



Institut der deutschen
Wirtschaft Köln



Measuring German, Austrian and Swiss Reform Activities: The D A CH – Reformbarometer

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The D A CH Barometer – What is it?

The D A CH Barometer – Results

Important issues of the D A CH Barometer

The Reformbarometer – History

- ▶ In 1999 the British magazine „The Economist“ branded Germany as „... the sick man (or even the Japan) of Europe“.
- ▶ In September 2002 Chancellor Schröder was elected for a second term.
- ▶ With the introduction of the 2nd Schröder government the Cologne Institute for Economic Research started the Reformbarometer to monitor the coming pointers of the reform. It was published on a monthly basis.
- ▶ In 2006 our partner institutions Wirtschaftskammer Österreich and Avenir Suisse joined the project in order to create the annual D A CH Reformbarometer.
- ▶ In 2012 the methods of the Reformbarometer were revised.



The methods of the D A CH Reformbarometer

- ▶ Basic idea: Qualitative policy consequence assessment.
- ▶ Main point: To rate the current political decisions based on a fixed set of criterias for selected policy areas.
 - ▶ In the beginning: labour market, social security, tax and fiscal policies.
 - ▶ In 2012 several new policy areas were added: education, financial Markets, infrastructure / innovation / competition.
- ▶ All indicators were set to 100 in September 2002.
 - ▶ The Reformbarometer measures the variation of regulatory quality not the overall quality.
- ▶ New laws are rated according to their impact on the set of criterias.



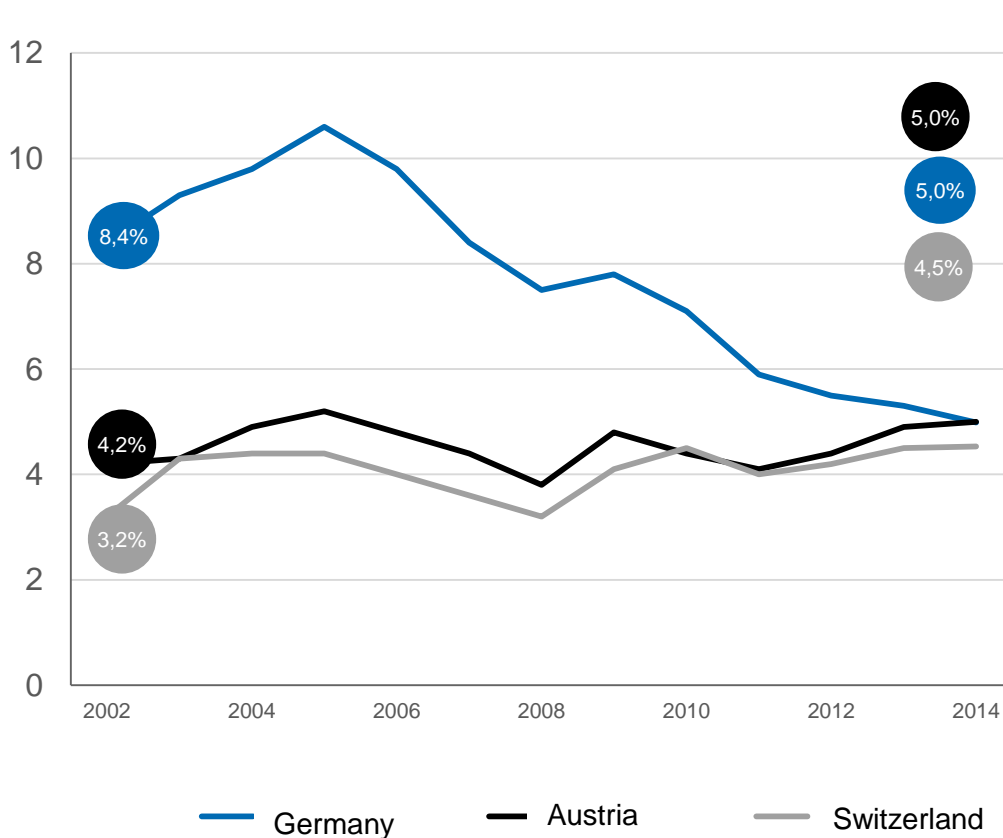
The D A CH rating system – an example

	A	B	AB	AC	AD	AE	AF	AG	AH	AI	AJ	AK	AL	AM	AN
				Jan 13	Feb 13	Mrz 13	Apr 13	Mai 13	Jun 13	Jul 13	Aug 13	Sep 13	Okt 13	Nov 13	Dez 13
1	Financial Market Policy														
2															
3	1 Credit- und Capital market policies														
4	1.1 Credit and capital supply of the economy improved			100	100	100	100	100	100	100	100	100	100	100	100
5	1.2 Better opportunities for savings (free of distortions)			100	100	100	100	100	100	100	100	100	100	100	100
6	1.3 Risk transfer by insurances improved			100	100	100	100	100	100	100	100	100	100	100	100
7															
8	2 Financial Economy regulation			103,3					96,7						
9	2.1 Self-responsibility of the players improved			100	100	100	100	100	100	100	100	100	100	100	100
10	2.2 Competition in the financial system improved			100	100	100	100	100	100	100	100	100	100	100	100
11	2.3 Protection of Investors and debtors improved			100	110	100	100	100	100	90	100	100	100	100	100
12															
13	3 Stability			103,3		106,7			103,3		103,3		96,7		
14	3.1 Resistance against external shocks improved			100	110	110	100	100	100	110	90	100	100	100	100
15	3.2 Independence and accuracy of the regulation improved			100	100	110	100	100	110	100	100	100	100	100	100
16	3.3 Independence of monetary policies improved			100	100	100	100	100	100	100	100	100	100	100	100
17															
18	4 Other														
19	4.1 Other			100	100	100	100	100	100	100	100	100	100	100	100
20				100	100	100	100	100	100	100	100	100	100	100	100
21				100	100	100	100	100	100	100	100	100	100	100	100
22				100	100	100	100	100	100	100	100	100	100	100	100
23															
24	Monatswert			100	101,5	101,5	100	100	100,8	100	99,2	100	100	100	100
25	Gesamtwert	109		116,4	117,9	119,4	119,4	119,4	120,2	120,2	119,4	119,4	119,4	119,4	119,4

Source: Cologne Institute for Economic Research

Problem: Different levels in the beginning

Unemployed persons in per cent (ILO-Concept)

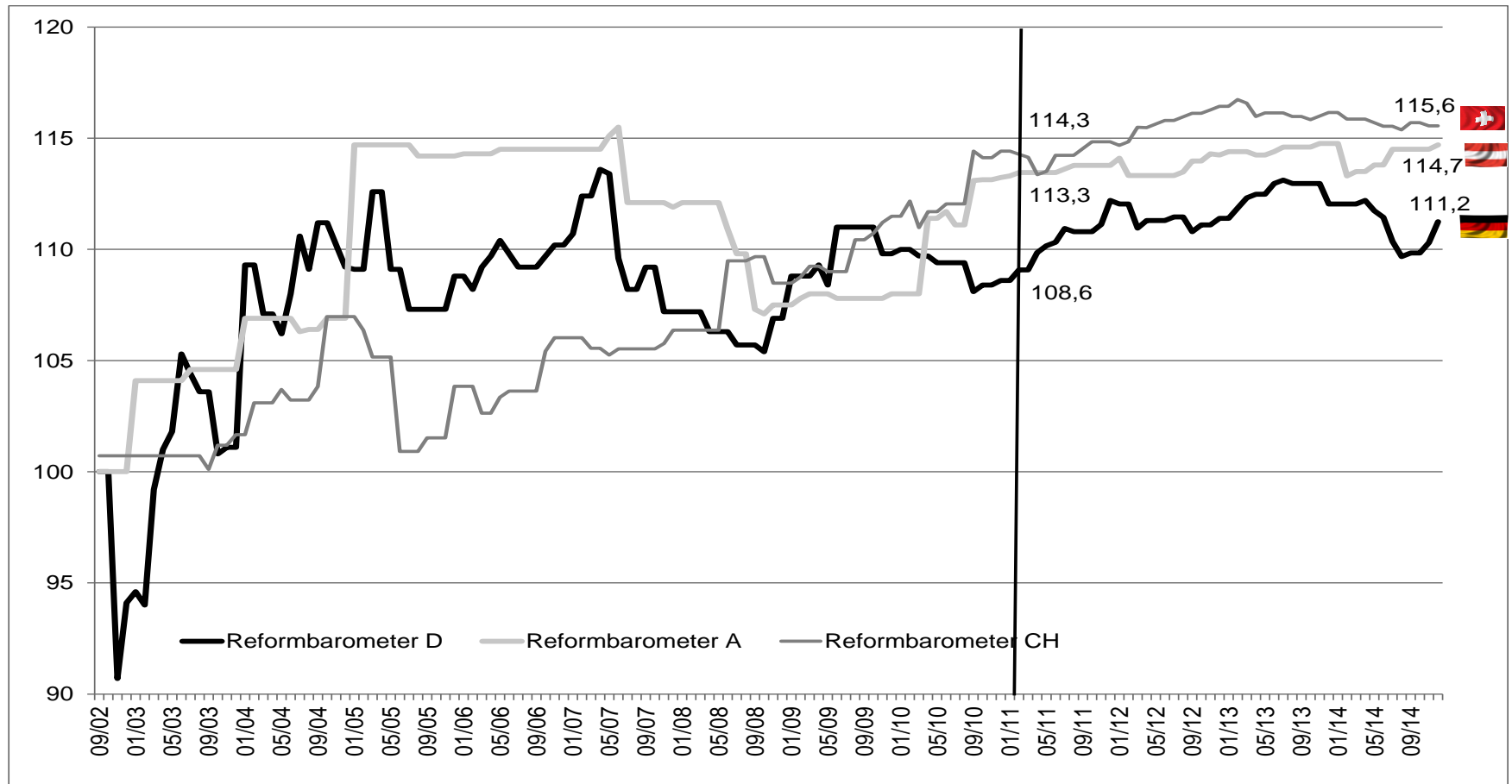


- ▶ All countries started in 2002 with an indicator of 100, but especially Switzerland had a better regulation in many policy areas.
- ▶ Improvement inside the indicator was harder to achieve for the Swiss.
- ▶ Germany performed quite well since 2002, but why?
- ▶ Due to a policy of reform?

Source: OECD iLibrary

The D A CH Reformbarometer

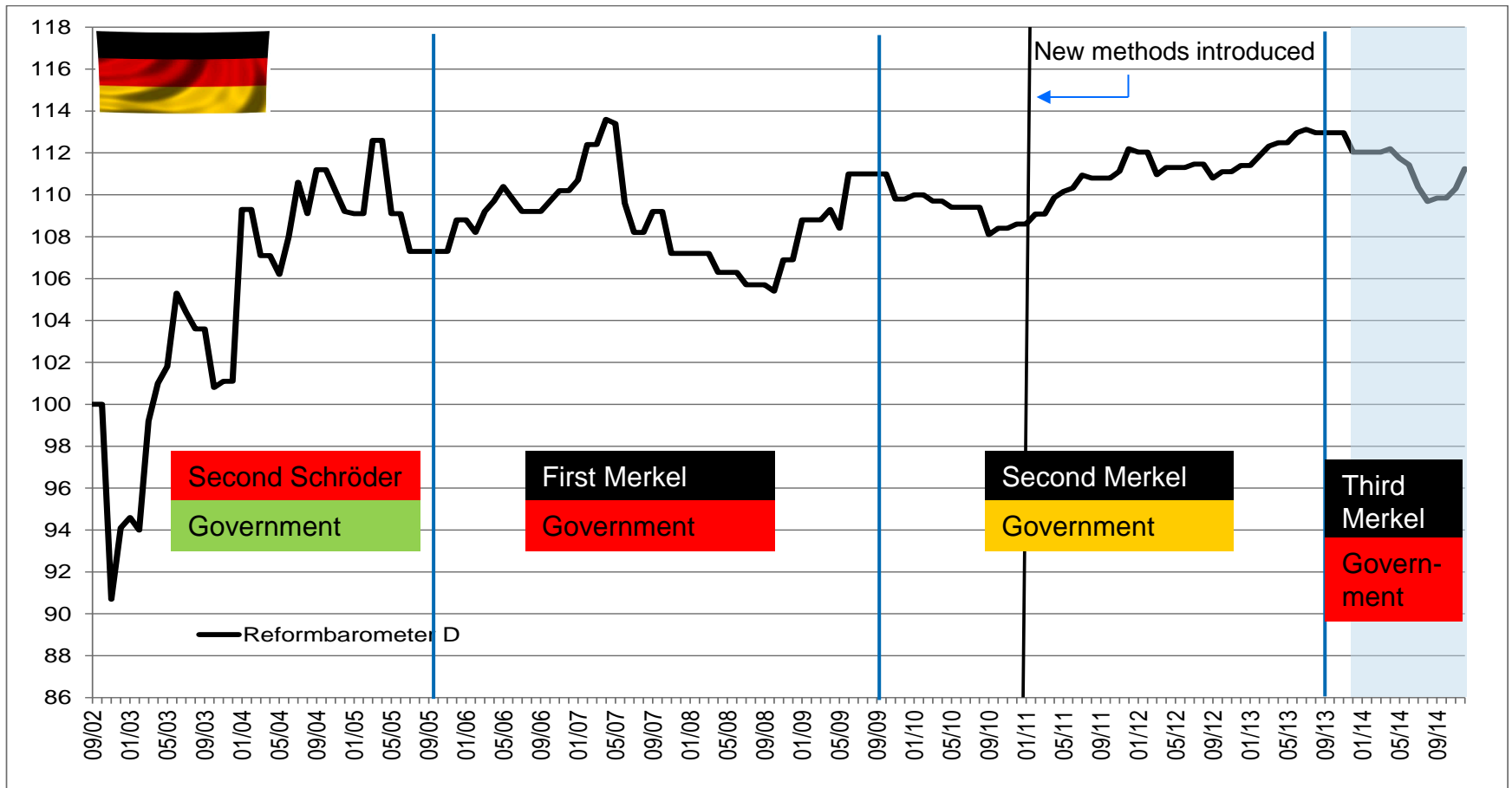
September 2002 = 100



Sources: Cologne Institute for Economic Research, Wirtschaftskammer Österreich, Avenir Suisse

The D A CH Reformbarometer for Germany

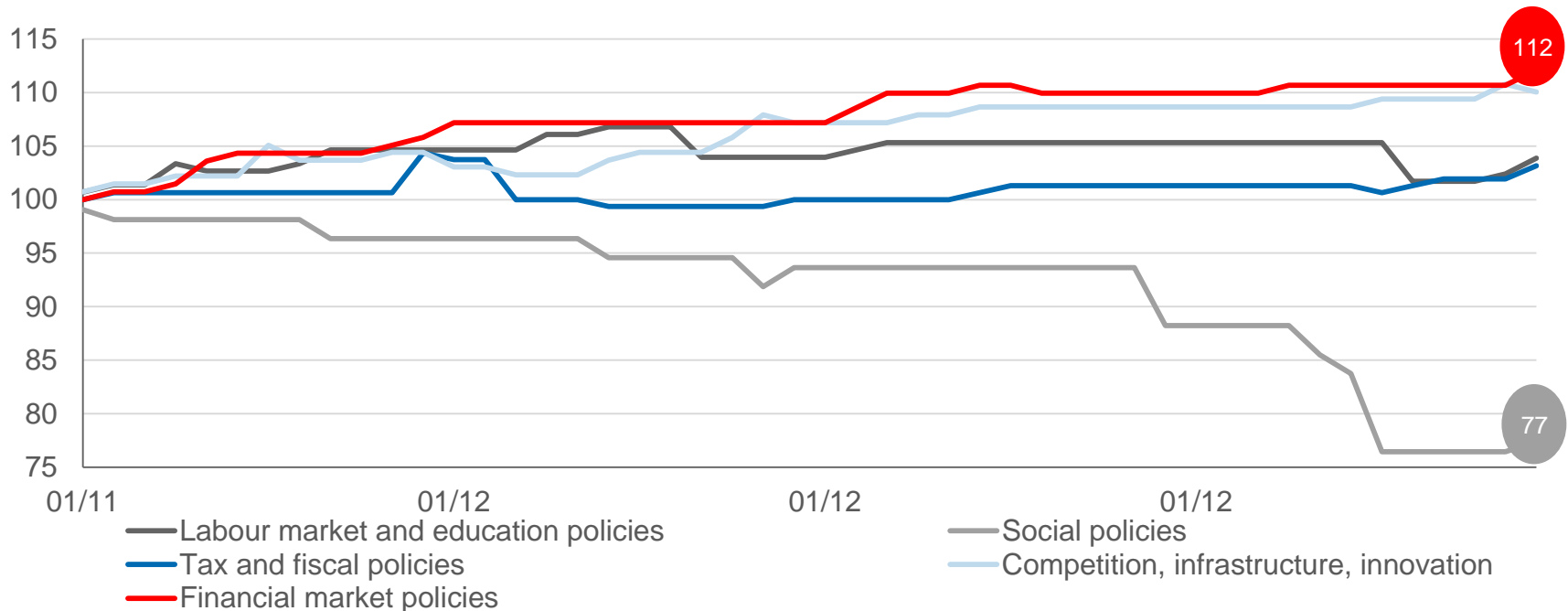
September 2002 = 100



Source: Cologne Institute for Economic Research

Performance boost due to new indicators

Partial indicators according to the new method – January 2011 = 100

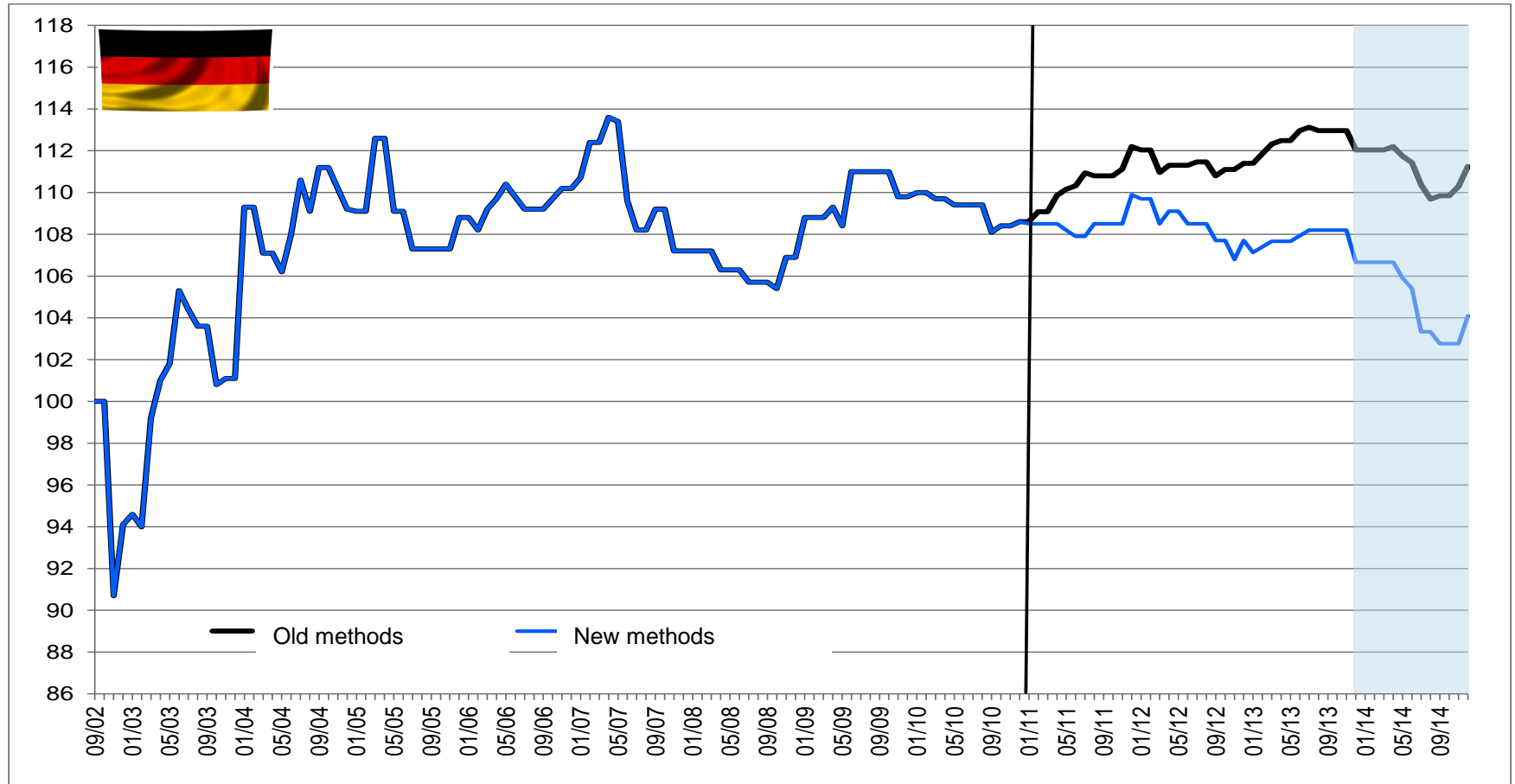


- ▶ German regulation concerning education, financial markets and infrastructure was rather poor at the starting point. Improvements were quite easy to accomplish.
- ▶ The Government preferred a „policy of the steady hand“ in this period.
- ▶ Social security reforms resulted in higher burdens for the younger generation.

Source: Cologne Institute for Economic Research

The Barometer: old and new methods

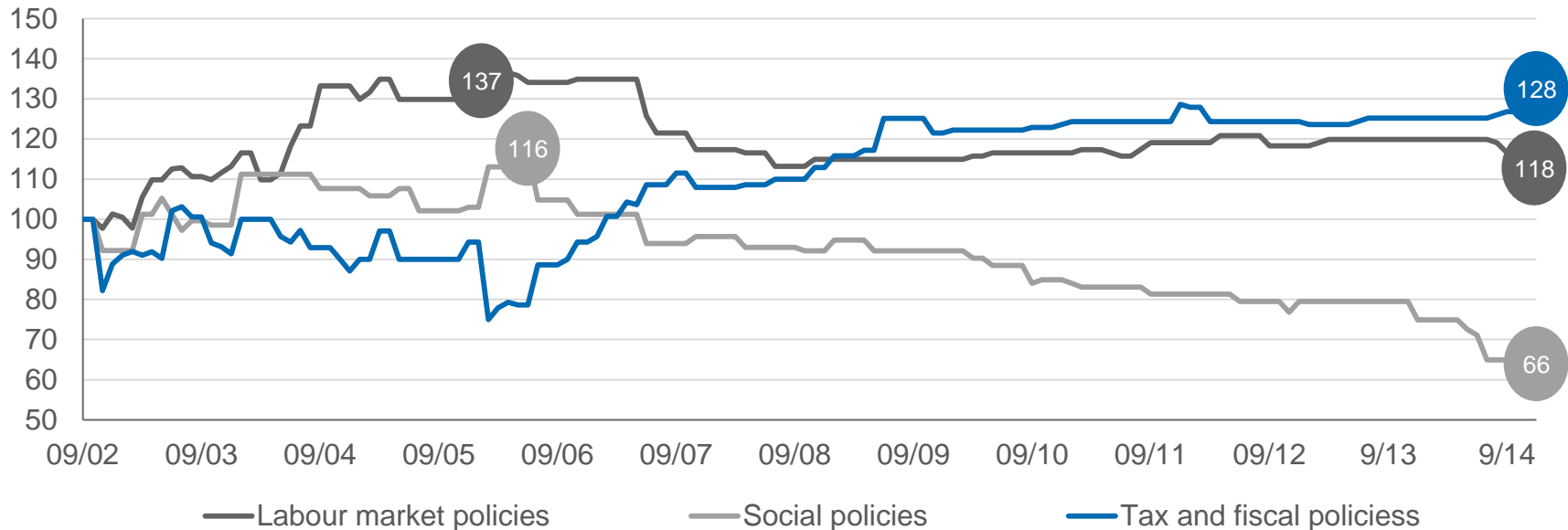
September 2002 = 100



Source: Cologne Institute for Economic Research

The main problem – social benevolences

Partial Indicators according to the old method – September 2002 = 100

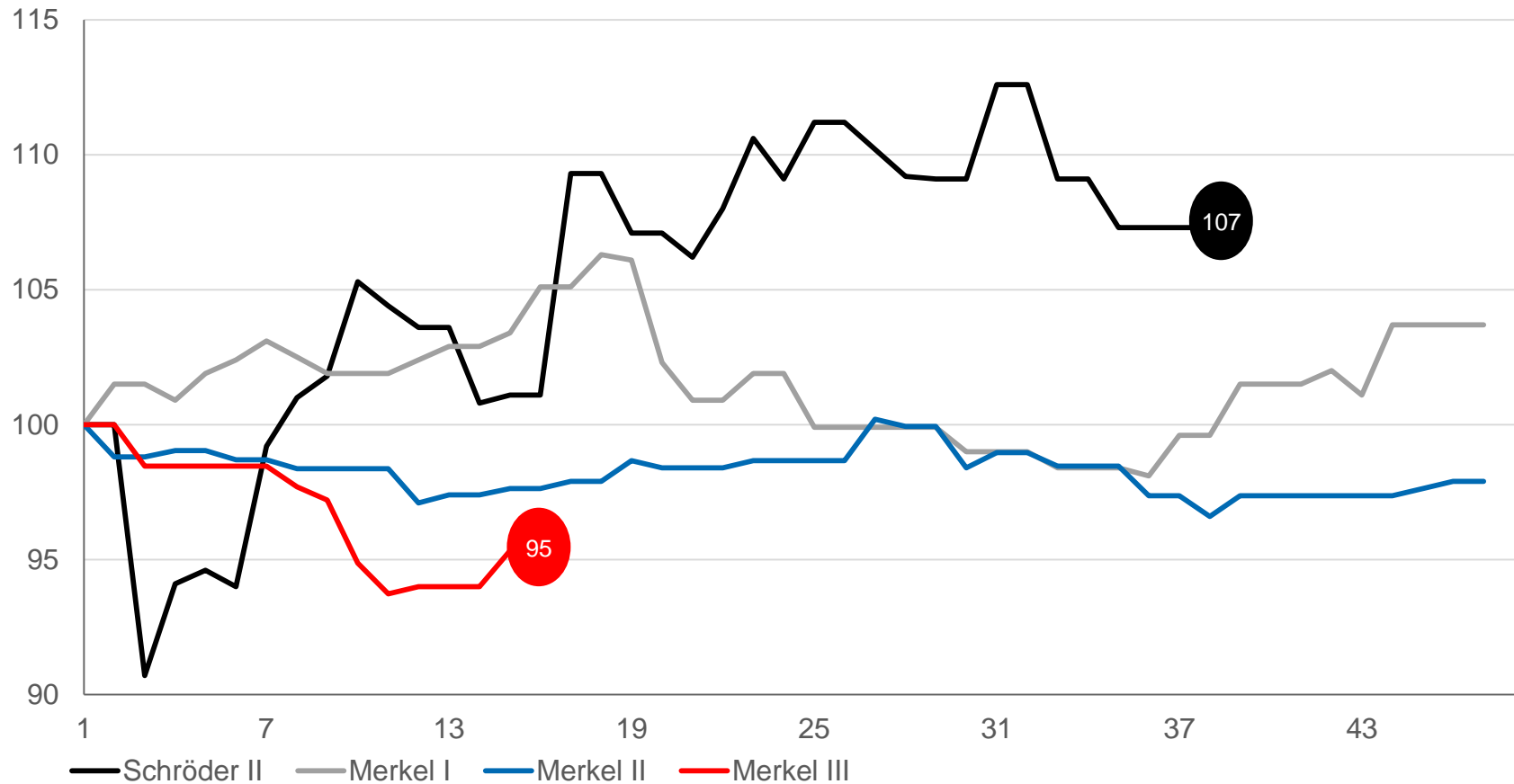


- ▶ When times got better the government started to provide social benevolences.
- ▶ Burdens were shifted towards the younger generation.
- ▶ Many changes concerned the nursing insurance.
- ▶ Competition in the social insurance schemes was steadily decreased.

Source: Cologne Institute for Economic Research

Comparison of 4 governments since 2002

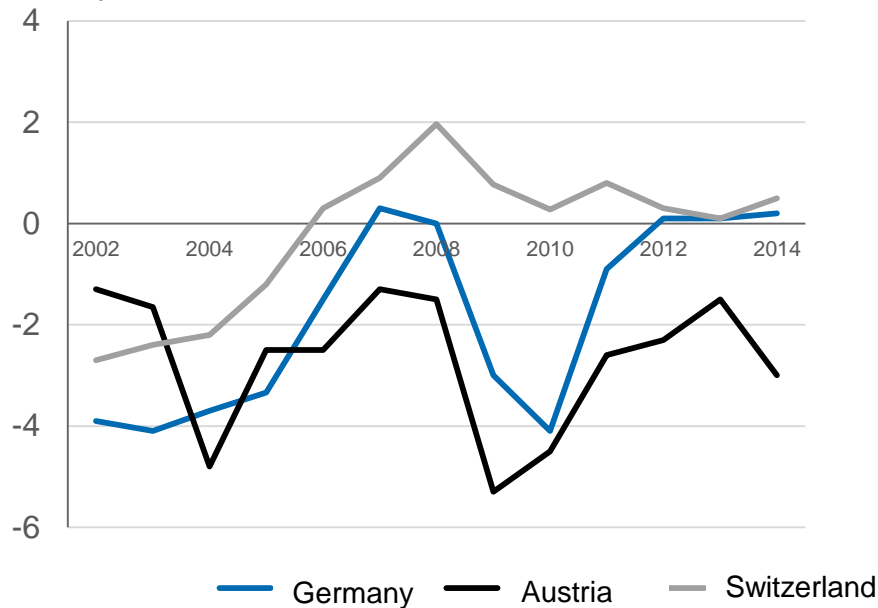
Month coming into office = 100



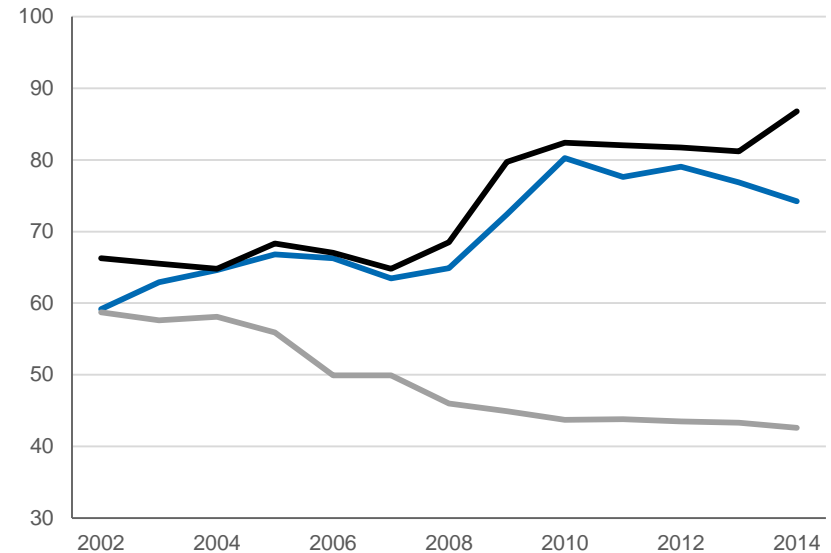
Source: Cologne Institute for Economic Research

State finances: heavy impact by debt brakes

General Government financial balances
in per cent of GDP



General government gross financial liabilities
in per cent of GDP

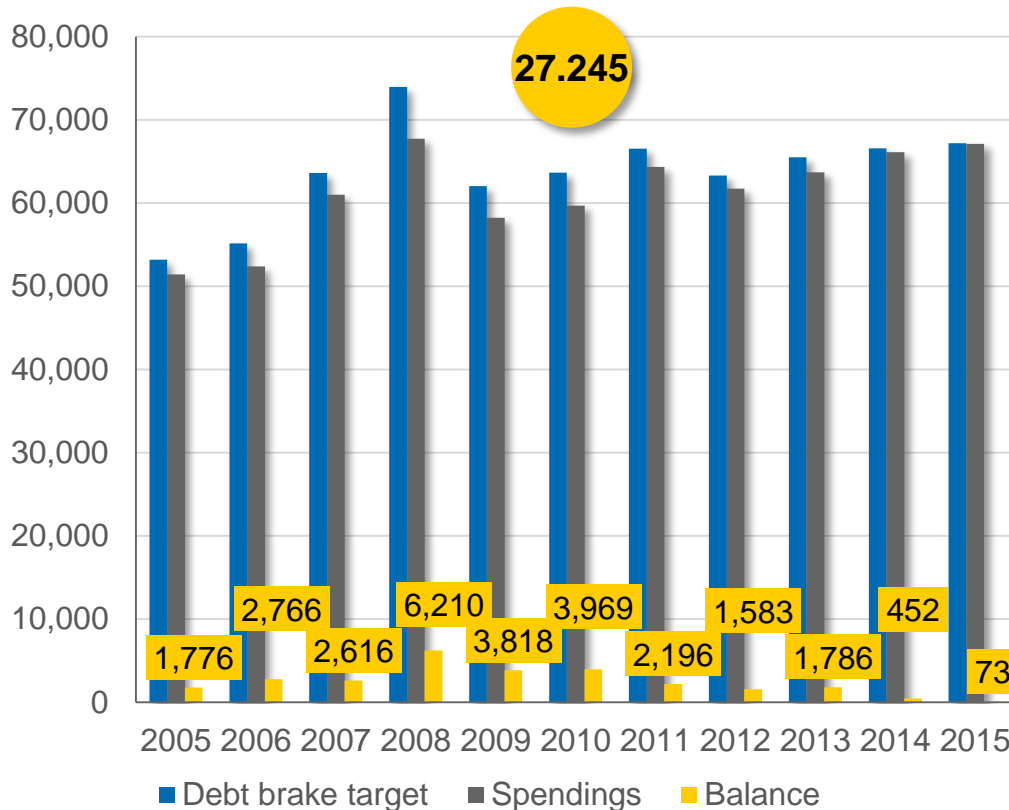


- ▶ Switzerland embedded a debt brake in its constitution in 2003, Germany in 2009.
- ▶ The introduction of the debt brake in 2009 scored 170 points in the D A CH Reformbarometer for Germany.
- ▶ In 2014 Germany reported the first balanced budget since 1969.

Source: OECD iLibrary

The Swiss debt brake – a success story

Governmental spending and targets of the debt brake in Switzerland – in Mio. CHF

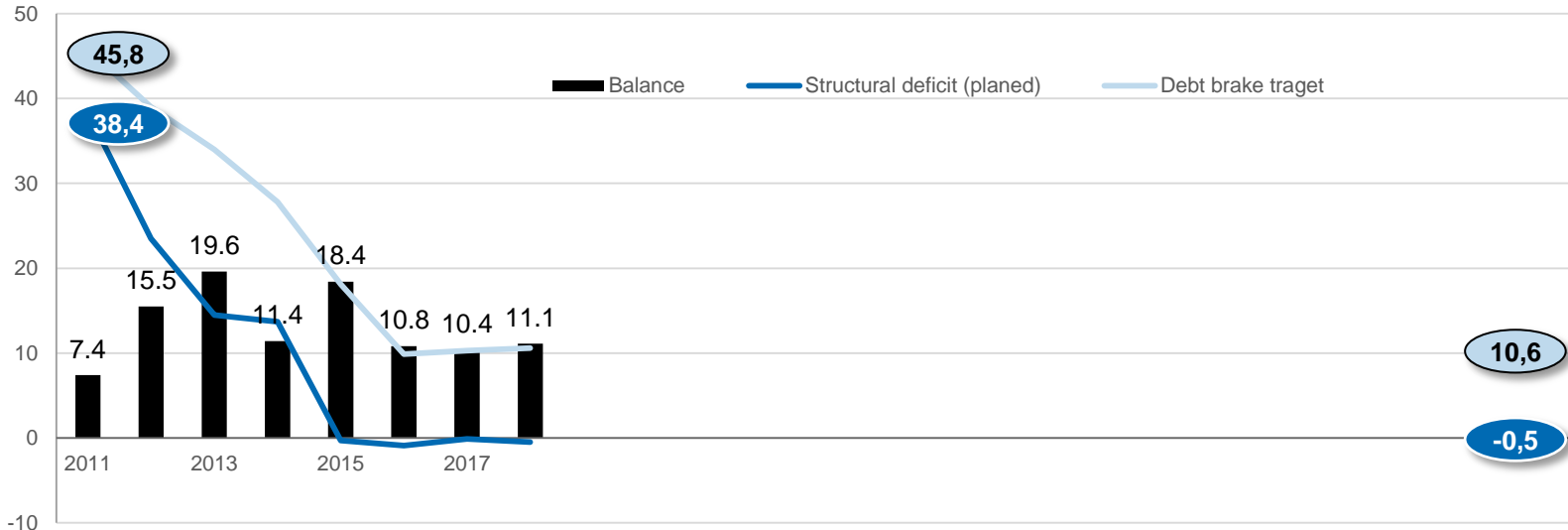


- ▶ A review after 10 years with a debt brake showed a positive impact on governmental spending.
- ▶ In the past the government exceeded the debt brake targets in any year. In 2015 this might change due to the impact of the strong Swiss franc.
- ▶ The central governments debt quota reached 19 per cent of GDP.

Source: EFV, 2015

Debt brake in Germany: An important step

Governmental spending and targets of the debt brake in Germany – in billion Euro



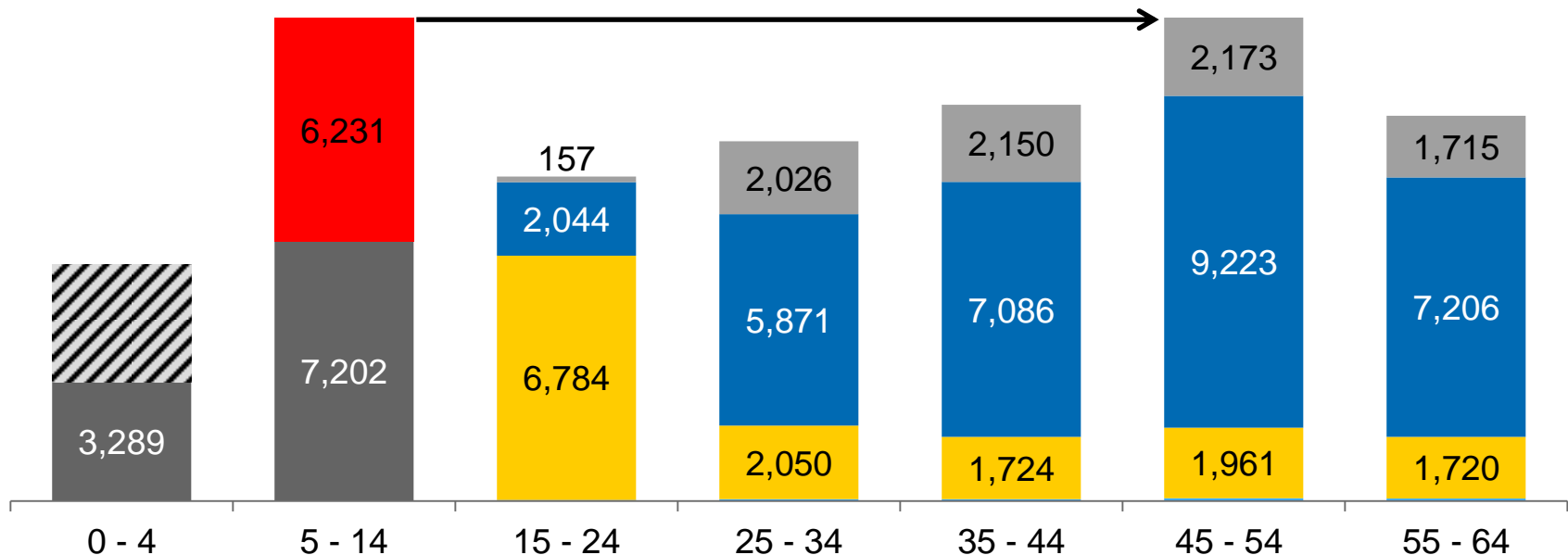
- ▶ For the federal government the German debt brake means that the new structural debt, i.e. cyclically adjusted borrowing, must not exceed 0.35 per cent of GDP from 2016 on.
- ▶ The federal states must fulfill the debt brake until 2020.
- ▶ The IMF predicts compliance with the Maastricht target in 2019.

Sources: Ministry of Finance, own calculations

Dealing with the demographic challenge

Qualifications by age, 2012, in 1.000

- Qualification unknown
- Children aged 0 - 15
- No professional qualification
- Vocational training
- University (of applied sciences)
- 5 additional age groups
- Gap

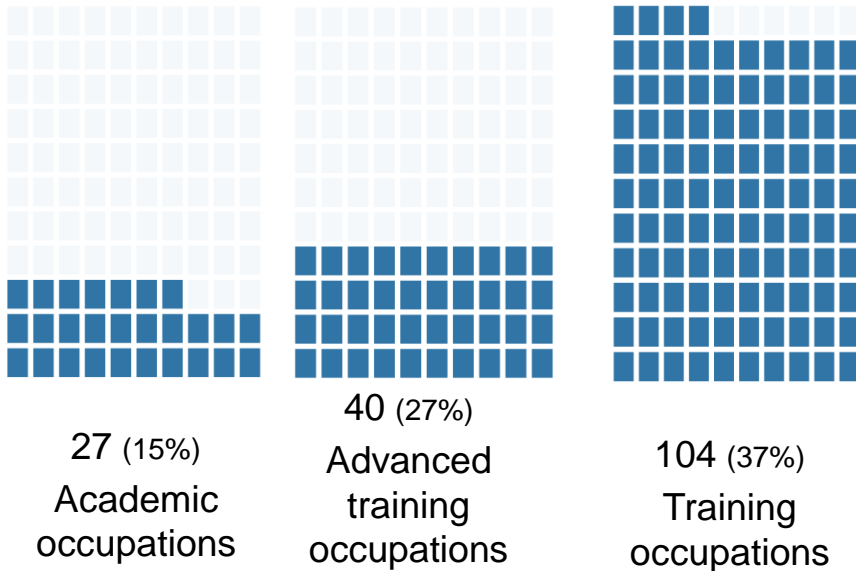


Source: Statistisches Bundesamt; own calculations

There is already a lack of skilled labour in certain professions

Number of Bottleneck Occupations by Degree

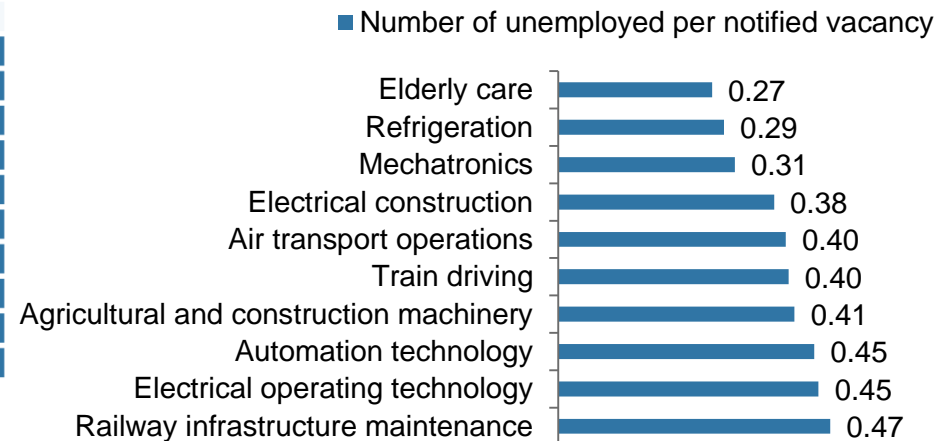
As of: May 2015



Bottleneck Occupations: Vocational Training

Occupations with at least 100 unemployed people registered

As of: May 2015

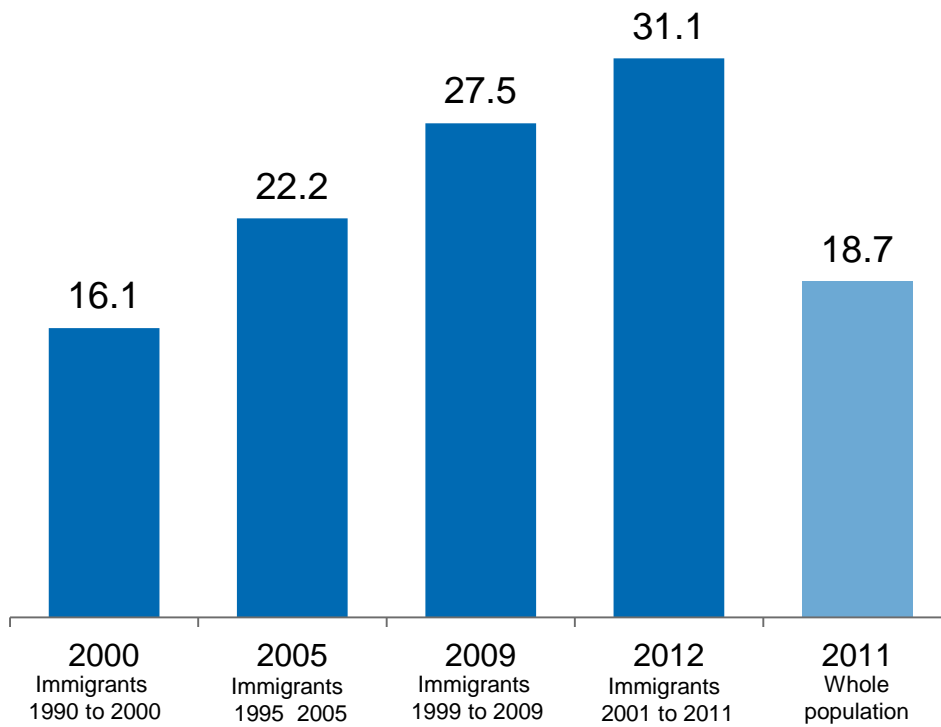


Source: Federal Employment Agency; own calculations

Opening up for qualified immigrants

Qualification

Share of people aged 25 to 64 with a university degree,
in per cent

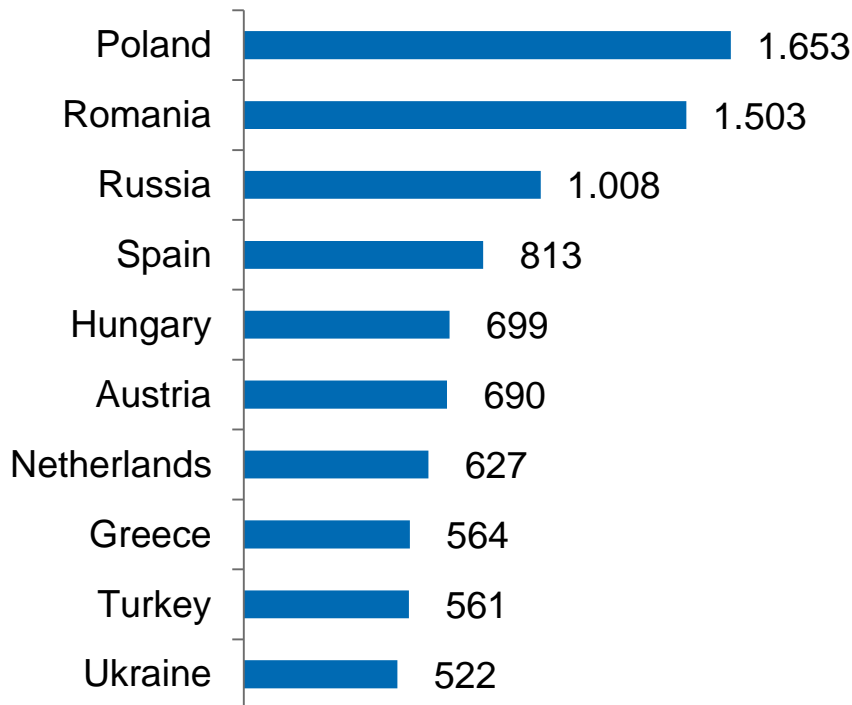


- ▶ The federal government decided to open the German labour market for qualified immigrants.
- ▶ Several steps were taken. The most important one was the law for the recognition of foreign degrees rated in the D A CH Barometer in 2012.
- ▶ Unfortunately the policy remained inconsistent. The impact was lower than expected.

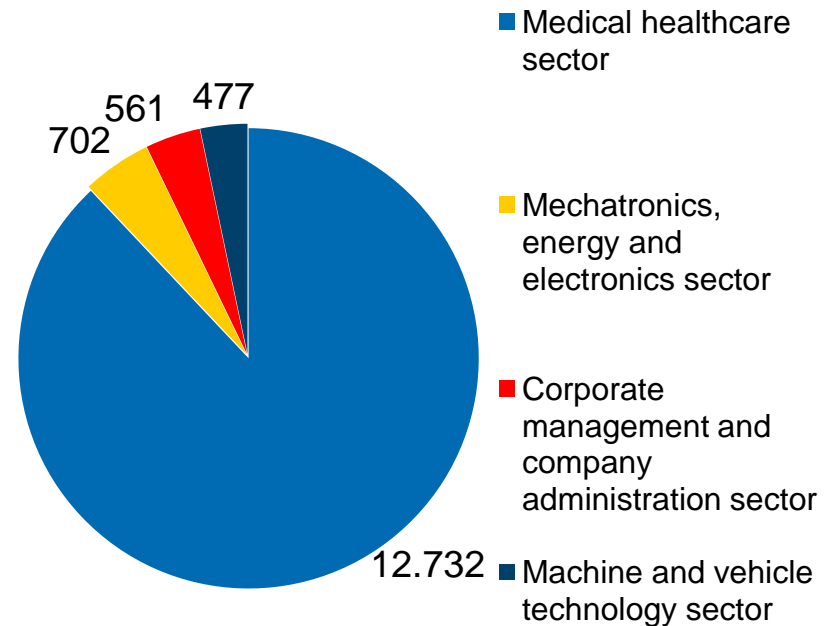
Source: Geis, 2012; Statistischen Ämter des Bundes und der Länder, Mikrozensus, 2011; own calculations

Recognition statistics under the new law

Countries with most applications submitted 2013



Professional groups with most applications submitted 2013



Sources: Federal Employment Agency; own calculations