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

Real GDP, year-on-year growth


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**

Number of reform actions taken as a percentage of *Going for Growth* recommendations

*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.

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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.
Con previsioni pari a quasi il 4 per cento per il 2018, il tasso di crescita annuale del PIL dell'economia mondiale si avvicina al ritmo di crescita che ha preceduto la grande recessione. Questo periodo di crescita mondiale robusta e su ampia scala crea condizioni favorevoli per il successo dell'attuazione delle riforme strutturali che sono necessarie per trasformare la ripresa in una crescita di lungo termine più robusta e sostenibile per tutti.

Tuttavia, in questo quadro di breve termine positivo, ancora sostenuto da politiche fiscali e monetarie di supporto, alcune sfide di medio e lungo termine permangono per i policy maker. La crescita della produttività è ancora deludente. Nonostante la ripresa tanto attesa dell'occupazione, i salari stanno tardando ad aumentare e molti gruppi vulnerabili si trovano ancora a dover affrontare prospettive sfavorevoli nel mercato del lavoro. Le disuguaglianze persistono e, in molti Paesi, presentano una tendenza di lungo periodo in aumento – segno che alcune fasce della società non hanno beneficiato molto della crescita. Inoltre, alcuni megatrend come la digitalizzazione, le pressioni ambientali e la demografia potrebbero comportare rischi per la sostenibilità della crescita di lungo termine, salvo che le sfide di politica economica che essi pongono non siano adeguatamente affrontate.

Going for Growth fornisce ai policy maker raccomandazioni concrete per le riforme nelle cinque aree individuate come prioritarie in ciascun Paese, al fine di affrontare le sfide di medio termine: rilanciare la produttività e la crescita dell’occupazione, garantendo al tempo stesso un’ampia condivisione dei benefici. Tali priorità sono individuate tenendo conto delle specifiche competenze dell’OCSE nel campo delle riforme strutturali e della crescita inclusiva. Le aree interessate dalle riforme sono varie e comprendono la regolamentazione del mercato dei prodotti e del lavoro, l’istruzione e la formazione, i sistemi di tassazione e di trasferimento, le regole commerciali e sugli investimenti, le infrastrutture fisiche e il quadro giuridico nonché le politiche dell’innovazione. Le raccomandazioni che interessano queste diverse aree d’intervento sono state articolate allo scopo di elaborare una strategia di riforma coerente, che è fondamentale per sfruttare le sinergie, gestire trade-off e garantire che i benefici siano ampiamente condivisi nel tempo. Come tale, il quadro di riferimento elaborato da Going for Growth è stato perciò fondamentale per aiutare i Paesi del G20 a progredire nel loro programma di riforme strutturali, specie attraverso il monitoraggio delle loro strategie di sviluppo al fine di conseguire una crescita duratura e senza squilibri.

Questa relazione intermedia esamina i progressi conseguiti nel campo delle riforme strutturali con riferimento alle priorità individuate nell’edizione di Going for Growth del 2017.

Azioni intraprese nell’ambito delle priorità individuate

- Nel 2017, il ritmo delle riforme è stato simile a quello - relativamente lento - osservato nel corso degli ultimi due anni e comunque inferiore a quanto registrato subito dopo la crisi.
- Tuttavia, alcune azioni coraggiose sono state intraprese – oltre un terzo delle misure attuate nel 2017 possono essere considerate come importanti passi in avanti. Tra gli esempi degni di nota si
annoverano le riforme volte a rafforzare la protezione sociale in Grecia e in Italia, una riforma del lavoro attesa da molti anni in Francia, misure significative per aumentare l’offerta di servizi di assistenza all’infanzia in Giappone e una profonda riforma del sistema fiscale in Argentina che sarà attuata gradualmente nel corso dei prossimi cinque anni.

- In via più generale, l’intensità delle riforme è stata differente nelle diverse aree d’intervento considerate. Tra le riforme volte a incoraggiare l’acquisizione di competenze e la capacità d’innovazione, sono state attuate da molti Paesi misure per accrescere l’entità dei finanziamenti alla R&S nonché migliorarne l’efficienza.
- La maggior parte delle azioni condotte per promuovere il dinamismo imprenditoriale e la diffusione delle conoscenze si è concentrata sul rafforzamento delle infrastrutture fisiche e del quadro giuridico nonché sull’elaborazione di una regolamentazione del mercato dei prodotti più favorevole alla concorrenza.
- Sono state attuate misure significative nell’area delle prestazioni sociali che rappresentano un’iniziativa importante per la coesione sociale. Per fornire un maggior sostegno ai lavoratori che fanno fronte a cambiamenti potenzialmente rapidi dei posti di lavoro e delle mansioni lavorative, è necessario un maggior numero di riforme in aree complementari, come il miglioramento delle politiche attive del mercato del lavoro e del mercato dell’edilizia abitativa per facilitare la transizione all’interno del mercato del lavoro e la mobilità.

Capitoli speciali – nuovi indicatori per accrescere la portata dell’analisi di Going for Growth

Questo rapporto contiene due capitoli speciali che propongono nuovi indicatori, sulla crescita verde e sui regimi d’insolvenza, al fine di allargare lo spettro di analisi di riferimento di Going for Growth.

I legami tra ambiente e crescita: che cosa rivelano gli indicatori?

La capacità di garantire una crescita del PIL e miglioramenti del benessere nel lungo termine, come suggerisce l’analisi di Going for Growth, dipende – tra le altre cose – dalla capacità di ridurre gli effetti negativi (come l’inquinamento) associati all’attività economica, di minimizzare i rischi legati all’ambiente e di ridurre la dipendenza dalle (limitate) risorse del patrimonio naturale. Pertanto, nel rapporto Going for Growth è giustificato un approccio più sistematico delle sfide legate all’ambiente. Allo stesso tempo, i legami tra ambiente, politiche ambientali e crescita economica sono complessi. A tale riguardo, il Capitolo 2 esamina gli indicatori disponibili e i recenti progressi compiuti nel campo della misurazione dei risultati e delle politiche ambientali. Sebbene non vi sia un’unica metodologia di misurazione ampiamente accettata in materia di performance ambientale, sono stati compiuti notevoli progressi nella misurazione della crescita verde, in particolare nell’ambito degli OECD Green Growth Indicators, ponendo così le basi per un approccio più coerente alla crescita verde in Going for Growth.

Facilitare l’uscita ordinata dal mercato: analisi dei nuovi indicatori dell’OCSE sui regimi d’insolvenza

Il testo integrale in lingua inglese è disponibile online sul sito OECD iLibrary!

Italy

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

Structural reforms are starting to pay-off but despite some improvements in recent years, economic growth remains weak and the unemployment rate is high, especially among youth and long-term unemployed. Challenges remain in terms of productivity and investment, jobs and skills, but also child poverty, which has a negative influence on adult lives. Over the last ten years, poverty has increased especially among youth, reflecting the ineffectiveness of local anti-poverty programmes. More investment in infrastructures will improve productivity and thus limit the negative gap in GDP per capita vis-à-vis the most advanced OECD countries. Progress on reforms also depends on the capacity to restore trust through improving the efficiency of public administration and fighting corruption.

Child poverty rate

Children aged 0-17 years old, after taxes and transfers,¹ 2015

1. The poverty rate is the ratio of the number of people (in a given age group) whose income falls below the poverty line, taken as half the median household income of the total population. Data refer to 2016 for China, 2014 for Australia, Germany, Italy and Mexico; 2013 for Brazil; 2012 for Japan; 2011 for India and Russia.

Source: OECD, Income Distribution Database.
Going for Growth 2017 recommendations include:

- **Improve the efficiency of public administration** by implementing a performance-based human resource system and improving skills. Reinforce the rule of law by fighting corruption, streamlining the court system and extending the e-tax process.

- **Promote higher and better quality investment** by implementing the new public procurement code for construction works, improving the selection of infrastructure projects and fighting corruption. Foster private investment exploiting EU initiatives and deepen Trans-European networks and the Energy Union. Revive bank credit to firms and private investment by supporting policies undertaken to work out banks’ non-performing loans. Continue to streamline insolvency procedures to accelerate the restructuring of viable firms and the exit of those which are no longer viable. Implement and evaluate recent programmes to bolster links between research universities and the private sector. Raise the share of funds allocated to public research by strengthening the monitoring and evaluation of public research.

- **Enhance active labour market policies** to limit the duration of unemployment and avoid social exclusion by implementing a process to assess activation measures and job centres. Establish partnerships between private job agencies and the National Agency for Active Labour Policies (ANPAL) to increase job offers and improve the quality of training services.

- **Reduce job-skill mismatch** by encouraging universities and technical schools to revise their curricula to match actual and future labour market needs while making firm-level wage setting mechanisms more flexible. Motivate labour mobility by shifting housing taxation from transactions to ownership.

- **Improve the efficiency of the tax structure and strengthen the social safety net** by maintaining efforts against tax evasion, lowering high nominal tax rates and abolishing tax expenditures. Lower social security contributions for low-wage workers. Shift taxation towards immovable property using revised cadastral values and shift the tax burden to environmental taxes. Improve targeting of anti-poverty programmes and limit their fragmentation.

Recent policy actions in these areas include:

- **An anti-poverty nationwide programme, the ‘Inclusive Income’ scheme, has been set up** to curb poverty and enhance social cohesion, especially among families with children. The targeting of social benefits has been improved.

- **The public procurement code has been modified** to improve the effectiveness of infrastructure spending and make the selection of infrastructure projects based on objective criteria.

- **Measures against tax evasion**, in particular Value Added Tax, and to encourage voluntary tax compliance have been enacted to raise additional revenues.