Economic Policy Reforms: Going for Growth 2018

An opportunity that governments should not miss

Buenos Aires, 19 March 2018

http://www.oecd.org/eco Going for growth/
Global growth is back to cruising speed

Real GDP, year-on-year growth

Source: OECD, Interim Economic Outlook, March 2018.
Note: All persons aged 15-64 years.
Source: OECD Short-Term Labour Market statistics; and OECD calculations.
More rapid job gains are benefiting all groups

Employment rate

Employment as % of population in the group (2007=100)

- 15-24 year-olds
- 25-64 year-olds
- Low skilled (below upper secondary education)
- High skilled (tertiary education)

Source: OECD Employment database.
But most people in many OECD countries have seen little or no income growth for a decade.

**Household real disposable income**

*OECD average*

Note: The OECD average is a simple average of the 17 OECD member countries for which data is available for the whole period.

Source: OECD Income Distribution database; and OECD calculations.
Gross investment is coming back, but net investment is still weak

Rising depreciation rates are holding down net investment in productive capital

Investment as per cent of productive capital stock

Source: OECD Economic Outlook database; and OECD calculations.
The take-up in digital technologies is uneven

**Diffusion of selected ICT tools and activities in enterprises, OECD countries, 2016**

Note: Radio frequency identification (RFID) is a technology that enables contactless transmission of information via radio waves. RFID can be used for a wide range of purposes, including personal identification or access control, logistics, retail trade and process monitoring in manufacturing. For RFID, data refer to 2014.
The widening productivity gap - particularly in digitally-intensive services

**Average of MFP across 2-digit sectors (log, 2001=0)**

![Graphs of MFP across 2-digit sectors](image)

The pace of structural reform is modest

Responsiveness rates to Going for Growth recommendations

*Fully coloured bars refer to the share of fully implemented reforms*

Note: The estimated rate of responsiveness is captured by the Going for Growth indicator of reform responsiveness. For 2017, reforms in the process of implementation are included to ensure comparability with previous two-year periods. Emerging economies include Chile, Mexico, Turkey, Argentina, Brazil, China, Colombia, Costa Rica, Indonesia, India, Russia and South Africa. Advanced economies include all non-emerging OECD member countries and Lithuania.
The Going for Growth priority selection framework

- **Employment**
  - Outcomes (e.g. aggregate employment)
  - Policies (e.g. labour tax wedge)

- **Productivity**
  - Outcomes (e.g. total factor productivity)
  - Policies (e.g. administrative burdens)

- **Inclusiveness**
  - Outcomes (e.g. gender gaps)
  - Policies (e.g. childcare)

**Quantitative assessment**
(performance-policy matching algorithm)

**Desks’ expertise**
(qualitative assessment of country-specific circumstances)

**5 priorities**
3 broad categories of recommendations

**Firms**

- Barriers to entry, competition, exit, trade and FDI,
- Structure and efficiency of the tax system,
- Legal and physical infrastructure

**Skills**

- Primary and secondary education
- Higher education and VET
- R&D policies

**Workers**

- A more inclusive labour market (gender, migrants, low-skilled, etc.)
- ALMPs and social benefits
- Labour mobility and health sector
- Labour market regulation
GfG 2017 priorities to achieve strong, inclusive growth remain valid

Going for Growth 2017 reform recommendations
Reform progress is slow on education

Reform intensity by area

Share of implemented Going for Growth recommendations, selection of largest reform areas

- Fully implemented and in process of implementation
- Limited steps or no action taken

<table>
<thead>
<tr>
<th>Area</th>
<th>Share of Implemented Recommendations</th>
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<tbody>
<tr>
<td>Primary and secondary education</td>
<td>8%</td>
</tr>
<tr>
<td>Higher, vocational and training</td>
<td>11%</td>
</tr>
<tr>
<td>R&amp;D and innovation</td>
<td>5%</td>
</tr>
<tr>
<td>Barriers to entry, competition, trade and FDI</td>
<td>24%</td>
</tr>
<tr>
<td>Tax structure</td>
<td>10%</td>
</tr>
<tr>
<td>Physical and legal infrastructure</td>
<td>10%</td>
</tr>
<tr>
<td>A more inclusive labour market (gender, minorities, low-skilled)</td>
<td>13%</td>
</tr>
<tr>
<td>Active labour market policies and Social benefits</td>
<td>10%</td>
</tr>
<tr>
<td>Regulation and organisation of the labour market</td>
<td>4%</td>
</tr>
</tbody>
</table>

Note: share of recommendations in total recommendations presented on the left margin.
Some significant actions were taken (examples)

Promote business dynamism and the diffusion of knowledge

Firms

Countries with significant actions taken (including in-progress)

- ARG, IND, PRT, NOR, USA
- IND, IDN, GBR, ITA, MEX
- (small) measures in a large number of countries

Tax structure

Physical and legal infrastructure

Barriers to entry, exit, competition, trade and FDI
Unlock skills development and innovation capacity

Some significant actions were taken (examples)

Primary and secondary education

Higher education and vocational education and training (VET)

R&D policies

Countries with significant actions taken (including in-progress)

FRA

(small) measures in a number of countries

(small) measures in a number of countries
Help workers benefit from a fast-changing labour market

Some significant actions were taken (examples)

- A more inclusive labour market (gender, minorities, migrants, low-skilled...)
  - JPN, KOR, DEU

- Active labour market policies and social benefits, health and mobility
  - GRC, ITA, CHN, GBP, FIN

- Regulation and organisation of the labour market (EPL, minimum wages, wage bargaining, taxation)
  - FRA, KOR, HUN, TUR
Reforming across several dimensions can bring synergies

Actions taken across several areas of Going for Growth recommendations

Fully implemented and partially implemented reforms, share of all countries (%)
Countries tend to reform across several areas

At least one action taken on each recommendation category

Fully implemented and partially implemented reforms, share of all countries (%)
Favourable economic conditions for reforms should not be wasted.

In 2017, the pace of reforms is modest in both advanced and emerging economies, but some bold actions have been taken.

The intensity of reforms has varied across policy areas:

- In promoting business dynamism and knowledge diffusion (“firms”): several significant measures on infrastructure and taxes but less on barriers to entry, competition, exit and trade.

- Not much in boosting higher education and innovative capacity (“skills”),

- Significant reforms in helping workers to cope with potentially rapid changes in jobs and tasks (“workers”).

A coherent reform strategy is crucial to reap synergies, manage trade-offs and ensure that the benefits are broadly shared over time.
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