



# OECD ECONOMIC POLICY REFORMS GOING FOR GROWTH 2018

- EDITORIAL
- EXECUTIVE SUMMARY: ENGLISH AND KOREAN
- KOREA NOTE

*G20 FINANCE MINISTERS & CENTRAL BANK  
GOVERNORS MEETING*

*19 MARCH 2018*

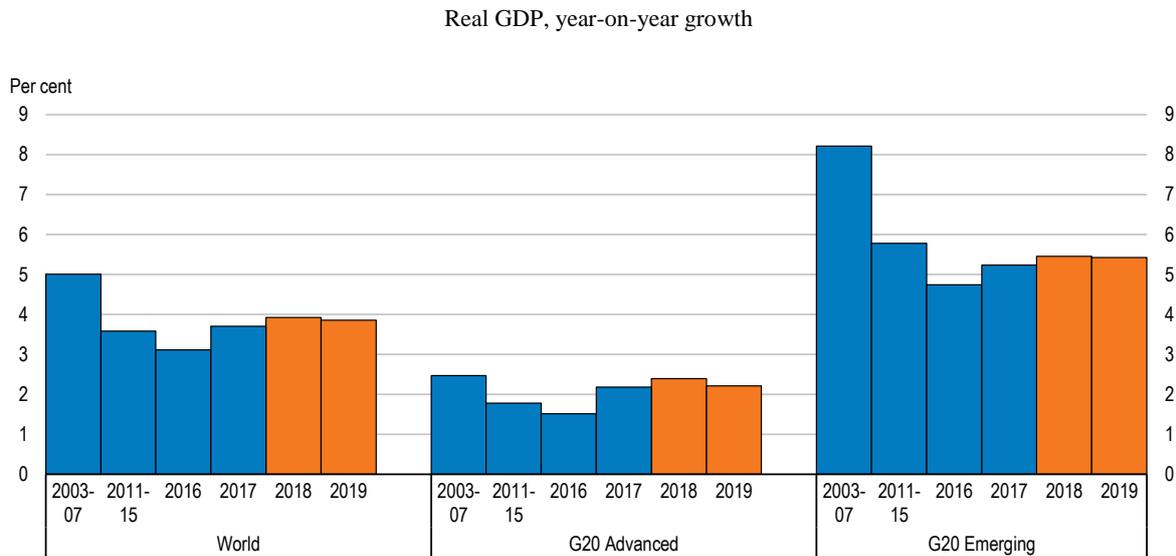
*BUENOS AIRES, ARGENTINA*



*Editorial:*  
*An opportunity that governments should not miss*

Global growth is finally back to cruising speed. For the first time in many years, all the major regions of the world are enjoying a widespread and largely synchronised upswing, even if some economies have been in steady expansion for much longer than others. Hopefully, the stagnation of living standards endured by a large share of the population in many OECD economies is coming to an end. The more rapid decline in unemployment seen in recent months is clearly an encouraging sign. However, the improvements in labour markets have yet to translate into significant and broad-based wage gains. Comprehensive structural reforms are needed to sustain stronger growth beyond the cyclical upswing, create more and better paying jobs, improve opportunities and strengthen inclusion.

**Figure 1. Global growth is back to cruising speed**

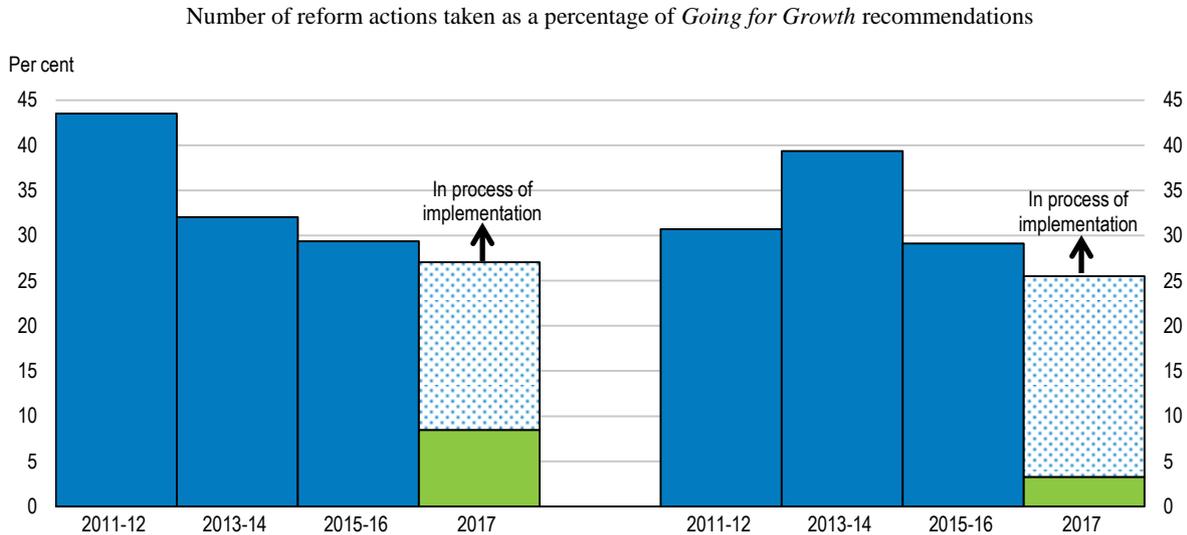


*Note:* Average of annual growth rates for 2003-07 and 2011-15. OECD Projections for 2018 and 2019.  
*Source:* OECD, *Interim Economic Outlook*, March 2018.

Based on the review of actions taken on structural policy priorities presented in this *Going for Growth* report, there is little sign of an imminent pick-up in the pace of reforms. If anything, the review points to a further slowdown in 2017 from the already modest pace observed in the previous two years. Notwithstanding, some countries have managed to introduce significant reforms in the past year. In Japan, measures have been taken to improve access to childcare services, helping women to stay in the labour force. France has implemented a broad labour market reform, covering both employment

protection legislation and collective wage bargaining. India has rolled out a goods and services tax, while Argentina has just passed a comprehensive tax reform.

**Figure 2. The pace of reforms is modest**



*Note:* Fully coloured bars refer to the share of fully implemented reforms. For 2017, reforms in the process of implementation are included to ensure comparability with previous two-year periods. For the two-year periods, the responsiveness rate is annualized. 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.

By and large, governments have continued to devote greater attention to employment and social protection, including also through measures to improve healthcare services. Examples include Greece and Italy, where significant measures have been taken to strengthen social protection, as well as China, where access to healthcare for migrant workers has been improved. The broader attention to employment and income support is important for achieving greater inclusiveness and a more balanced distribution of income. To a large extent, reform efforts are paying off: the employment rates of low-skilled and youth – still low in some countries hardest hit by the crisis – are improving and already roughly back to their pre-crisis levels on average across countries, while the labour-force participation of women continues to rise.

However, significant reforms have remained too few and far between to boost productivity and to reduce the reliance on macro-policy stimulus. The return of higher global growth offers a window of opportunity to make renewed progress on structural reforms, with higher chances that they bear fruit more rapidly. Individually and collectively, decision makers need to find ways to overcome political resistance to reforms that address well-known growth bottlenecks, and lay the groundwork for their economies to make the most of the ongoing digital transformation. Higher and more sustained growth would also help to reduce financial risks related to the high public and private debt levels built up in a low interest rate environment.

While finally gathering momentum, business investment still remains weak in comparison with past expansions. Furthermore, recent data shows that investment in digital technologies, which is fundamental to boosting productivity, varies greatly across countries and firms. The growing productivity gap between leading and lagging firms is

itself a source of growing wage inequality and productivity slowdown. OECD analysis suggests that firms face various constraints affecting both their incentives and capabilities to invest in such technologies.

Raising investment incentives requires measures to create a more competitive business environment, notably by promoting the entry of firms through lower regulatory barriers to start-ups and by reducing obstacles to foreign direct investment. Despite progress in these areas – for example in the European Union with the recent Services Package -- entry in business services in countries such as France, Germany and Spain is still hampered by administrative and regulatory barriers. Meanwhile, more needs to be done to reduce barriers to foreign investment where they remain relatively high, including Indonesia, Mexico and Russia. And, trade protectionism can only harm investment by raising costs and uncertainty, eroding the competitive environment and narrowing the scope for successful firms to grow.

There is also scope in many countries for reforming insolvency regimes to facilitate the orderly exit or restructuring of unsuccessful firms. This is important both to encourage experimentation of new ideas and to free the resources needed for successful innovative firms to expand. Chapter 3 of this Report presents new OECD indicators of insolvency regimes across countries, laying out the main design features to achieve such objectives. In countries such as Australia, Italy and South Africa, lowering barriers to corporate restructuring in case of distress is a priority. Reforms are also needed to harmonise insolvency procedures across member states in the European Union.

Taxation is another area where governments can act to raise private incentives to invest. This includes reforms of tax systems to broaden the tax base through the elimination of loopholes, not least those that mostly benefit individuals with high levels of income or wealth, while making room for rate reductions, especially on more mobile sources such as capital and labour income. Reforms along those lines have been implemented in countries such as Argentina, Canada and Spain, while corporate tax rates have been reduced in the United States. But reforms have yet to tackle a key distortion of tax systems, which is to favour debt over equity financing. Not only does such a bias contribute to making growth overly dependent on debt, but it also discriminates against innovative young firms.

More broadly, most countries have ample scope for reforms that can reconcile growth and inclusiveness objectives, notably by relying more on tax revenues from immovable property and inheritance. Internationally, in the effort to make corporate taxation fairer and more transparent, progress is being made to limit tax avoidance by multinationals through the so-called Base Erosion and Profit Shifting (BEPS) action plan elaborated under the auspices of the G20 and the OECD and the rolling out of the automatic exchange of information.

In countries such as India, Indonesia and Turkey, but also Italy and Greece, labour informality remains a key challenge for boosting inclusive growth. Addressing this requires reforms of burdensome product and labour regulations, along with reducing labour tax wedges on low-paid workers where they remain high. Bringing more workers in formal jobs will offer better prospects to improve skills and productivity while providing them with better social protection. In China, further measures to provide more equal access to public services while abolishing the household registration system, would promote labour mobility, productivity and inclusion. The effectiveness of reforms in these areas is best supported by the successful implementation of measures to reinforce the fight against corruption - such as the steps taken in Mexico - and to strengthen the rule of law.

In both emerging and advanced economies, the shortage of skills, including managerial and organisational talent, is one factor limiting the capabilities of many firms to adopt digital technologies. A longer-term response is reforms of education and training systems to ensure that workers acquire the cognitive and non-cognitive skills that the new digital technologies and knowledge-based capital make increasingly necessary. This includes measures to facilitate access to education for disadvantaged groups so as to reduce the digital divide. In the shorter term, the response to the skills shortage consists in providing workers with better opportunities for up-skilling and reducing the mismatch between the skills provided by workers and those demanded by employers. Developing training and life-long learning programmes that benefit those who need them most remains a challenge shared by most countries.

Hence, in spite of stronger economic growth this is no time for complacency. *Going for Growth* provides policy priorities and recommendations to unlock skills development and innovation capacity, to promote business dynamism and the diffusion of knowledge, and to help workers benefit from a fast-changing labour market. In the spirit of ensuring the sustainability of the gains in incomes and wellbeing it also increasingly takes into account environmental risks and bottlenecks (see Chapter 2). The current economic upswing provides a window for the successful implementation of reforms that can best achieve the objective of strong, inclusive and sustainable growth. The opportunity should not be missed.

A handwritten signature in blue ink, reading "Álvaro Pereira", with a long horizontal flourish extending to the right.

Álvaro Pereira  
OECD Acting Chief Economist

## Executive Summary

At nearly 4 per cent projected for 2018, the annual GDP growth rate of the global economy is close to the pace of growth preceding the great recession. This period of strong and broadly-based global growth creates favourable conditions for the successful implementation of structural reforms – necessary to turn the upswing into stronger and sustainable long-term growth for all.

Amid these positive short-term developments, still underpinned by supportive fiscal and monetary policy, medium and longer-term challenges remain for policy makers. Productivity growth is still disappointing. Despite the long-awaited employment recovery, wages have so far failed to follow, and many vulnerable groups are still confronted with weak prospects in the labour market. Inequality is persistent and on a longer-term trend rise within many countries – indicating that parts of society have not benefited much from growth. On top of this, megatrends such as digitalisation, environmental pressures and demographics, may carry risks for the sustainability of long-term growth unless the policy challenges they raise are properly addressed.

*Going for Growth* provides policy makers with concrete reform recommendations in areas which are identified as the top five country-specific priorities in order to tackle medium-term challenges, revive productivity and employment growth, while ensuring a broad sharing of the benefits. The priorities are identified building on OECD expertise on structural policy reforms and inclusive growth. The areas covered are diverse, including product and labour market regulation, education and training, tax and transfer systems, as well as trade and investment rules, physical and legal infrastructure and innovation policies. Policy recommendations across these areas are articulated so as to form a coherent reform strategy, which is crucial to reap synergies, manage trade-offs and ensure that the benefits are broadly shared over time. As such, the *Going for Growth* framework has been instrumental in helping G20 countries make progress on their structural reform agenda, including through monitoring their growth strategies to achieve sustained and balanced growth.

This *Interim* report reviews progress on structural reforms with respect to priorities identified in *Going for Growth 2017*.

### Actions taken on policy priorities

- In 2017, the pace of reforms has remained similar to the relatively slow pace observed in the last two years and below the one observed in the direct aftermath of the crisis.
- Nevertheless, some bold actions have been taken – over one third of actions implemented in 2017 can be viewed as “major steps”. Notable examples include reforms to strengthen social protection in Greece and Italy, a long-overdue reform of the labour market in France, significant measures in Japan to increase childcare

capacity, a goods and services tax in India and a comprehensive tax reform in Argentina, to be phased in over the next 5 years.

- More generally, the intensity of reforms has varied across policy areas. Among reforms to *boost skills acquisition and innovative capacity*, widespread actions were taken to increase the size and efficiency of R&D support.
- The bulk of actions taken to *promote business dynamism and knowledge diffusion* have focused on strengthening physical and legal infrastructure as well as on making product market regulation more competition-friendly.
- Significant actions have been taken in the area of social benefits, which is important for social cohesion. To further *help workers to cope with potentially rapid changes in jobs and tasks*, more reforms are needed in complementary areas, such as improving active labour market and housing market policies to facilitate the job-market transition and mobility.

### Special chapters – reviewing indicators to enrich the *Going for Growth* analysis

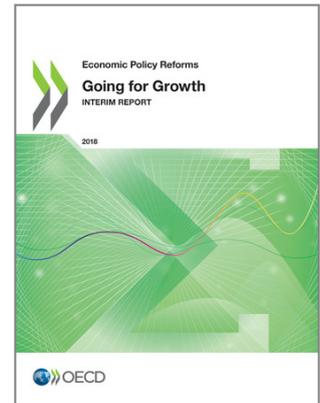
This report includes two special chapters that review indicators for extending the scope of the *Going for Growth* framework: green growth indicators and OECD indicators of insolvency regimes.

#### *The links between green and growth: what the indicators reveal*

The ability to sustain long-term improvements in GDP and well-being, as advocated in *Going for Growth*, depends – among other things - on the ability to reduce negative effects (such as pollution) associated with economic activity, minimise environment-related risks and lower the reliance on (limited) natural capital resources. Hence, a more systematic approach to environment-related challenges in *Going for Growth* is warranted. At the same time, the links between the environment, environmental policies and economic growth are complex. In that regard, Chapter 2 reviews the indicators available and the recent progress made on the measurement of environmental outcomes and policies. While no single broadly-accepted measure of environmental performance exists, significant progress has been made in the measurement of green growth, notably as part of the OECD Green Growth Indicators, paving the way for a more consistent treatment of green growth in *Going for Growth*.

#### *Facilitating orderly exit: insights from the new OECD insolvency regimes indicators*

Poorly performing insolvency regimes can be linked to three inter-related sources of labour productivity weakness: the survival of so-called “zombie” firms – that should otherwise exit the market; capital miss-allocation, i.e. the trapping of resources in low productivity uses; and stalling technological diffusion. Chapter 3 presents the newly developed OECD indicators of insolvency regimes, which will allow the extension and fine-tuning of reform recommendations on exit policies in *Going for Growth*. The analysis reveals significant cross-country differences in the extent to which insolvency regimes promote orderly exit of non-viable firms, indicating that some countries have scope to improve resource allocation and productivity through reforms of bankruptcy laws and procedures.



Read the full book on: [10.1787/growth-2018-en](https://doi.org/10.1787/growth-2018-en)

## 2018년 경제정책개혁 구조개혁평가 중간보고서

### 한국어 개요

2018년에 글로벌 경제의 GDP 연간성장률은 거의 4%에 이를 것으로 예상되며, 이는 금융위기로 인한 「대불황」이 발생하기 직전의 수준의 성장률에 근접하는 수치이다. 강력하고 광범위한 기반하고 있는 현재의 글로벌 경제성장으로 인해 구조개혁의 성공적 이행에 대한 우호적인 조건을 만들어지고 있으며, 현재의 상승세를 더 많은 이들을 위한 강력하고 지속가능한 장기적인 경제성장으로 전환시키기 위해서는 구조개혁은 필수적인 요건이다.

여전히 재정정책 및 통화정책의 지원을 통해 뒷받침되고 있는 이러한 긍정적인 단기적 경제적 상황전개에도 불구하고, 정책입안자들에게는 이를 중장기적으로 지속시키는 것에는 여전히 어려움이 남아 있다. 생산성 향상은 여전히 실망스러운 수준이다. 오랫동안 기다려온 고용이 회복세에 돌아섰음에도 불구하고, 임금은 이를 따라잡지 못하고 있으며, 많은 취약집단에게서 노동시장은 여전히 약세 전망을 피하지 못하고 있다. 많은 국가들에게서 불평등은 지속적이고 장기적으로 증가하는 추이를 보이고 있으며, 이는 해당 사회의 일부 집단은 경제성장의 혜택을 받고 있지 못함을 나타낸다. 이에 추가하여, 디지털화, 환경 압박 및 인구 구성변화 등이 제기하는 당면과제들에 적절하게 대처되지 않는다면 이러한 메가트렌드는 장기적 경제성장의 지속가능성에 리스크가 될 수 있다.

「구조개혁평가」(Going for Growth)는 정책입안자들에게 국가별로 상위 5가지 우선순위로 파악된 분야에 대해서 구체적인 개혁권고사항을 제공하여, 중기적인 당면과제에 대처하고 생산성 및 고용 향상을 회복시키면서 동시에 경제성장에 따른 혜택이 광범위하게 공유되도록 방안의 마련에 도움을 주는 것을 목적으로 한다. 우선순위는 구조정책개혁 및 포용적 경제성장에 대한 OECD 전문지식에 기반하여 파악되었다. 개혁 우선순위의 사안에는 혁신정책, 제품시장 및 노동시장 규제, 교육 및 훈련, 세금 및 소득이전 체계는 물론 교역과 투자 규칙, 물리적 및 법적 인프라, 혁신정책 등 다양한 분야가 다루어지고 있다. 이러한 분야들에 대한 정책권고사항은 시너지 효과를 극대화시키고 절충적 상황을 관리하여 시간이 경과함에 따라 그 혜택이 광범위하게 공유되게 만드는 것이 핵심인 일관된 개혁전략을 형성할 수 있도록 구체적으로 제시되고 있다. 이와 같은 방식으로 「구조개혁평가」 프레임워크는 G20 국가가 지속가능 및 균형적 성장을 달성하려는 성장전략의 모니터링 등을 포함하여 구조개혁과제를 진행에 도움을 제공하는 중요한 역할을 해 왔다.

본 중간보고서는 2017년 「구조개혁평가」에서 설정한 우선순위 대한 구조개혁의 진척상황을 검토하고 있다.

## 정책 우선순위에 의해 취해진 조치

- 2017년에 개혁의 속도는 그 이전 2년 동안에 관찰된 상대적으로 느린 속도와 유사한 수준을 유지했으며, 이는 금융위기 바로 직후에 비교하여 낮은 수준이다.
- 하지만, 일부에 있어서 과감한 조치가 취해졌다. 2017년에 이행된 조치들의 1/3 이상이 “주요 단계”로 간주될 수 있다. 이에 포함되는 대표적인 사례로는 그리스와 이탈리아의 사회안전망의 강화를 위한 개혁, 프랑스의 오랫동안 지체되었던 노동시장의 개혁, 일본의 육아설비 확충을 위한 유의적 조치 및 향후 5년 동안에 단계적으로 시행될 아르헨티나의 종합적 세금개혁 등이 있다.
- 보다 일반적으로 살펴보면, 개혁의 강도는 정책분야별로 상이하다. 직업능력 습득과 혁신 역량의 향상을 위한 개혁 중에서 연구·개발(R&D)의 규모와 효율성을 향상시키는 광범위한 조치들이 취해졌다.

- 기업 역동성과 지식 확산을 향상시키는 다수의 조치들은 물리적 및 법적 인프라의 강화와 더불어 제품 시장규제의 보다 경쟁친화적으로 만드는 데에 집중되었다.
- 사회통합에 중요한 역할을 하는 사회 복지의 분야에서 유의적인 조치들이 취해졌다. 노동자들이 일 자리와 업무에서 잠재적인 급변에 대처하도록 효과적으로 도움을 주는 보완적인 분야에서 보다 많은 개혁이 필요하다. 즉 노동자들의 일자리 시장의 변환과 이동을 원활하게 만들기 위해서 활성 노동시장의 향상 및 주택시장정책의 개선 등이 이에 포함된다.

## 특별 단락 – 「구조개혁평가」 분석을 향상시키는 지표의 검토

본 보고서에는 「구조개혁평가」 프레임워크의 분석 범위를 확대시키기 위한 지표들인 녹색성장지표와 OECD 파산체제지표를 검토하는 두 개의 특별 단락이 포함되어 있다.

### 녹색정책과 경제성장 사이의 연관성: 지표가 드러내는 사실

「구조개혁평가」에서 주창한 대로, GDP 및 복지의 장기적 향상을 지속시키는 능력은, 다른 무엇보다도, 경제활동과 관련된 부정적 영향(예: 오염)을 줄이고 환경관련 리스크를 최소화하며 (한정된) 자연 자본자원에 대한 의존성을 낮추는 능력에 달려있다. 따라서, 「구조개혁평가」에서는 환경관련 당면과제에 대한 보다 체계적인 접근하는 것이 필수적이다. 이와 동시에, 환경, 환경정책, 경제성장 사이의 연관관계는 복합적이라는 사실도 유념해야 한다. 이러한 사안과 관련하여 제 2 장에서는 사용 가능한 지표와 환경적 결과 및 정책의 측정에 관한 최근의 진전 논의를 검토하고 있다. 환경적 성과에 대해 광범위하게 수용되는 단일한 측정법이 없지만, 녹색성장의 측정에 관해서는 유의적인 진전을 이루었다. 대표적으로, OECD의 「녹색성장 지표」는 「구조개혁평가」에서 녹색성장에 대한 더욱 일관성 있게 측정을 하는 방안을 제공하고 있다.

### 질서 정연한 퇴출 전략: OECD의 새로운 파산체제 지표

파산체제(insolvency regimes)를 잘못 운영하는 경우는 노동생산성의 상호 연관된 세 가지 요인과 연결 되었을 수 있다. 소위 말하는 “좀비” 기업(시장에서 이미 퇴출되었어야 할 기업), 잘못된 자본배분(낮은 생산성 사용에 자원 집중), 기술혁신의 지체가 바로 그것이다. 제 3 장은 파산체제에 대해 OECD가 새롭게 개발한 지표를 제시하고 있으며, 이를 바탕으로 「구조개혁평가」의 퇴출정책에 대한 개혁권장사항을 확대하고 미세 조정할 수 있게 된다. 분석 결과에 따르면, 회생불가 기업의 질서 정연한 퇴출을 촉진시키는 파산체제는 국가별 현저한 차이가 있는 것으로 드러났으며, 이는 일부 국가에서는 파산법 및 파산절차의 개혁을 통해서 자원배분과 생산성을 향상시킬 여지가 많은 있음을 나타낸다.

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## Korea

*Going for Growth* is the OECD flagship report analysing structural policy settings and economic performance to provide policymakers with concrete reform recommendations to boost growth and ensure that the gains are shared by all. The 2018 Interim Report reviews the main growth challenges and takes stock of reforms enacted over the past year - in both advanced and emerging economies - on policy priorities identified in the previous issue of *Going for Growth*.

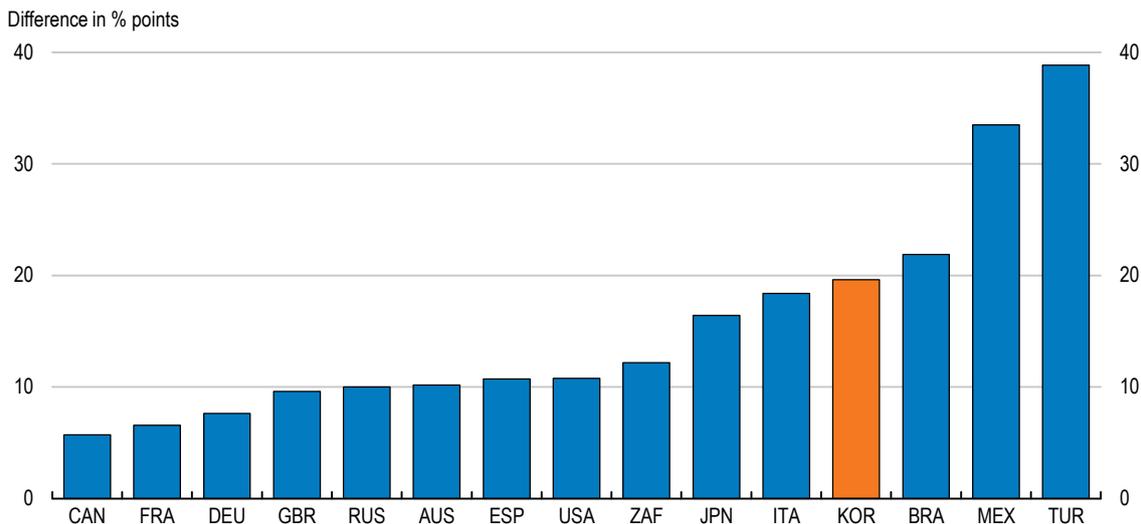
### Country highlights

Korean GDP per capita remains close to the OECD average reflecting sustained rapid growth. Productivity, however, is significantly lower than the OECD average, while working hours are among the longest in the OECD. Inequality is below the OECD average but the most deprived section of the society hold a part of national income below the OECD average, not least reflecting wage inequality stemming from labour market dualism.

Boosting productivity is a key challenge and requires reforms to reduce barriers to entry and competition, particularly in services, as well as reducing administrative burden so that the transformation of the economy and workplace culture are better suited to face pressures from rapid technological change and ageing. Female labour force participation remains also another challenge with the gender employment gap among the highest in the OECD countries. Boosting female participation - particularly important in a context where rapid population ageing increases labour force shortages - requires further progress on the childcare system as well as on work place culture.

### Gender employment gap

Persons aged 15-64, 2016



*Note:* Defined as the difference between male and female employment to population ratios. Data refer to 2015 for Brazil.

*Source:* OECD, Labour Force Statistics by sex and age Database.

### Going for Growth 2017 recommendations include:

- **Reduce the regulatory burden on economic activity** by assessing and reducing the regulatory burden, improving regulatory quality and phasing out entry barriers, in particular in the service sector.
- **Strengthen policies to support female labour force participation** by enhancing childcare quality and increasing the take-up of maternity and parental leave systems. Raise parental leave benefits and promote a workplace culture that supports work-life balance.
- **Reform EPL and tackle labour market dualism** by relaxing employment protection for regular workers, in particular improving the procedures for unfair dismissal, and by increasing the minimum wage and expanding social insurance coverage and training for non-regular workers.
- **Improve the efficiency of the tax system and strengthen the social safety net** by increasing taxes which have a less negative impact on growth, such as VAT, property and environmental taxes, and by focusing the basic pension on the elderly with the lowest incomes to reduce the relative poverty rate for the population aged over 65 years, and expanding the coverage of the National Pension Scheme.
- **Reduce producer support to agriculture** by further reducing barriers to agricultural imports, scaling back the actual level of support and shifting its composition away from market price measures toward direct support.

### Recent policy actions in these areas include:

- **Labour market dualism will be reduced** as the new government plans to turn 205,000 non-regular workers in the public sectors into regular staff by 2020.
- **The labour force participation of women has been enhanced** as the parental leave benefit increased twice – the benefit level for the first three month of the leave increased from 40% of the ordinary wage to 80% of that, which started to be applied since September, 2017. It is expected to further increase by 2019 with the benefit level beyond the first three month reach 50% of the ordinary wage from 40%, the current rate.
- **The social safety net has been strengthened** by relaxing the eligibility criteria, particularly on age, for the Basic Livelihood Security Programme for children under 13 to children under 17.