of competition law regarding competition restrictions. Remove planning restrictions which unduly restrict new entries in the retail sector. Take further measures to eliminate the remaining barriers to competition in the railway markets. Pursue efforts for consolidation in the banking sector, including by improving the governance framework.</p>	Helpful	Mixed	<p>The demand for public procurement to be openly advertised is to be welcomed in principle. With a view to the concrete demand of the Commission, more in depth analysis seems necessary, also taking into account the specifics of the federal structure in Germany. The principle of market openness is a high priority within public procurement in Germany. German public procurement markets are - in comparison to certain other EU-member states – no “closed shop”.</p>