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EU economies risk falling further behind in global competitiveness say ippr

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The EU will struggle to maintain its economic competitiveness in the future, according to a report out today (15 December) by the Institute for Public Policy Research North (ippr north) which says that this is in spite of recent structural changes in the EU economies producing more winners than losers overall.

ippr north says that despite positive changes, such as an expansion in trade in the EU and improvements in information and communications technology (ICT), EU productivity has only managed to keep pace with countries such as Japan and suffered a growing gap with the United States. (Table 1, below) Overall, Europe's innovation performance has fallen below the OECD average.

Structural Economic Change and the European Union: Winners, losers and public policy options explores the economic effects of globalisation in the European Union and how the European Commission and countries in the EU should respond to it.

The report has found that economic rewards are accruing for owners of capital compared to workers as relative labour costs decline. This is especially true of the top half of the earnings distribution and those in the top 0.1 per cent. In addition, there are wider benefits for European consumers due to fewer trade and investment barriers which has led to lower prices and as well as wider benefits for employers who can employ people from across the globe to match their skills needs, thereby cutting production costs.

On the other hand, the losers from globalisation are people who have lost their jobs in industries badly affected by increased global economic integration and competition, particularly employment which demands very specific skills that cannot be transferred to new jobs or emerging sectors.

ippr north says the following measures need to be adopted by the EU if it is to improve its economic competitiveness:

- The EU needs to get stronger commitments from national governments to achieve the Lisbon Strategy, its plan to move towards a more competitive economy with more and better quality jobs
- Improve standardisation of regulatory frameworks - such as an Intellectual Property regime with a single European patenting process - to reduce transactions costs
- A European Information (Media) Space needs to be created to reach all EU citizens to generate cross border debate and discussion on priorities.

Sue Stirling, Director of ippr north said:

"Europe is running just to stand still in today's global economy. If it does not adopt stronger policies to increase its competitiveness the number of losers in EU countries will continue to grow. At the very least Governments need to adopt a stonger commitment to the Lisbon Strategy's plan for a more competitive European economy, which is even more critical given the current global financial climate."

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Notes to Editors:

1. *EU Structural Economic Change and the European Union: Winners, Losers and Public Policy Options* by Howard Reed, Olga Mrinska and Miguel Castro Coelho.

Table 1

Average annual growth in GDP per hour worked for EU15, Japan and the US 1970-2006 (Source: OECD)

Country	Japan	United States	EU15
Time			
1970-1980	4.2	1.6	3.7
1980-1985	2.5	1.6	2.4
1985-1990	4.2	1.3	2.1
1990-1995	2.3	1.1	2.4
1995-2000	2.1	2.2	1.8
2000-2006	2.1	2.1	1.3

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