



Nero Meeting:

The structural reform agenda to boost long-term growth and its side-effects on near-term activity and other objectives

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- **Benchmarking exercise to help reflect on structural reforms**
 - Five policy priorities for each country to improve living standards through higher productivity and employment
 - Broad range of policy areas covered:
 - Product and labour market regulations
 - Taxation (subsidies) and social protection
 - Education and training (activation) policies
 - Trade and investment rules
 - Innovation policies

Fostering employment is the main focus of priorities in Europe

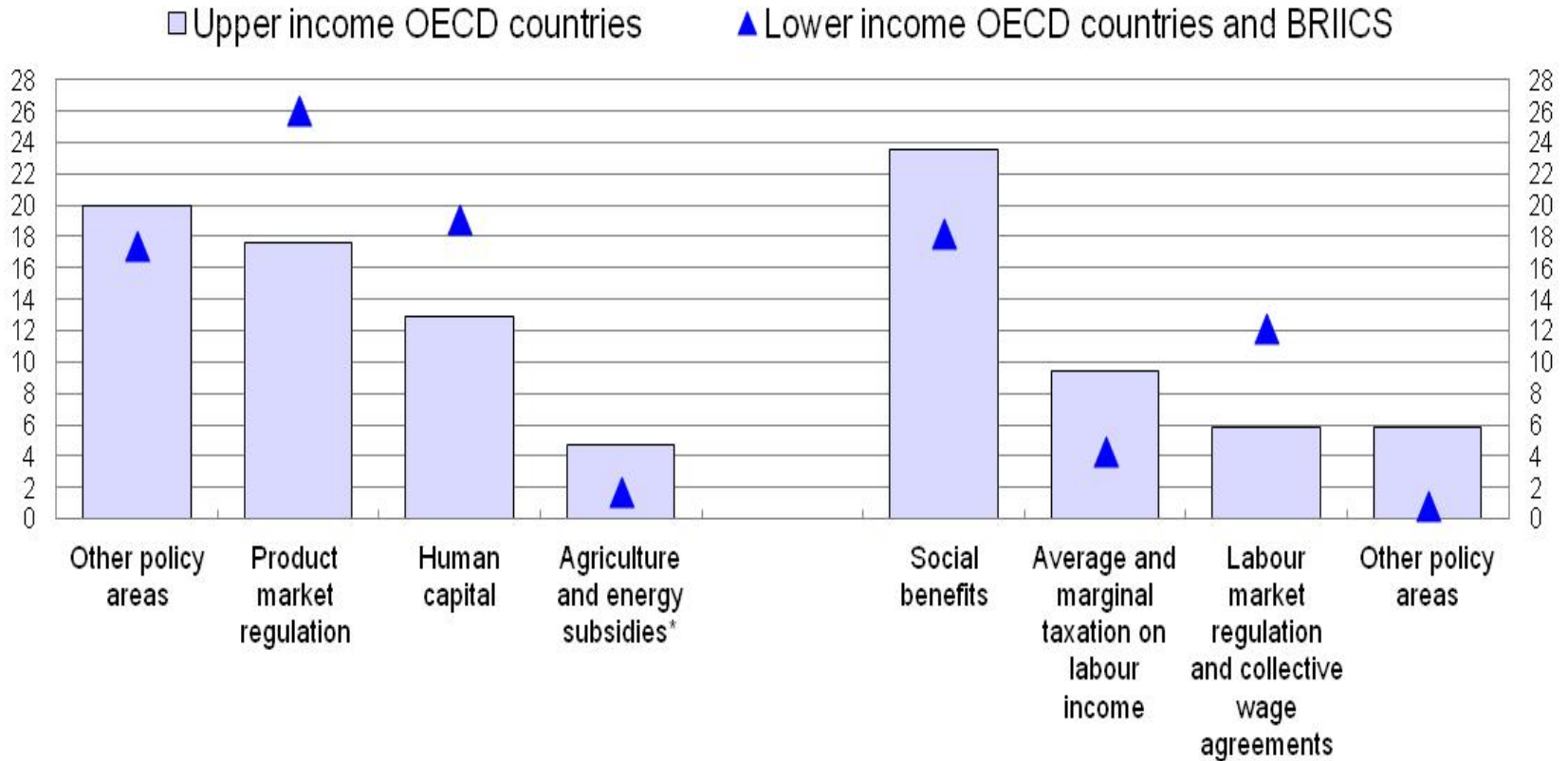
- **Emphasis on active labour market and social policies**
 - Income support coverage, job-search assistance and training
- **Reforms to foster job creation, hiring and labour mobility, incentives to take-up work**
 - Progress achieved through changes in tax and benefit systems, wage bargaining and employment protection legislation
 - Greece, Italy, Portugal and Spain have all made reforms in each of these areas with Greece having gone furthest
- *More needs to be done, including to reduce barriers to entry in services*

Boosting productivity is key to long-term growth: common areas of reforms

- *Reform objectives:*
 - Promote investment in skills, technology and infrastructure
 - Facilitate shift in resources from inefficient sectors and firms to more productive ones

- *Policy areas:*
 - Reduce regulatory barriers to competition in network industries and services sectors
 - Reform of taxation and phasing out of subsidies (agriculture, housing and fossil-fuel)
 - More efficient provision of public services

Differences in challenges are reflected in distribution of priorities across policy areas

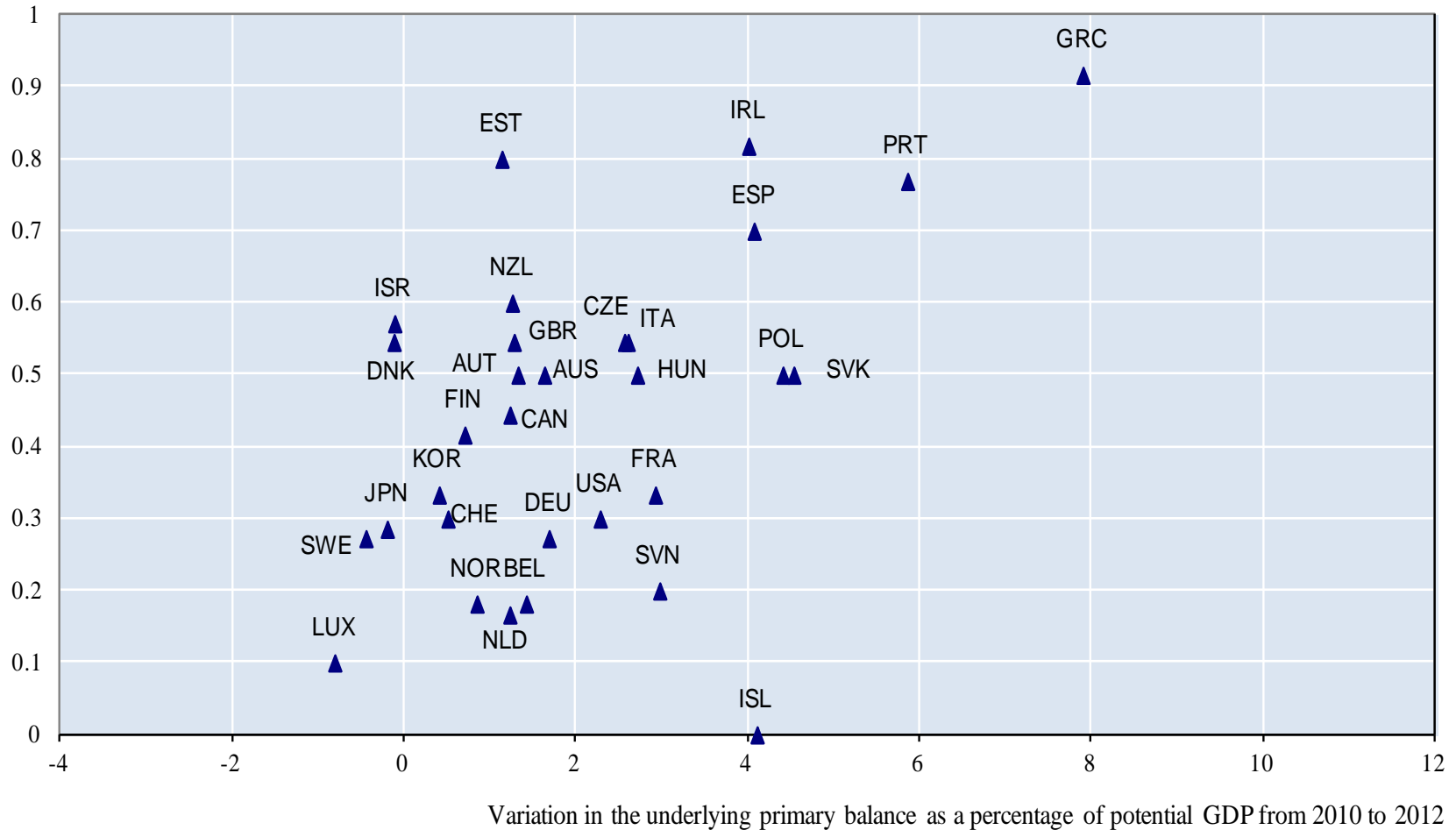


One quarter of priorities concern social benefits in AMEs, while for EMEs the same proportion focuses on product market regulation

Countries most active at reforming have also consolidated their budget

Going for Growth

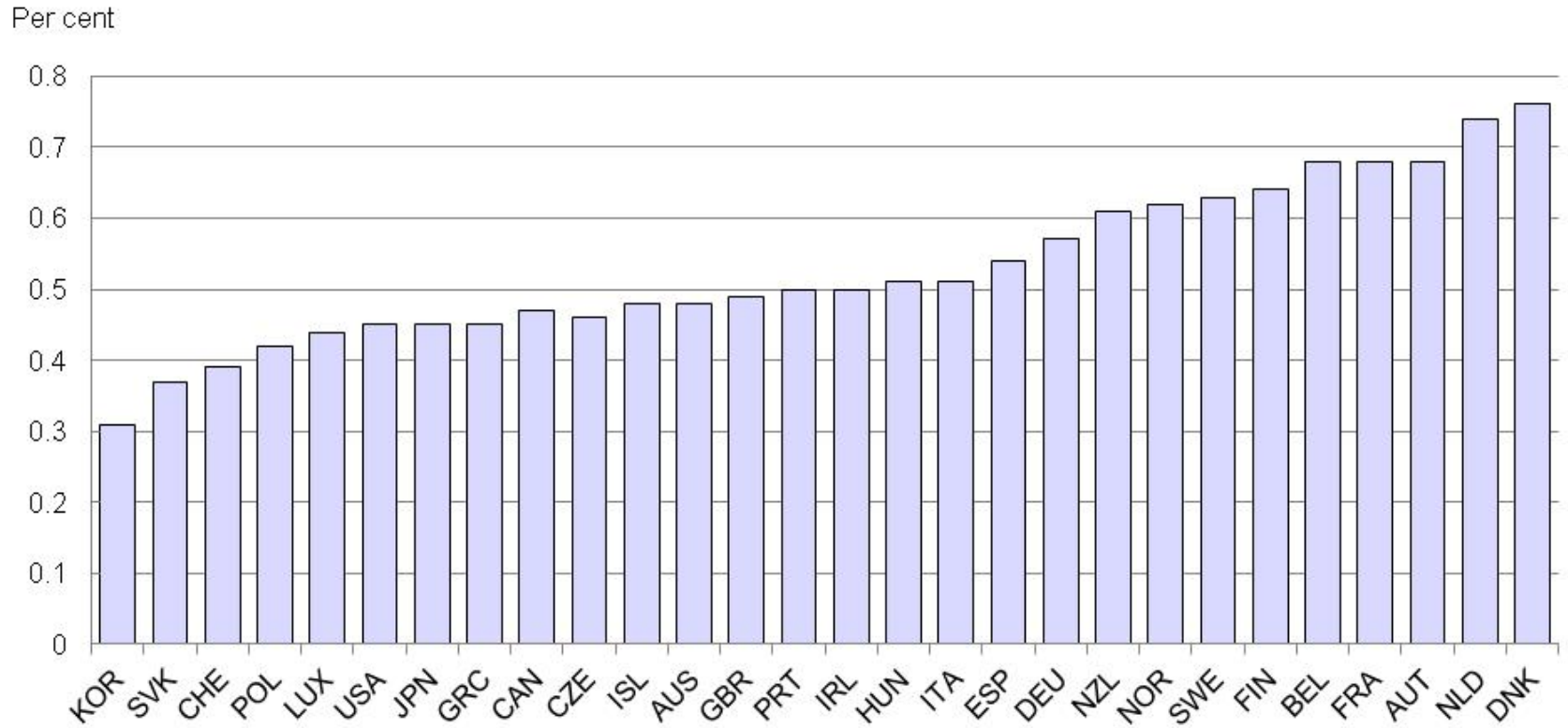
Responsiveness rate, 2011-2012



Raises concerns about impact of reforms in context of budget retrenchment and weak activity

Structural reforms can help reduce consolidation needs

Especially if boost growth through higher (private) employment

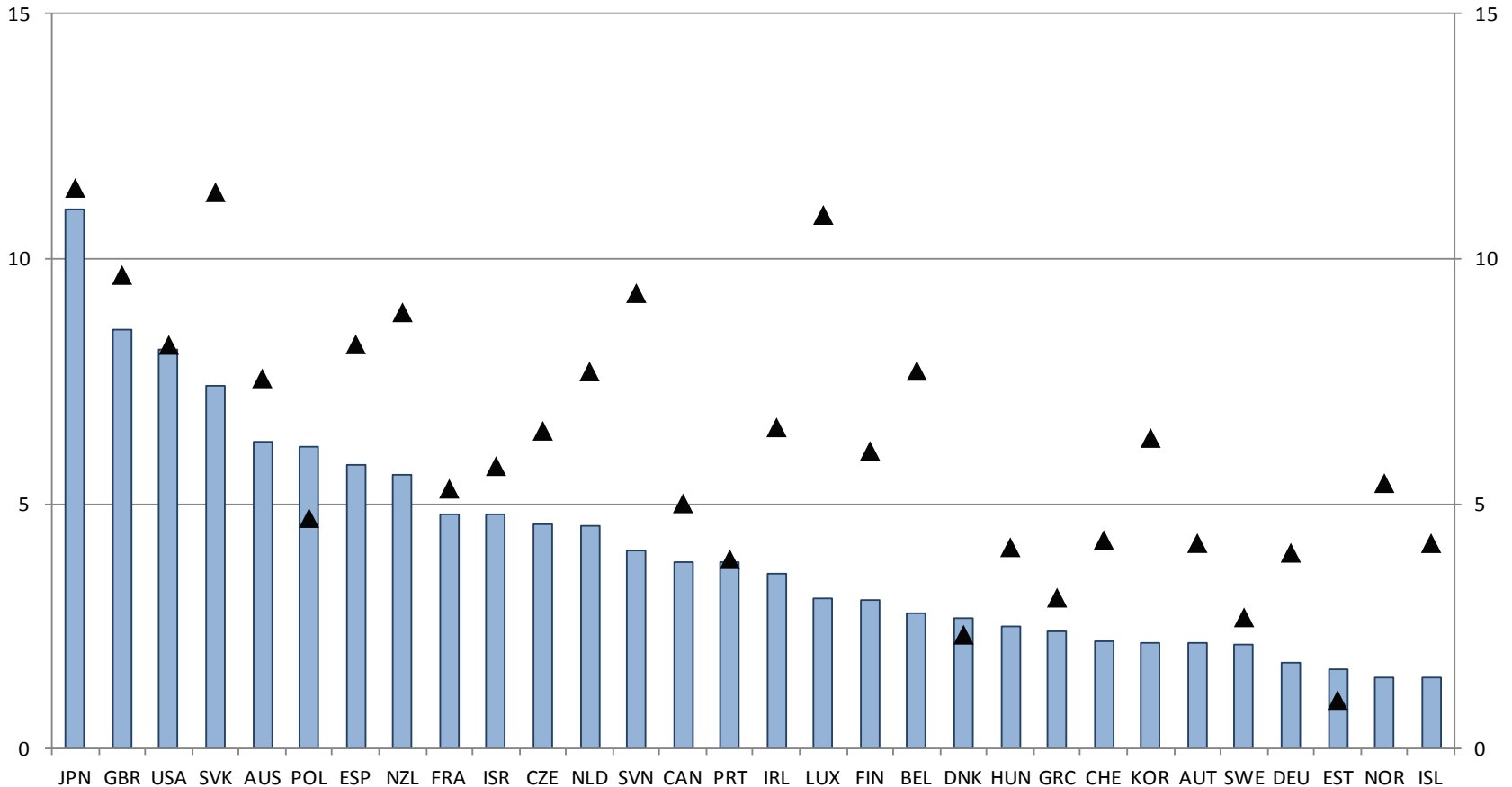


A permanent one-percentage point increase in (private-sector) employment can improve the budget balance by between 0.3 and 0.8 percentage points

Measures that relieve pressure from budget: Pension reform is a good case

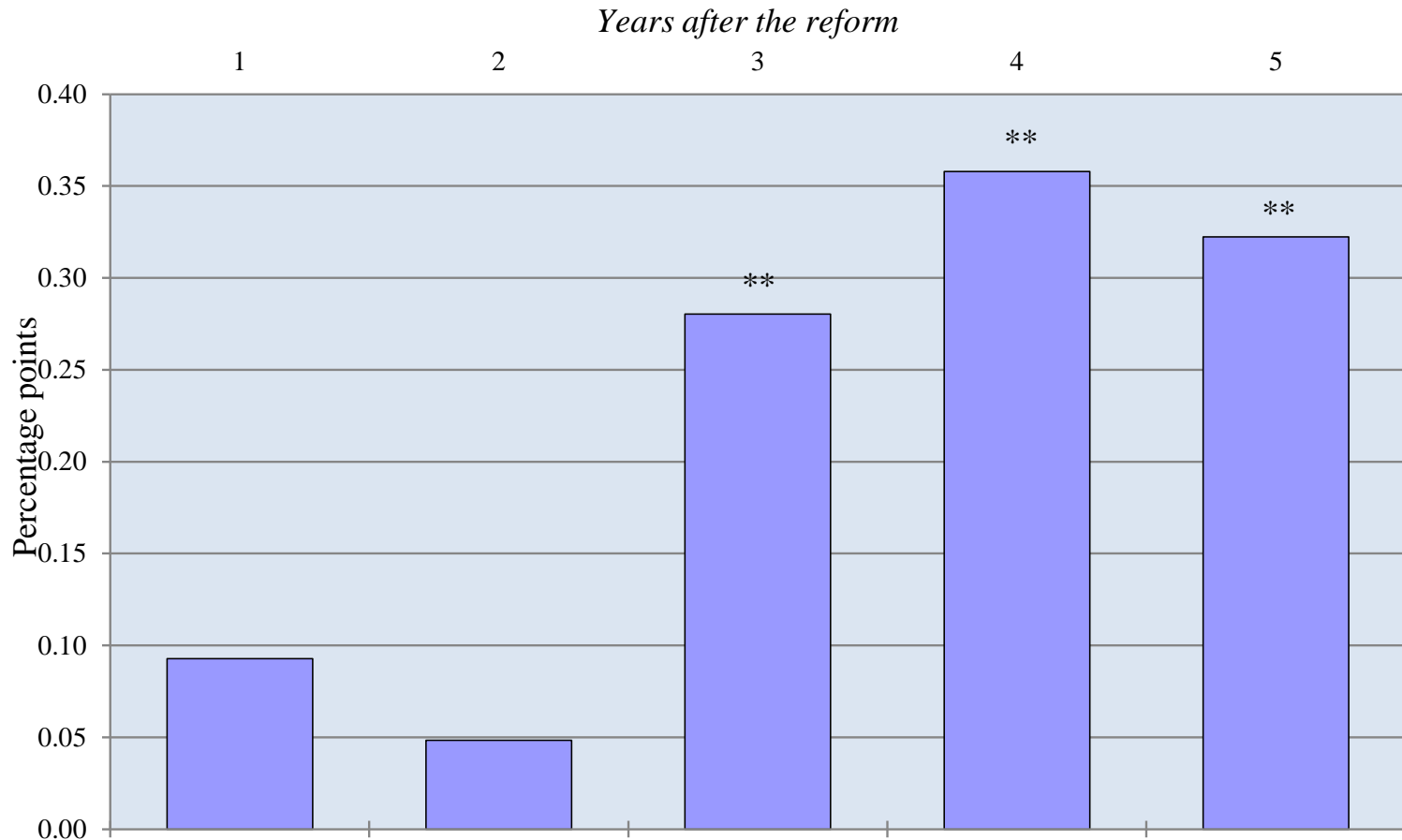
Change in underlying primary balance needed to bring debt to 60% of GDP in 2060

■ The baseline includes reforms to keep pension spending constant as a share of GDP ▲ The baseline includes no change from current policies



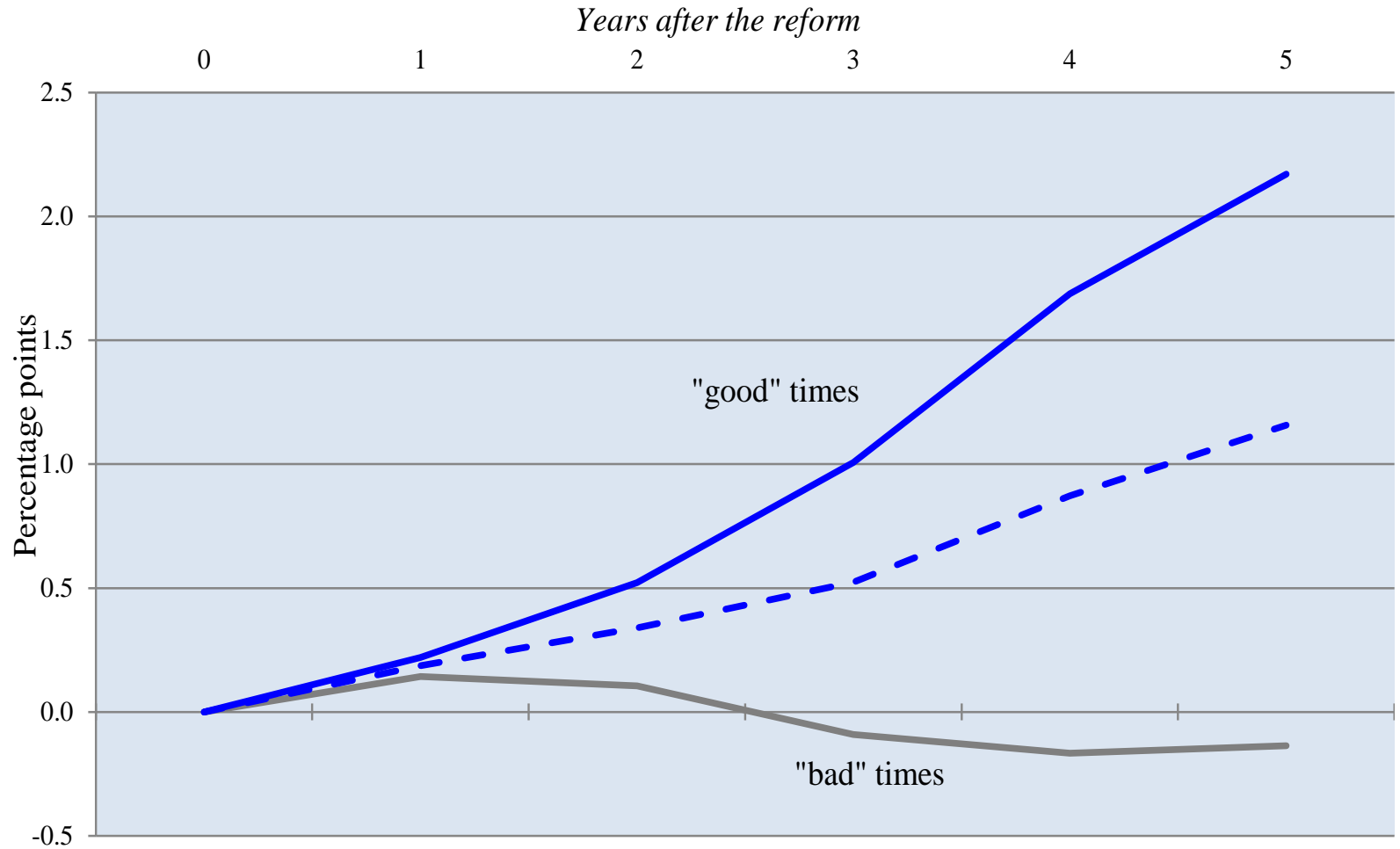
The impact on consolidation needs of keeping public pension spending constant as a ratio of GDP

Product market reforms typically encourage labour force participation



Change in aggregate labour force participation following a typical reform of product market regulation

Other measures have potential to generate savings but may be ineffective in bad time

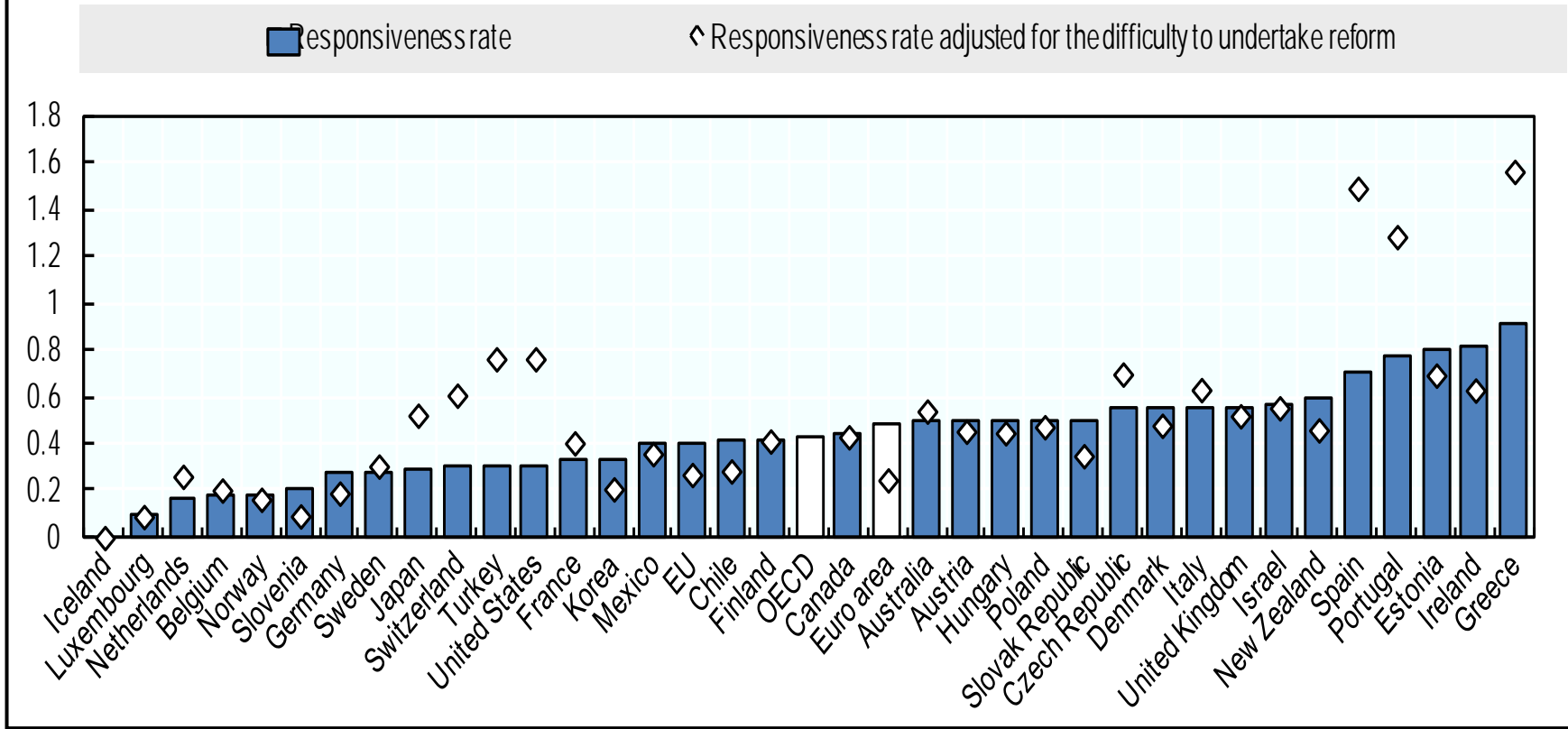


Change in aggregate employment following a typical reduction in UI benefits

More reform efforts between CA deficit and surplus countries would help support demand in EA and globally

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A. Responsiveness to Going for Growth recommendations across OECD countries, 2011-12



The European crisis has been a major driver of reform action

Thank you