Unclassified **ECO/CPE(2017)17**

Organisation de Coopération et de Développement Économiques
Organisation for Economic Co-operation and Development **24-Oct-2017**

English - Or. English

ECONOMICS DEPARTMENT
ECONOMIC POLICY COMMITTEE

ECO/CPE(2017)17
Unclassified

OVERVIEW OF STRUCTURAL REFORMS ACTIONS IN 2017

7-8 November, 2017

This document has been prepared by the Economics Department for the Economic Policy Committee.

This document takes stock of progress made in 2017 in addressing key growth challenges identified in the 2017 issue of Going for Growth. It will be published as the main chapter of the interim Going for Growth report, which is scheduled for release in early 2018.

Tomasz Kozluk, Tel.: +33 (0) 1 45 24 90 77; E-mail: tomasz.kozluk@oecd.org
Nicolas Ruiz, Tel.: +33 (0) 1 45 24 14 33; E-mail: nicolas.ruiz@oecd.org
Agnès Cavaciuti, Tel.: +33 (0) 1 45 24 88 03; E-mail: agnes.cavaciuti@oecd.org

JT03421448

English - Or. English

TABLE OF CONTENTS

Tables

Figures

Note: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

OVERVIEW OF STRUCTURAL REFORMS ACTIONS IN 2017

Main Findings

- A more robust and widespread pick-up in activity creates favourable conditions for the succesfull implementation of structural reforms, which are necessary for the current upswing to be turned into stronger and sustainable long-term growth for all.

- Yet, advanced- and emerging-market economies alike look set to engage in reforms at a slower pace than in previous years.

- So far in 2017, policy actions across advanced economies have been implemented in about one tenth of the 2017 *Going for Growth* priority areas, while some reforms are underway in one third of them.

- In emerging-market economies, even fewer concrete actions have been fully implemented, while further reforms are in the process of implementation in one quarter of *Going for Growth* priority areas.

- The slower pace of reform notwithstanding, some bold actions have been taken – over one third of actions implemented in 2017 can be viewed as "major steps". For example, Greece and Italy implemented major programmes to strengthen social protection, while France passed a long-overdue reform to improve the functioning of its labour market. Japan launched a new plan to significantly increase childcare capacity.

- The intensity of reforms has also varied across policy areas. Concerning reforms to boost skills acquisition and innovative capacity, actions have been taken particularly in the area 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. In contrast, no significant action has been taken on priorities to facilitate trade and foreign investment.

- A particularly high number of actions have been taken in the area of social benefits, which is important for social cohesion. However, to further help workers to cope with potentially rapid changes in jobs and tasks, more reforms should be undertaken in complementary areas such as active labour market and housing market policies.

- A coherent reform strategy is crucial to reap synergies, manage trade-offs and ensure that the benefits are broadly shared over time. But so far, reform packaging, which combines initiatives across a range of complementary areas, has remained limited.

Introduction

1. Global growth is on a broad-based upturn. Advanced economies[1] are benefiting from rising investment and job creation, with unemployment already at pre-crisis levels in many countries and edging down in others. Emerging economies see their prospects improved with a rebound in some commodity markets and increases in public infrastructure investment. While encouraging, this short-term momentum should not obfuscate the longer-term challenges still faced by many countries in order to sustain improvements in living standards for all. Indeed, productivity growth – the main driver of long-term growth - continues to be weak in advanced economies and has slowed in many emerging-market economies. Business investment has increased in advanced economies, but still remains weaker than the average of past recoveries, implying that productive capital may not be growing fast enough. In emerging economies, enhanced capital deepening and productivity gains are necessary to escape the middle-income trap, to continue lifting millions out of poverty and to overcome demographic pressures.

2. Growth is still supported by favourable monetary conditions while in many countries private debt levels have remained elevated or further risen, which is not without risks to the outlook. An expanding majority of advanced economies have also finally closed the massive jobs gap that opened during the great recession, but not all segments of society are benefitting from the labour market recovery, with many among youth and low-skilled workers still facing bleak job and career prospects. And despite rising employment, wages have largely failed to follow. In particular, real income growth has been weak at the bottom of the distribution, where the ground lost by the bottom 10% during the recession has still not been fully recovered (OECD, 2016a). Hence, translating the short-term recovery into strong and resilient long-term growth for all cannot be taken for granted.

3. Against this background, there is a strong case for ambitious structural reforms agendas to move to robust and sustainable growth paths, with the gains shared by all. This chapter builds on the regular 2017 issue of *Going for Growth*, where priorities were set with a view to improving material living standards in an inclusive way through stronger employment and productivity gains. In essence, recommendations have been formulated with a view to pursuing three intertwined objectives:

- *Unlocking skills development and innovation capacity*: Achieving stronger growth and reduced inequality requires action to better ensure that all individuals have the skills to obtain rewarding and productive employment and that these skills are put to their best use. Advances in digital technologies and the growing importance of knowledge-based capital underscore the need for reforms in education, to ensure that people are prepared for the dynamic labour market of the future and have the right cognitive and non-cognitive skills to cope with technological change. More efficient and effective policies to support innovation will help making sure these skills are turned into higher productivity growth.

- *Boosting business dynamism and diffusion of knowledge:* To seek innovation and make the most of new technologies and workers' skills, firms must be given incentives to make the necessary investment in R&D, new digital equipment and organisational know-how. Strong product market competition and robust business dynamics – entry and growth, but also the exit of unproductive firms – are key for the diffusion of innovation and the allocation of resources to their best use. Businesses have a crucial role to play in fostering a good matching of skills and tasks by

1. In this chapter, the group of advanced economies comprises all OECD member countries excluding Chile, Mexico and Turkey but including Lithuania. Chile, Mexico and Turkey have been considered in the group of emerging economies alongside Argentina, Brazil, China, Colombia, Costa Rica, Indonesia, India, Russia and South Africa.

providing employment opportunities, contributing to skills development and knowledge diffusion.

- *Preserving social cohesion and helping workers make the most out of a dynamic labour market*: Dealing with a rapid turnover of firms, jobs and tasks requires that workers facing job losses be rapidly given new hiring opportunities or a chance to up-grade skills, with adequate income support and job-search assistance during the transition. A well-functioning labour market, without unduly restrictive labour market regulation, and with appropriately designed unemployment benefits combined with comprehensive activation policies, will ensure that everyone can have access to jobs and labour market security. Such a job market will also be capable of better including population groups with thus far lower labour participation rates.

4. This chapter reviews the main growth challenges faced by advanced and emerging economies in pursuing these three objectives, and takes stock of actions taken that relate to policy recommendations on reform priorities laid out in the 2017 publication. It specifically evaluates the extent to which the countries have already been addressing the 2017 reform priorities. The implementation of reforms is defined as the introduction of relevant laws and decrees or appropriate measures (such as budgetary provisions) put in place for the reform to come into effect. It cannot, however, evaluate how effectively those measures are enforced in practice. The next section presents a global overview of the reform momentum in 2017 compared to previous periods. The following section provides a brief reminder of the priority performance challenges faced by countries. The final section reviews actions taken by countries across policy areas.

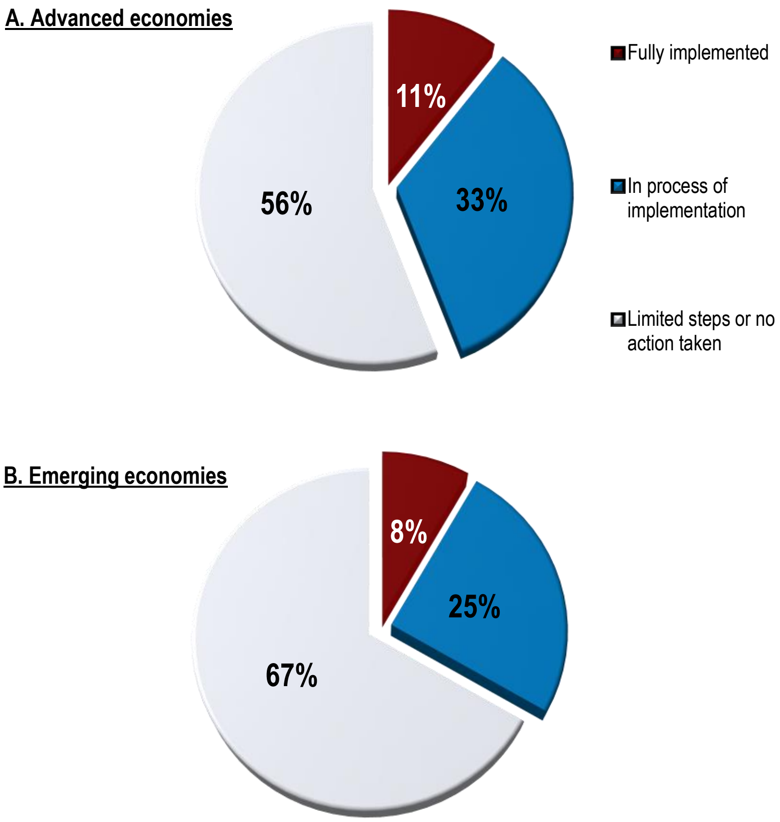
Global overview of reform progress across countries[2]

5. Following a post-crisis increase, advanced- and emerging-market economies alike seem to be settling on a considerably lower pace of reforms, albeit one that is similar to that observed before the crisis. Across advanced economies, so far in 2017 reforms have been fully implemented on average in about 11% of the priority areas identified in the 2017 issue of *Going for Growth* (that is, relevant legislation or significant budgetary provision have been passed for some recommendations in the priority areas), while some reform action has been initiated (i.e. is in the process of implementation) in 33% of the areas (Figure 1). For emerging economies, although the share of the *Going for Growth* priority areas where concrete actions have taken place remains lower than in advanced economies, in almost one fourth of priority areas actions were in the process of implementation.

2. The assessment takes into account reform actions taken by July 2017. This will be updated to cover the whole of 2017 before publication.

Figure 1. Share of Going for Growth priority areas with actions taken

As a percentage of priorities, 2017



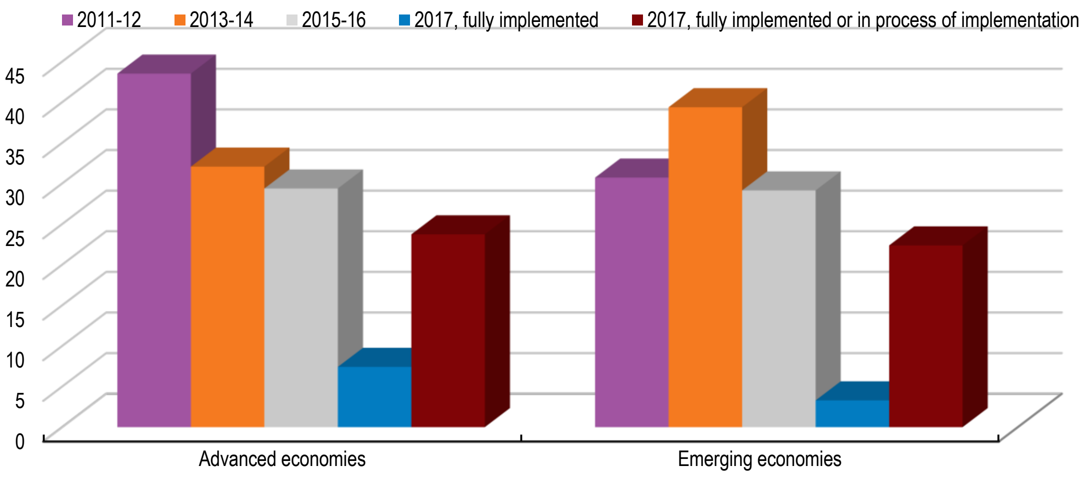
6. Reform intensity, as conveyed by the reform responsiveness rate indicator, looks set to be below values observed since 2010 (Figure 2). However, the slower pace of reform should not conceal the fact that some bold actions were taken – over a third of actions implemented in 2017 have been assessed as "major steps" by OECD country specialists[3] Moreover, legislative intensity can vary significantly from one year to the next, and the importance of individual actions can differ vastly. Thus caution is needed in comparing the pace reported over the course of one year (2017) in this interim report relative to the pace averaged over a two year period (2015-16) documented in the previous issue of *Going for Growth*. Adding up policy measures fully implemented with reforms that are in the process of implementation – acknowledging that the latter may not be fully implemented in the end – still leaves a gap vis-à-vis the average pace of reforms observed over the past two years.

---

3. No past information on the importance of the reforms taken exists.

Figure 2. Reform intensity has reached an all-time low in both advanced and emerging economies

Responsiveness rates to Going for Growth recommendations,[1] percentage



1. The chart illustrates the pace of reform in previous periods captured by the indicator of reform responsiveness (RRI) and the estimated level of responsiveness in 2017 based on two different scenarios: fully implemented policies (blue) and policy actions fully implemented or in the process of implementation (maroon) to ensure comparability with previous two-year periods. See the Going for Growth 2010 issue for an explanation on RRI.

7. This overall pattern hides some heterogeneity in the actions taken on *Going for Growth* recommendations across the main policy areas (Figure 3):

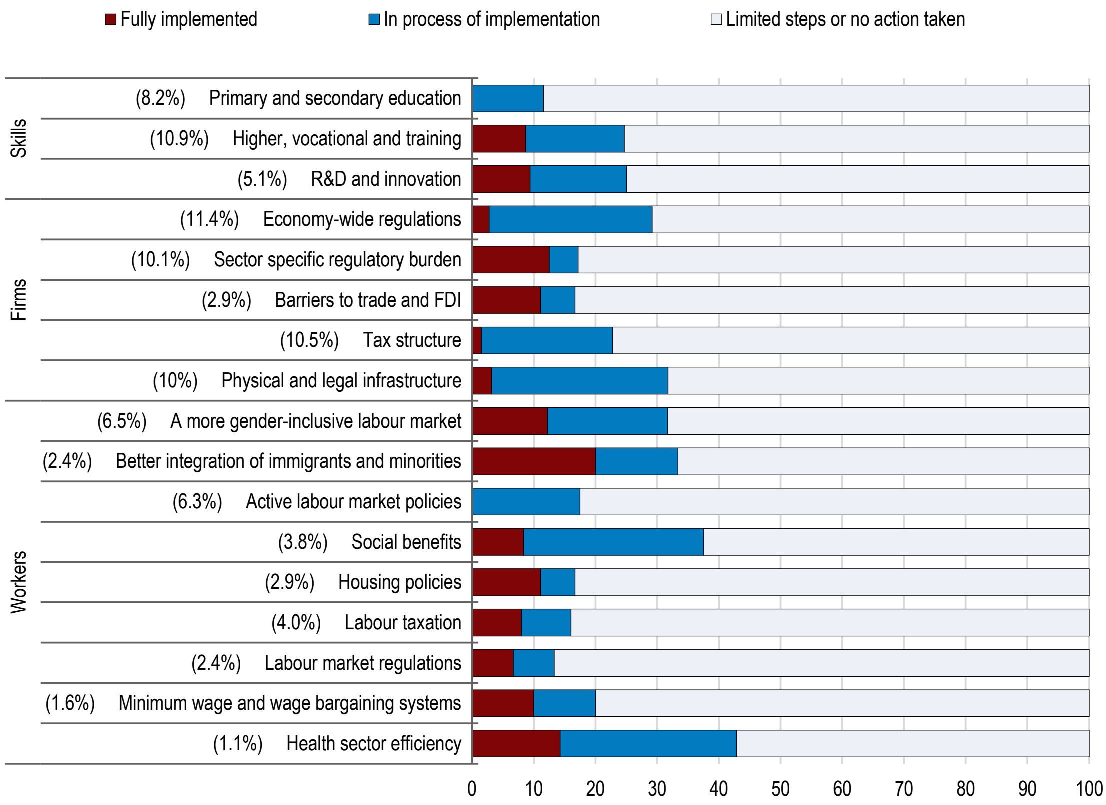
- Among the reforms to boost skills and innovative capacity, the largest share of actions implemented or in the process of implementation is observed in the area of R&D. On the other hand, primary and secondary education, especially enhancing the targeting and effectiveness of resources devoted to disadvantaged students and schools, is the area with the lowest share of reforms in process of implementation, and no action has been fully implemented.

- Regarding the reforms that promote business dynamism and knowledge diffusion, the area where most action is taking place is physical and legal infrastructure, with an emphasis on transportation networks, and the lifting of economy-wide regulations, in particular in emerging economies.

- Among the reforms to enhance social cohesion and help workers to cope with potentially rapid changes in jobs and nature of tasks, priorities in the area of health care are where the share of reforms fully or in process of implementation is the highest. This is followed closely by social protection, with significant anti-poverty programmes introduced in Italy and Greece. In contrast, relatively few actions have been taken in the areas of labour taxation – an area where more substantial actions had been seen in 2015-16. The notable efforts to lift barriers to the participation of women, which have been reported already in the last issues of *Going for Growth* have continued in 2017.

Figure 3. Reform intensity has been the highest in the area of social benefits, health and physical and legal infrastructure

Share of implemented recommendations,[1] percentage



1. The chart summarises the share of recommendations made in Going for Growth 2017 by the status of their implementation. Full implementation refers to the adoption of relevant laws or equivalent measures. Values in parenthesis represent the share in total recommendations.

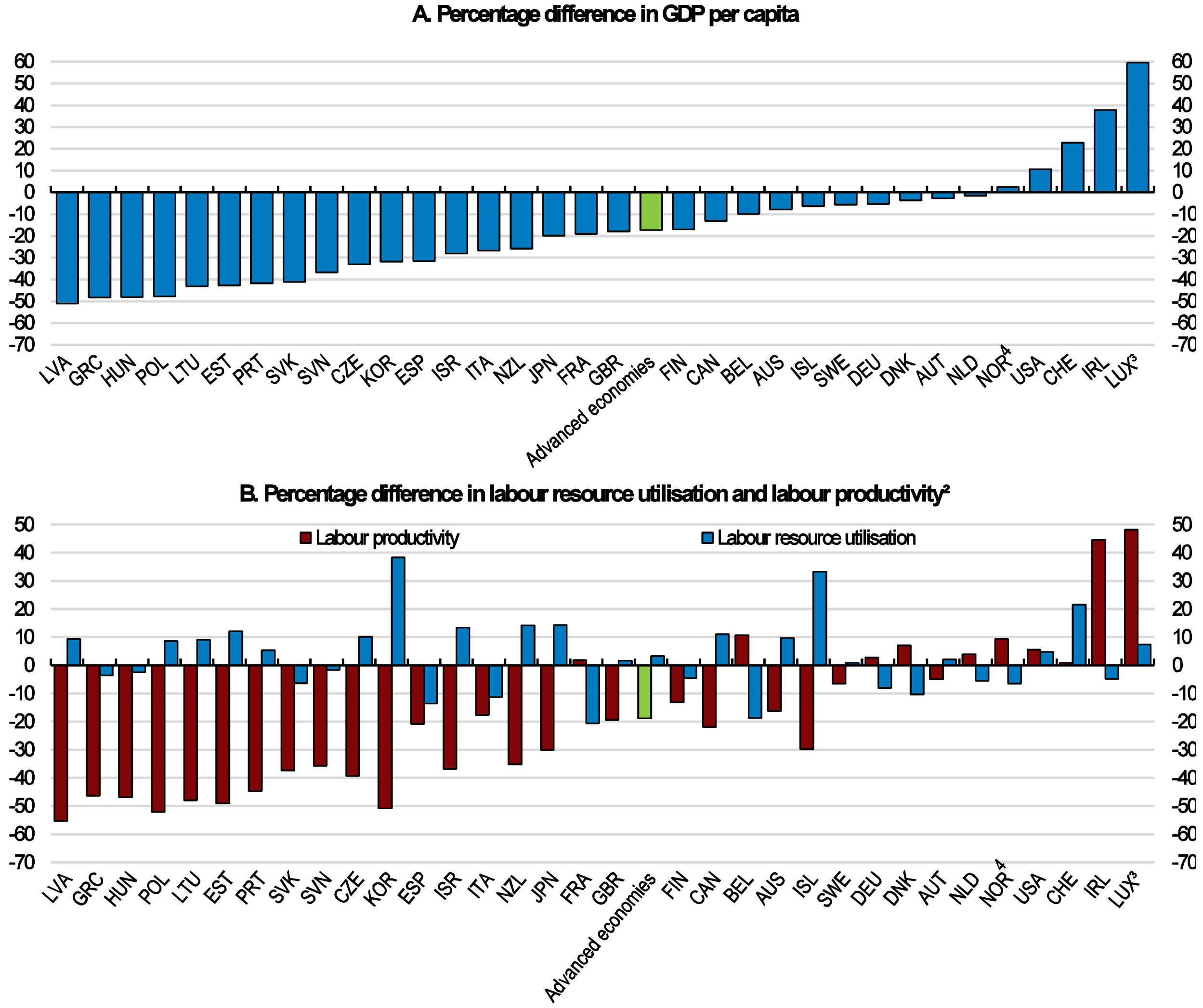
Economic performance and Going for Growth 2017 reform priorities - a snapshot

8. Ensuring that the short-term momentum translates into strong long-term growth will require much more action than demonstrated so far in 2017. The policy priorities identified in the 2017 issue of *Going for Growth* remain valid and should continue to serve as guidance to a broadly-based structural reform agenda.

9. *Going for Growth* identifies policy reform priorities based on a 'mixed' approach combining a quantitative assessment that compares performances and policy indicators, and a qualitative assessment based on judgment and expertise provided by OECD country experts. A standard overall benchmark is the average of top performing OECD countries on GDP per capita (Figures 4 and 5). Priority reforms are identified even for those top performers based on weaknesses in specific areas and identified emerging challenges. The primary objective is to set a policy agenda most likely to secure long term improvements in performance.

Figure 4. The sources of real income differences, advanced economies

Compared to the upper half of OECD countries, 2015[1]



1. Compared to the weighted average using population weights of the 17 OECD countries with highest GDP per capita in 2015 based on 2015 purchasing power parities (PPPs). The sum of the percentage difference in labour resource utilisation and labour productivity do not add up exactly to the GDP per capita difference since the decomposition is multiplicative.

2. Labour productivity is measured as GDP per hour worked. Labour resource utilisation is measured as the total number of hours worked per capita.

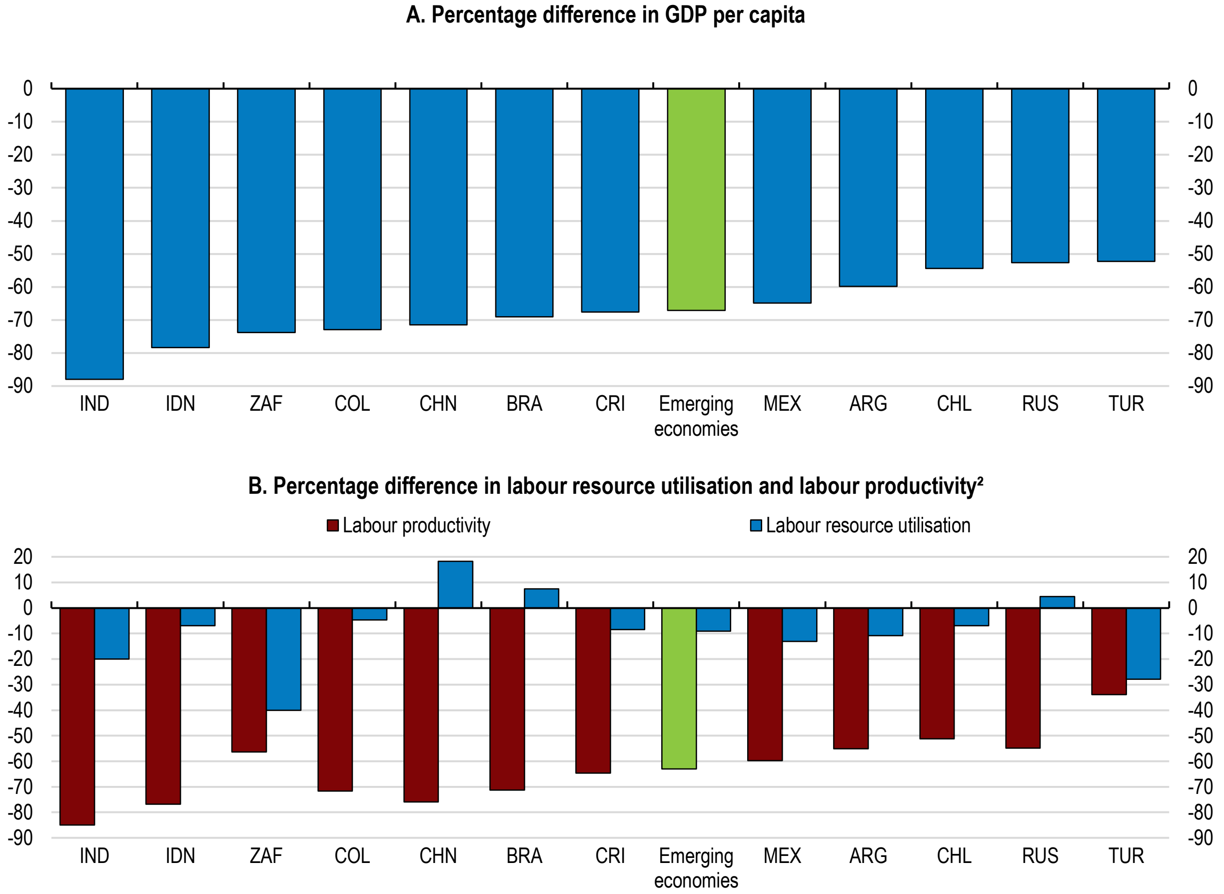
3. In the case of Luxembourg, the population is augmented by the number of cross-border workers in order to take into account their contribution to GDP.

4. Data refer to GDP for mainland Norway which excludes petroleum production and shipping. While total GDP overestimates the sustainable income potential, mainland GDP slightly underestimates it since returns on the financial assets held by the petroleum fund abroad are not included.

Source: OECD, National Accounts, Productivity, Employment Outlook and Economic Outlook Databases.

Figure 5. The sources of real income differences, emerging economies

Compared to the upper half of OECD countries, 2015[1]



1. Compared to the weighted average using population weights of the 17 OECD countries with highest GDP per capita in 2015 based on 2015 purchasing power parities (PPPs). The sum of the percentage difference in labour resource utilisation and labour productivity do not add up exactly to the GDP per capita difference since the decomposition is multiplicative.
2. Labour productivity is measured as GDP per employee. Labour resource utilisation is measured as employment as a share of population.

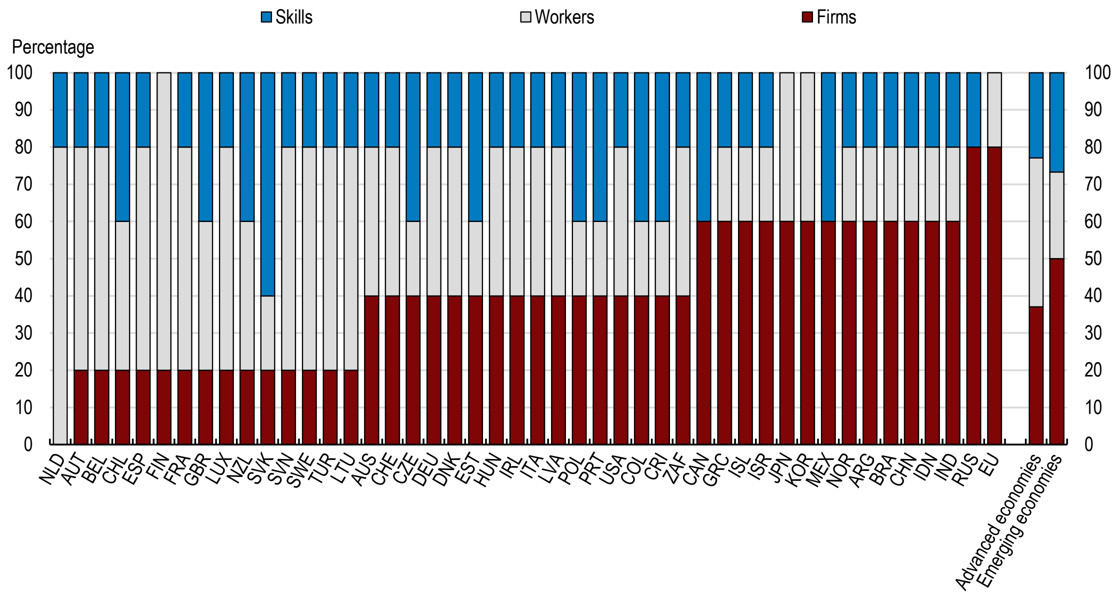
Source: OECD National Accounts and Productivity Databases; World Bank, World Development Indicators (WDI) (Database); ILO (International Labour Organisation), Key Indicators of the Labour Market (KILM) Database for employment data on Brazil, Colombia, Indonesia; Statistics South Africa for employment data on South Africa; India National Sample Survey (various years), annual population estimates from the Registrar General and OECD estimates for employment data on India; China Ministry of Human Resources and Social Security for employment data on China.

10. As the job market situation improves - due to a combination of a cyclical pick up and actions taken on past employment-related priorities - the medium-term policy preoccupation focuses more on the slowdown in productivity growth and pass-through from technological leaders to a broader population of firms. Hence, the bulk of 2017 policy priorities, in particular in advanced countries, concern promoting business dynamism and knowledge diffusion (labelled ‘firms’ in Figure 6). Most common areas include sector-specific and economy-wide regulations with an emphasis on professional services and retail distribution, as well as the streamlining of licensing and permits. Other priorities include shifting the tax

burden from direct sources (labour and capital income) to indirect sources (taxes on consumption, immovable property and pollution emissions), while broadening the tax base; enhancing connectivity in transport; and improving the efficiency of public administration. For emerging economies, priorities to boost business dynamism and knowledge diffusion account for an even larger share of total priorities (around half), and concern primarily streamlining permits, lowering barriers to trade and investment, expanding regulatory impact assessment, setting one-stop shops, improving the quality and accessibility of infrastructure and improving the rule of law.

Figure 6. Distribution of Going for Growth priorities across broad categories

2017



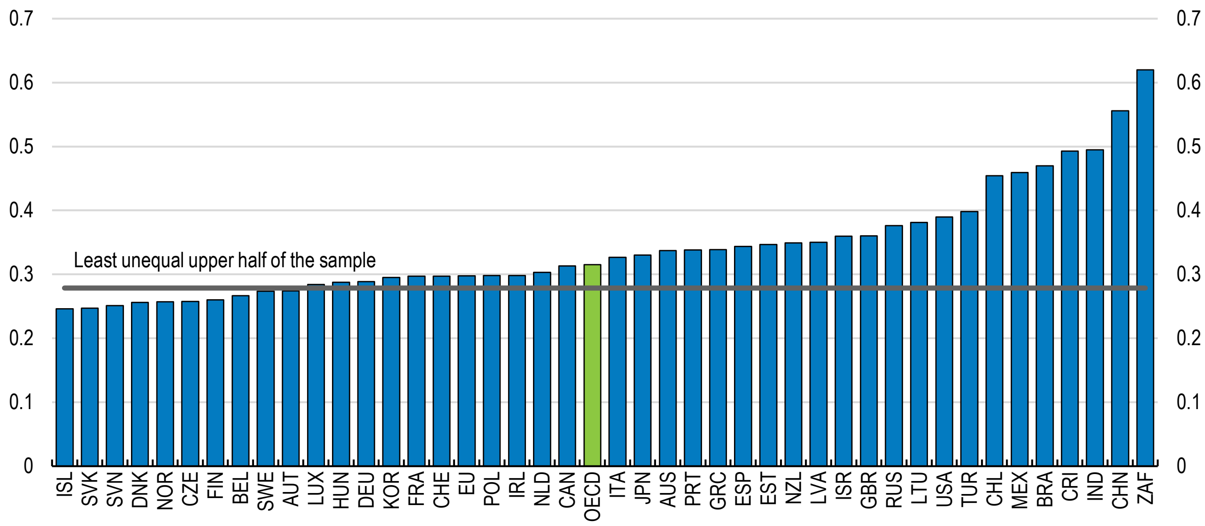
11. Priorities focussing on helping current and future workers to acquire or improve their skills and increase the overall innovative capacity of the economy are also largely addressing the productivity slowdown, but offer also an important inclusiveness angle – aiming for longer-term growth to benefit all. Across advanced economies, a quarter of priorities fall in this area, but they dominate in the Slovak Republic, while being significant in Canada, Czech Republic, Estonia, New Zealand, Poland, Portugal and the United Kingdom (labelled “skills” in Figure 6). 80% of the skills priorities concern the need to reform education, with support to disadvantaged students, improve teaching quality, vocational education and training (VET), apprenticeships and expanding long-life learning having the largest occurrence. Priorities on R&D and innovation follow. In emerging economies, the emphasis on education is similar– with roughly 80% of priorities in skills linked to higher vocational education and training, primary and secondary education.

12. Finally, priorities to help workers cope with and adapt to job and task changes and promote social cohesion focus primarily on how to facilitate access and attachment to the labour market. A particular attention is given to groups with traditionally lower participation and employment rates and higher risks of falling out of the labour market: women, minorities, youth, the low-skilled, the disabled and the elderly. In other words, emphasis is on policies that have the largest scope to make growth more inclusive. Countries having the most important gaps in labour utilisation generally have a high share of priorities in ‘workers’ (Belgium, France, Spain and Turkey – Figure 6). Some countries having a relatively high level of income inequality, as measured by the Gini coefficient (Figure 7), are among those having a lower share of

priorities in the category 'workers' (Brazil, China, Costa Rica, India and Mexico). In total, over a third of priorities for advanced economies can be classified in the category labelled 'workers' (Figure 6), of which more than half focus on implicit and explicit barriers to employment and labour force participation, as well as activation policies. In emerging-market economies, the share of priorities in the category 'workers' is lower, focusing mainly on unemployment and social benefits, labour market regulations and tax wedges.

Figure 7. Gini coefficient

2014 or latest available year[1]



1. Gini at disposable income (after taxes and transfers), for total population. The latest available year is 2016 for Costa Rica; 2015 for Chile, Finland, the United Kingdom, Israel, Korea, the Netherlands, the United States, South Africa; 2013 for Brazil and China; 2011 for India and the Russian Federation.

Source: OECD, Income Distribution Database.

13. Importantly, the three categories "firms", "skills" and "workers" should not be seen in isolation. To enhance the effectiveness of reforms and ensure that their benefits are shared broadly – but also to enhance their social and political acceptability – a coherent reform strategy is crucial. As advocated in *Going for Growth* 2017, such a strategy can be most beneficial if formulated in the form of (explicit or implicit) reform packages – combining various policy reforms within and across the categories, in order to reap synergies, manage trade-offs and improve the distribution of effects over time. For example, reforms to stimulate business dynamism – such as reducing barriers to product market competition - should be accompanied by labour-market measures to help vulnerable workers transition to new jobs. The new dynamism and innovative activity generated by such reforms will increase future needs for skills – highlighting the need for actions in education policies, which can take a longer time to materialise.

Progress in unlocking skills development and innovation for all

14. Knowledge is likely to be the main driver of growth in the future and policies geared towards enhancing skills for all will be crucial in this respect. Improving education and skills has always been identified as a priority for a vast majority of advanced and emerging economies and the specific recommendations vary depending on the sources of policy weaknesses. But despite widespread and sustained reform action over the years, they usually fall short of fully addressing country-specific skills

priorities, which often appear from one to the next issue of *Going for Growth*. Indeed, education and skills priorities often require pursued efforts and monitoring of actions over an extended period of time.

15. Education is also an essential driver of an economy's innovative capacity. A strong network of knowledge transmission nurtured through R&D collaboration among firms, as well as between higher education institutes and firms, is conducive to innovation led-growth. A highly qualified labour force is essential for the adoption of ideas and turning them into improvements in production. And, providing a larger share of firms, in particular smaller firms, with access to sources of knowledge and advanced skills can help bridge the dispersion between leading, frontier firms and those lagging behind (Andrews et al., 2015), making productivity growth more inclusive. The success of the match between education and innovation relies on a broader range of assets, mostly intangible: employee skills, organisational know-how, databases, design, brands and various forms of intellectual property. Policies spurring investment in such assets should be complemented by appropriate framework conditions, e.g. well-functioning product, labour and financial (including venture capital) markets that encourage the reallocation of capital and jobs across firms, as well as effective bankruptcy laws that keep a good balance between the costs and benefits of entrepreneurial experimentation. Thus, addressing the challenge of innovation spreads across most of the policy areas covered by *Going for Growth*.

Reforms to foster primary and secondary education

16. In primary and secondary education, a common emphasis is on raising teachers' qualifications and addressing educational inequalities, enhancing the targeting and effectiveness of resources devoted to disadvantaged students and schools (Table 1). Indeed, social returns to education are high, but relate mostly to earlier stages of education and especially for disadvantaged individuals (Heckman et al., 2005). Increasing the quality of lower-level schooling across broad segments of the population is thus important both for securing improved productivity, but also for fostering inclusiveness notably by achieving rising participation in higher education. High-quality primary and secondary education should be prioritised in public funding because those are a prerequisite for raising skill levels and expanding tertiary education. For emerging-market countries, recommendations to address bottlenecks in schooling infrastructure are relatively frequent, which may require raising public investment. Recent actions in this area include:

- France halved class size to 12 pupils for grade 1 and grade 2 in poor neighbourhoods, with implementation starting in the 2017-18 school year.

- Mexico finalised the implementation of the mandated National Evaluation System of teachers, where almost all of the teaching body has been evaluated, and public investment has been undertaken to improve schools' infrastructure.

- New Zealand introduced changes to centrally funded professional learning for teachers and school principals with the goal of supporting schools in using their data and evidence to identify focus areas and assess impacts.

- Sweden increased appropriations targeted to schools with weak results, and to upper-secondary education for pupils without the grades to directly integrate the standard programmes.

Table 1. Recommendations and actions in primary and secondary education

	Provide additional support to disadvantaged schools/students	Improve teaching quality and teachers career prospects/incentives	Postpone early tracking	Limit grade repetition	Improve school accountability and autonomy	Improve access/enrolment	Provide second chance opportunities
Australia							
Austria							
Belgium	Blue		Blue	Blue			
Canada							
Czech Republic	Blue		Blue				
Denmark	Blue						
Estonia							
European Union							
Finland							
France	Maroon	Blue					
Germany	Blue		Blue	Blue			
Greece		Maroon			Maroon		
Hungary			Blue				
Iceland	Blue	Blue			Blue		
Ireland							
Israel	Blue						
Italy							
Japan							
Korea							
Latvia	Blue						
Lithuania		Blue					
Luxembourg			Blue	Blue	Blue		
Netherlands							
Norway		Blue					
New Zealand	Blue	Maroon					
Poland	Blue	Blue					
Portugal	Blue	Blue		Blue	Blue		
Slovak Republic	Blue						Blue
Slovenia							
Spain		Blue					Blue
Sweden	Maroon	Blue					
Switzerland		Blue					
United Kingdom							
United States	Blue						
Argentina		Blue					
Brazil		Blue				Blue	
Chile							
China						Blue	
Colombia							
Costa Rica	Blue	Blue					
Indonesia		Blue				Blue	
India						Blue	
Mexico		Maroon					
Russia							
South Africa		Blue				Blue	
Turkey							

Note: Blue cells represent priorities for a given country in a given area (with no action taken in 2017). Maroon cells represent actions taken on a priority (fully implemented or in the process of implementation).

Reforms to expand higher and vocational education and training

17. Recommendations in the area of tertiary education are more prevalent for higher-income countries, with a common challenge to improve university responsiveness to labour market needs (Table 2). Indeed, digitalisation, globalisation, demographic shifts and other changes in work organisation are constantly reshaping skill needs (OECD, 2016b). Excess inertia in the education and training systems, in particular in universities, translates into people acquiring obsolete skills and eventually into persistent skill shortages and mismatches. The latter are costly for individuals, firms and society in terms of lower wages, productivity and growth. Flexibility and the ability to equip students with job-relevant skills are thus vital. Similarly, recommendations in the area of vocational education and training (VET) aim also at responding to the challenge of aligning of skills with the labour market needs. Expanding or enhancing the effectiveness of VET will provide a better bridge between education and the labour market. This is needed as the nature of future economic growth will likely entail substantial firm turnover (OECD, 2015). As a result, policies should focus on facilitating job matching, allowing the labour force to adapt more quickly to new skill requirements and changes in industrial and occupational structures. Recent actions in this area include:

- Colombia launched the Access and Quality in Higher Education Project (PACES), with the aim of improving the quality of higher education and tackling inequality of access through the use of loans for disadvantaged students. Education loans have also been reformed to eliminate caps on loans and ease access to accredited universities for poorer students.

- Germany improved financial support for individuals pursuing life-long learning and vocational education graduates, and procedures have been simplified. Moreover, universities received additional funding to support studies, in particular for students from vocational education pathways. Measures to improve the school-to-work transition, including job counselling, have also been reinforced.

- Latvia has developed a modular VET curriculum that provides trainings matched with specific skill needs for each industry. It also introduced a legal framework for work-based learning and raised the fiscal incentives to undertake VET by partially exempting students' earnings from the income tax. VET schools have been consolidated and VET Competence Centres which experiment with new curriculum and offer adult education were established.

- In the United Kingdom, spending on lifelong learning pilots has been increased to test different approaches to help workers retrain and upskill throughout their adult lives. VET qualifications are also going to be modified to simplify the technical education system.

Table 2. Recommendations and actions in higher education, vocational education and training

	Higher, vocational and training										
	University						Vocational				
	Improve responsiveness to labour market needs	Better target financial assistance to students	Improve funding formula	Encourage shorter completion times	Improve access and reduce inequalities	Increase specialisation	Expand VET and apprenticeships	Increase employers involvement	Increase workplace component	Improve alignment with labour market needs	Expand lifelong learning
Australia											
Austria		Blue									
Belgium											Blue
Canada	Blue				Blue						
Czech Republic		Blue						Blue			
Denmark							Blue				Blue
Estonia							Blue	Blue	Blue		
European Union											
Finland											
France							Blue				
Germany											Maroon
Greece	Blue						Maroon			Blue	Blue
Hungary	Blue				Blue				Blue		Blue
Iceland											
Ireland											
Israel							Blue				
Italy	Blue										
Japan											
Korea											
Latvia									Maroon	Maroon	Blue
Lithuania									Blue		
Luxembourg							Blue				
Netherlands											
Norway			Blue	Blue							
New Zealand											
Poland							Blue				
Portugal							Blue			Blue	
Slovak Republic			Maroon					Blue			Maroon
Slovenia											
Spain		Blue				Blue	Blue	Blue		Blue	
Sweden	Blue			Blue						Blue	
Switzerland		Blue			Blue						
United Kingdom							Maroon				Maroon
United States											
Argentina	Blue						Blue				
Brazil	Blue						Maroon				
Chile	Maroon		Maroon		Maroon					Maroon	
China	Blue				Blue		Maroon			Maroon	
Colombia		Maroon	Maroon								
Costa Rica	Blue		Blue				Blue	Blue			
Indonesia											
India							Blue				
Mexico											
Russia											
South Africa							Blue				
Turkey							Blue				

Note: Blue cells represent priorities for a given country in a given area (with no action taken in 2017). Maroon cells represent actions taken on a priority (fully implemented or in the process of implementation).

Reforms to improve innovation capacity

18. In both advanced and emerging economies, recommendations on innovation include generally strengthening collaboration between research institutes or universities and industry. Efficient public support to R&D also remains warranted, as investing in innovation involves considerable uncertainty while associated outcomes often have some public good qualities - being widely shared within the economy and even abroad. A mix of incremental R&D tax incentives and selective direct grants is considered the best approach, with recommendations focusing on achieving a better balance between the two types of support and pursuing close evaluation of the grant programmes (Table 3). Recent actions in this area include:

- The Czech Republic passed a new evaluation methodology to improve the effectiveness of spending in R&D.
- Estonia substantially increased the weight of business contracts in the funding formula for public research institutions.
- Mexico introduced a new tax credit regime for R&D – making 30% of an increase in R&D expenses and investments (with respect to past values) deductible from taxes.
- The Netherlands extended the scheme to subsidise labour and other costs associated with undertaking R&D.
- The United Kingdom set up the National Productivity Investment Fund (NPIF) to support spending on R&D (as well as infrastructure and housing). The fund is to total GBP 23 billion of additional spending over the period of 2017-22, with a fifth on science and innovation.

Table 3. Recommendations and actions in R&D

	Strengthen collaboration between research centers/universities and industry	Improve co-ordination of public policies	Evaluate/reform R&D tax credits	Rebalance direct and indirect support	Develop technology clusters	Improve links between domestic and foreign firms
Australia						
Austria						
Belgium						
Canada						
Czech Republic						
Denmark						
Estonia						
European Union						
Finland						
France						
Germany						
Greece						
Hungary						
Iceland						
Ireland						
Israel						
Italy						
Japan						
Korea						
Latvia						
Lithuania						
Luxembourg						
Netherlands						
Norway						
New Zealand						
Poland						
Portugal						
Slovak Republic						
Slovenia						
Spain						
Sweden						
Switzerland						
United Kingdom						
United States						
Argentina						
Brazil						
Chile						
China						
Colombia						
Costa Rica						
Indonesia						
India						
Mexico						
Russia						
South Africa						
Turkey						

Note: Blue cells represent priorities for a given country in a given area (with no action taken in 2017). Maroon cells represent actions taken on a priority (fully implemented or in the process of implementation).

Progress in boosting business dynamism and faster diffusion of knowledge

19. Recent decades have seen a persistent and worrying slowdown in productivity growth, which is a central driver of long-term improvements in living standards. More recently, the slowdown has extended to emerging economies. Slower productivity growth is fuelling concerns of low global long-term growth, amid population ageing. Recent evidence has characterised this slowdown in productivity growth as a reflection of both cyclical and structural factors, which have – thus far – prevented rapid technological changes from translating into aggregate productivity gains as it has done in the past. One major factor, which is part cyclical but to some extent also structural, has been persistently weak investment in physical capital (Ollivaud et al., 2016): in most advanced countries, the recovery in non-residential investment is lagging behind that of GDP, and this is particularly the case among European countries. But behind the aggregate slowdown, there has been also a growing dispersion of productivity performance within countries between firms and regions, with some of them enjoying fast productivity gains enabled by rapid technological progress, and others lagging behind. In other words, while the productivity frontier keeps advancing, these gains have not diffused throughout the rest of the economy (Andrews et al., 2016).

20. The role of businesses is crucial in addressing these challenges. They can provide employment opportunities, contribute to skills development and engage in knowledge and technology diffusion, particularly important for emerging economies. But this requires a business environment that encourages them to do so and ensures a level playing field so that they can compete on ideas and business models. Policy makers need to deploy a range of policies that: enable firms to invest in breakthrough innovation and access skilled workers, finance, and markets to experiment with new ideas and capitalise on them to grow; support the diffusion of innovation throughout the economy and across the world, thus enabling all firms to benefit from these innovations and grow; and allow for the smooth exit of unproductive firms to free up valuable resources, including workers, so that they can contribute to more rewarding activities.

21. Achieving these three policy objectives will span many areas from competition and product market regulation to innovation and financial market policies. The *Going for Growth* framework identifies such country-specific priorities to be implemented at the national level. Globalisation - closer economic integration and rising cross-country interdependence - brings additional challenges that will require stronger international co-ordination on structural policies in a number of areas, not only trade but also R&D, innovation, taxation, competition and other fields affecting the corporate sector.

Reforms to economy-wide and sectors-specific regulations to facilitate firms' entry and exit

22. Pro-competition product market regulations affect aggregate productivity via various channels such as the speed at which new sectors can grow, the incentives for innovative efforts and the adoption of new technologies, as well as the capacity of the economy to allocate capital and labour resources to their best use. In emerging economies, high regulatory burdens can also act as a barrier to business formalisation. Estimates of the potential impacts of product market reform point to a strong pay-off, with gains in living standards achieved relatively rapidly (Egert and Gal, 2017). Additionally, recent empirical evidence suggests that pro-competition product market reforms could be inclusive in that they tend to lift household incomes across the distribution, leaving inequality broadly unchanged (Causa et al., 2016). At the economy-wide level, reducing the regulatory burden is needed in many countries. Frequent associated recommendations span improving the transparency of regulation, reducing state control and strengthening competition frameworks (Table 4). Recent actions in this area include:

- Hungary passed a new legislation to increase significantly merger notification thresholds. Furthermore, the EU's antitrust damages directive was adopted, making it easier for injured parties to obtain compensation for damages due to anticompetitive conduct.
- Latvia passed an action plan for the improvement of the business environment. Measures include on-line registration of a company starting from 2018 and the registration of property without a notary but with a safe electronic signature.

Table 4. Recommendations and actions to lift regulatory distortions and promote firms' entry and exit

	Economy wide regulations									Sector specific regulatory burden										Barriers to trade and FDI	
	Streamline permits/licensing/red tape	Introduce or expand regulatory impact assessment	Improve bankruptcy procedures	Strengthen competition and regulatory authorities	Improve competition framework	Improve SOEs governance	Reduce the scope of public ownership	Set one stop shops	Facilitate firm entry	Professional services	Energy	Retail	All network sectors	Services	Banking	Construction	Transport	Post	Ports	Reduce barriers to trade	Reduce barriers to FDI
Australia	Blue		Blue																		
Austria										Maroon		Maroon									
Belgium	Maroon									Blue		Blue	Blue	Blue							
Canada	Blue									Blue	Blue	Blue	Maroon				Blue	Blue		Maroon	
Czech Republic					Blue	Blue	Blue					Blue	Blue								
Denmark				Blue										Blue		Blue					
Estonia											Blue										
European Union		Blue	Blue								Blue			Maroon			Blue			Maroon	
Finland												Maroon				Maroon					
France										Blue		Blue									
Germany		Blue					Blue			Blue							Blue	Blue			
Greece	Blue	Blue		Blue				Blue					Blue								
Hungary	Maroon	Maroon		Maroon	Maroon						Blue	Blue	Blue								
Iceland				Blue	Blue															Blue	
Ireland	Maroon									Maroon	Blue								Blue		
Israel	Blue	Blue									Blue				Maroon					Blue	
Italy			Blue																		
Japan					Blue						Blue				Blue			Blue		Blue	Blue
Korea		Blue												Blue						Blue	
Latvia	Maroon		Maroon	Maroon		Blue			Maroon	Blue			Blue								
Lithuania						Maroon															
Luxembourg										Blue		Blue									
Netherlands																					
Norw ay							Blue					Blue	Blue				Blue	Blue		Blue	
New Zealand							Blue										Blue			Blue	Blue
Poland	Blue		Blue	Blue			Blue		Maroon												
Portugal			Blue							Blue									Blue		
Slovak Republic																					
Slovenia	Blue						Blue			Blue											
Spain										Maroon							Maroon		Maroon		
Sw eden																					
Sw itzerland																				Blue	
United Kingdom																					
United States																					
Argentina	Maroon				Blue				Maroon											Blue	Blue
Brazil																				Maroon	
Chile	Maroon	Maroon			Blue																
China	Maroon							Blue													Blue
Colombia																					
Costa Rica	Maroon			Blue	Blue	Blue		Blue							Blue						
Indonesia	Maroon							Maroon													Blue
India	Maroon							Blue							Blue						
Mexico		Blue							Blue	Blue		Blue			Blue		Blue				Blue
Russia	Blue	Blue				Blue	Blue														Blue
South Africa	Blue	Blue	Blue	Blue		Blue					Blue		Blue								
Turkey													Blue								

Note: Blue cells represent priorities for a given country in a given area (with no action taken in 2017). Maroon cells represent actions taken on a priority (fully implemented or in the process of implementation).

23. Reducing sector-specific regulatory burdens, especially in non-manufacturing, i.e. retail trade and professional services as well as network industries, are also frequent recommendations (Table 4). Product market reforms in this area could facilitate adjustments in unit labour costs in a context of low inflation, and boost job creation. In particular, reducing regulatory barriers to firm entry and competition in sectors where there is pent-up demand such as retail trade and professional services could spur job creation. Stronger competition, especially in services, would ensure wage increases and lower consumer prices rather than higher profits. This would help workers to reap the benefits from previously-introduced labour market reforms. In fact, product market reforms have become even more important now insofar as the lack of competition in some product markets risks undermining the success of previous labour market liberalisation reforms. Recent actions in this area include:

- Costa Rica simplified the registration procedure of low-risk food and cosmetic products, and implemented pilot projects with municipalities to streamline licensing.
- A Services package to tackle barriers in the services market was adopted by the European Commission. It includes (i) a legislative proposal establishing a new notification procedure for services under the Services Directive, (ii) a guidance on specific reform needs per country, (iii) an analytical framework for proportionality analysis ("the proportionality test") in order to assist Member States in targeting instances of disproportionate and unnecessary regulation, (iv) a legislative proposal introducing the European Services card, which aims at facilitating the cross-border exercise of a number of activities in the area of services. The proposals will facilitate the mobility of professionals and streamline the administrative procedure that EU business service providers have to follow to expand their activities to other EU countries.
- Ireland simplified the licensing procedures to start a business by creating the Integrated Licence Application Service (ILAS).
- Spain adopted some measures to ease the implementation of the Market Unity Law.

24. Policies that promote efficient firm entry and exit are regularly featured in *Going for Growth* (Table 4). Pushing out the production frontier requires enabling experimentation with new technologies and business models. Since new firms are often the vehicle through which such new technologies and business practices enter the market, the policy framework should be conducive to firm entry while framework conditions need to ensure that innovative new firms can get a foothold in the market. Recent evidence suggests that the policy environment often favour incumbents over start-ups (Calvino et al., 2016). In some cases policies and regulations – introduced for good reasons, such as consumer and environmental protection - can unintentionally serve as barriers to the entry of new technologies and business practices. In many cases such negative design features can be avoided or minimised. However, the policy environment should not only encourage the entry of new firms and enable them to grow, but it should also encourage unsuccessful firms to close down. In the case of a start-up, a failure needs to be recognised as an opportunity for the entrepreneur to learn and rebound, to find new opportunities which lead to more rapid growth, and thus to create new employment opportunities. This in turn facilitates more effective knowledge diffusion. In practical terms, this calls for bankruptcy legislation that does not excessively penalise business failure (see also ECO/CPE/WP1/2017/18). Recent actions in this area include:

- Argentina legislated a new entrepreneurship law to reduce barriers on start-up.
- Latvia created a monitoring system of insolvency proceedings.

- Poland passed a set of reforms (Constitution for Business) to ease the starting, running and ending of business operations.

25. Greater openness to trade and FDI opens access to global demand for and supply of goods, services, technologies and knowledge. It boosts competition and knowledge spill-overs (Andrews and Cingano, 2012) and facilitates participation in Global Value Chains (GVC). However, GVCs can actually increase the negative impacts of tariff and non-tariff trade barriers, as goods and services cross borders multiple times (OECD, 2013) – strengthening the case to reduce such barriers. Recommendations in this area cover tariff and especially non-tariff barriers, which remain of particular concern, both in general as well as in specific sectors. No significant progress has been made on trade and investment barriers, though Brazil has scaled back some local content requirements in fossil fuel investment projects.

26. Inefficient subsidies such as to energy and agricultural production have adverse effects on the efficiency of resource allocation and can increase pressure on the natural environment. While reducing such subsidies is a long-standing priority in several advanced countries, Argentina, and at the EU level, no progress has been made in 2017.

Reforms to make the tax system more friendly to growth

27. There is solid evidence of the impact of the tax structure on economic growth, through effects not only on labour utilisation (see above) but also private investment and productivity (Arnold et al., 2011). A more growth- and equity-friendly tax system can be achieved by shifting the tax burden away from direct income toward consumption, immovable property and the environment, broadening the tax base and reducing the fragmentation of the tax system. A shift to environmental taxation can also help improve the sustainability of growth and well-being, provided measures are taken to ensure that lower-income households are not disproportionately impacted by green taxes. The pace of reform in this area has been slowing recently across advanced economies, following a period of widespread crisis-driven tax reforms. Countries still exhibit wide scope for improvement in this respect, and tax reform features among frequent priorities. Recommendations vary depending on country-specific performance and policy weaknesses (Table 5). Reductions in labour or corporate taxes are generally recommended alongside increases in indirect taxes; whether it is recommended to increase one or several of these taxes depends on country-specific sources of policy distortions. Moreover, striking the right balance may be challenging - the scope for such reforms may be limited in some cases, as they may increase inequality (Causa et al., 2016). Recent actions in this area include:

- In Canada, the Federal budget eliminated a number of inefficient tax measures and removed some tax expenditures to improve consistency.

- Denmark initiated a property tax reform to link tax payments to house price developments and to create a new system for property valuation.

- Greece improved tax compliance and lowered the tax-free threshold on personal income by a third, effective 2020.

- Italy undertook new actions to reduce VAT evasion and raise additional revenue.

- India implemented the Goods and Services Tax.

- Latvia replaced car and motorcycle taxes by a vehicle exploitation tax where rates are based on CO_2 emission.

- Poland improved its VAT compliance, reflecting changes in the VAT Act and the Criminal Fiscal Code.

- Portugal reduced the preferential tax treatment of debt relative to equity, notably with the introduction of a tax allowance for corporate equity.

- Spain took several measures to broaden the corporate income tax base. Taxes on alcohol and tobacco have been increased. Furthermore, an electronic VAT filing system to address VAT fraud has been legislated.

- Switzerland legislated an increase in the CO_2 levy from CHF 84 to CHF 96, to be effective in 2018.

Table 5. Recommendations and actions on the structure and efficiency of the tax system

	Broaden the tax base/reduce tax expenditures	Shift tax burden to property	Shift tax burden to environment	Shift tax burden to VAT	Improve tax collection/compliance	Reduce corporate tax rate	Reduce the scope of VAT reduced rates	Reduce top income tax rates
Australia	Blue			Blue				
Austria	Blue							
Belgium								
Canada	Maroon		Blue	Blue		Blue		
Czech Republic								
Denmark		Maroon						
Estonia	Maroon	Blue						
European Union								
Finland		Blue		Blue			Blue	
France								
Germany	Blue	Blue	Blue				Blue	
Greece	Maroon				Maroon			
Hungary		Blue	Blue					
Iceland								
Ireland		Blue						
Israel								
Italy	Blue	Blue	Blue		Maroon			
Japan	Blue		Blue	Blue		Blue		
Korea		Blue	Blue	Blue				
Latvia		Blue	Maroon		Blue			
Lithuania								
Luxembourg		Blue						
Netherlands							Blue	
Norway	Blue			Blue		Blue		
New Zealand								
Poland		Blue	Blue		Maroon			
Portugal	Maroon							
Slovak Republic								
Slovenia		Blue						Blue
Spain	Maroon		Blue		Maroon			
Sweden		Blue					Blue	Blue
Switzerland			Maroon	Blue			Blue	
United Kingdom								
United States						Blue		
Argentina	Blue							
Brazil								
Chile								
China								
Colombia	Blue	Blue	Maroon	Maroon				
Costa Rica								
Indonesia								
India				Maroon				
Mexico								
Russia		Blue			Blue			
South Africa								
Turkey	Blue							

Note: Blue cells represent priorities for a given country in a given area (with no action taken in 2017). Maroon cells represent actions taken on a priority (fully implemented or in the process of implementation).

Reforms to improve physical and legal infrastructure

28. Public investment contributes both directly and indirectly to the economy-wide capital stock, including through its role as a catalyst for private investment. Indeed, recent empirical work suggests a large positive effect of public investment on productivity (Fournier, 2016). As a result, enhancing the capacity and regulation of infrastructure is a priority in several advanced countries (Table 6). The emphasis is on addressing infrastructure shortages in a cost-effective way, in the area of transport, energy or both. Infrastructure provision – quantity and quality - is also very poor in many emerging economies, and raising public investment should be accompanied by reforms of the regulatory environment to attract private investment and optimise use. Removing infrastructure bottlenecks in these countries, such as those in transport, can contribute to higher employment, by facilitating the matching of workers and jobs, and to improved business dynamism, as quality infrastructure is crucial to the mobility of goods and people. It can improve inclusiveness and well-being, e.g. by providing access to reliable energy, clean water and sanitation in emerging economies or efficient and accessible public transport more generally. While in some cases infrastructure expansion may face trade-offs with the environment (e.g. expansion of road infrastructure), in others it may actually improve environmental outcomes (e.g. public transport). Recent actions in this area include:

- Argentina developed new public-private partnerships (PPPs) in the energy sector and for the construction of an airport terminal.

- Greece introduced more competition in the electricity production market; the incumbent's market share is expected to fall from over 90% to 50%.

- India has increased electrification, especially in rural areas. Full coverage is planned for 2018.

- Indonesia increased its spending on infrastructure. The government injected more funds into the State Asset Management Agency (LMAN) for land acquisition, mostly for roads. Electrification in rural areas has also been increased.

- Latvia carried out improvements of state main roads and regional roads using EU fund.

- The United Kingdom introduced the National Productivity Investment Fund (NPIF) in order to support investment in a number of productivity-enhancing areas, in particular transport and digital infrastructure. Notably, the NPIF will fund the government's new 5G strategy and local full-fibre broadband projects.

Table 6. Recommendations and actions in public infrastructure and the rule of law

	Physical and legal infrastructure													
	Infrastructure								Rule of law			Efficiency of public administration		
	Enhance quality/access/connectivity in transport	Enhance quality/access/connectivity in energy	Improve cost-benefit analysis, including of PPPs and concessions	Improve institutional framework and capacity in ministries/agencies	Raise public and private investment in infrastructure	Improve rural infrastructure	Improve capacity/spending of subnational governments	Improve long-term strategy and planning	Sustain/reinforce fight against corruption	Reinforce judiciary resources/out of court procedures/efficiency	Improve legislation	Improve public procurement procedures	Improve human resources management	Improve monitoring and performance evaluation
Australia	Blue													
Austria														
Belgium												Blue		
Canada														
Czech Republic			Blue	Blue								Blue		Blue
Denmark												Blue		
Estonia	Maroon	Blue				Blue								
European Union	Maroon	Maroon												
Finland							Blue							
France														
Germany														
Greece										Blue				
Hungary									Blue			Blue		
Iceland														
Ireland														
Israel	Maroon													
Italy		Blue			Blue				Blue	Maroon	Maroon	Maroon	Blue	
Japan														
Korea														
Latvia	Maroon	Blue												
Lithuania														
Luxembourg														
Netherlands														
Norway														
New Zealand														
Poland	Maroon	Blue												
Portugal														
Slovak Republic												Maroon	Blue	Blue
Slovenia														
Spain														
Sweden														
Switzerland														
United Kingdom					Maroon			Maroon						
United States	Blue				Blue									
Argentina	Maroon		Maroon			Blue	Blue							
Brazil					Maroon									
Chile														
China											Blue			
Colombia	Blue		Blue											
Costa Rica	Blue		Blue	Blue				Blue						
Indonesia	Blue					Maroon	Blue		Blue	Blue				
India		Maroon		Blue										
Mexico									Maroon	Maroon	Maroon			
Russia									Blue	Blue	Blue	Blue	Blue	Blue
South Africa														
Turkey														

Note: Blue cells represent priorities for a given country in a given area (with no action taken in 2017). Maroon cells represent actions taken on a priority (fully implemented or in the process of implementation).

29. In addition to well-developed physical and digital infrastructure, a sound legal framework is also critical to lifting growth bottlenecks. Strengthening the overall institutional framework is important so that i) decisions defining policy needs are not skewed towards inefficient and unnecessary projects; ii) access to public services and justice is equally granted to all citizens; and iii) the main criteria to award contracts when procuring goods and services is value for money (Glaeser et al., 2004). *Going for Growth* provides policy options to strengthen the rule of law and judicial efficiency, with recommendations generally spanning the provision of security of persons and of property, the enforcement of contracts, and checks on government as well as on corruption and private capture. Recent actions in this area include:

- Greece progressed on implementing the comprehensive public administration reform passed in 2016 and aiming at reducing political interference, as well as enhancing transparency and accountability.

- Italy modified its public procurement code to streamline and expedite implementations, based on the suggestions provided by the State Council and stakeholders.

- In Mexico, the New anti-corruption System has been approved and started to be implemented in all of the 32 states.

- The Slovak Republic introduced the "Value for Money" initiative, adopted in 3 sectors in 2016 (health, transports and ITC), and now expanded in 3 new sectors (environment, labour market and social policy).

Preserving social cohesion and helping workers make the most out of a dynamic labour market

30. Job-rich growth helps reduce inequalities and promote more inclusive societies, as growth through labour utilisation gains tends to benefit disproportionately the bottom of the income distribution (Hermansen et al., 2016). Policies that can be conducive to growth and inclusiveness jointly include those aimed at: facilitating the participation and improving job-market outcomes of under-represented groups, such as females, immigrants, the low-skilled, the young, older workers and the disabled. *Going for Growth* recommendations target these objectives, notably by promoting a well-integrated system of passive (e.g. unemployment benefits) and active (e.g. job search support) labour market policies.

31. Matching efficiency, i.e. the ease with which jobseekers find jobs according to their skills and job vacancies are filled, has deteriorated in the recent years (European Commission, 2014), reflecting the growing mismatch in terms of skills, industries and regions. Reforms that ease labour market restrictions and promote worker mobility, e.g. property transaction costs, rental regulation, can reduce the number of unfilled job vacancies, and boost productivity and inclusiveness by facilitating a better matching of worker’s skills and jobs tasks.

32. Finally, health is a key ingredient of well-being overall, and promoting better health provides people with higher life satisfaction and a platform to fulfil their productive potential. People in ill-health are less able to take part in productive activities, but people working in poor labour conditions are also more likely to find themselves afflicted by illness. Recent OECD evidence shows that income, lifestyle choices and the environment are all significantly associated with gains in life expectancy (James et al 2015), while the healthier tend to benefit from greater access to training opportunities, and can expect their children to attain stronger educational results.

Reforms to reduce the gender gap in labour market participation and work conditions

33. A high proportion of women remains outside of, or poorly attached to, the labour market in a number of countries, while in others they are overrepresented among (involuntary) part-time workers (OECD, 2016c). Recommendations are made to encourage female labour force participation or hours worked where those are particularly low and can be traced to ill-designed existing policies. Hence, recommendations include family-friendly policies and working conditions which enable fathers and mothers to balance their working hours and their family responsibilities and facilitate women's employment. They fall in three main reform areas – with differential thrust reflecting country-specific context (Table 7): the level and design of taxes and benefits and systems of joint taxation (e.g. tax allowances for non-working spouses); high costs, weak targeting and therefore limited access to childcare; and ill-designed parental leave policies with low de facto take-up of parental leave arising from, for example, the lack of flexibility in working-time arrangements and underdeveloped part-time work. Addressing these challenges would allow for a better balance between work and family and a narrowing of gender inequalities, bringing equity and welfare gains. Recent actions in this area include:

- The newly adopted "Education Investment Law" in Austria will provide EUR 750 million for the expansion of full-day schooling until 2025.
- Germany boosted funding for child day care services by approximately EUR 1.1 billion, from 2017 to 2020.
- Japan is implementing a significant new plan to gradually expand the capacity of childcare centres by 320 thousand children until 2022. Teleworking rules have been also revised to allow more flexibility in teleworking and flexitime systems.
- Korea raised the amount of parental leave benefits and also the level of maternity benefits for the first three months of leave.
- Luxembourg introduced optional individual taxation for both resident and cross-border married or co-habiting workers in order to reduce the marginal tax rate applied to the earnings of second earners.

Table 7. Recommendations and actions for stronger labour market participation of women and the integration of migrants and minorities

	Policies to make the labour market more gender inclusive						Policies to improve integration of immigrants and minorities			
	Expand access to quality childcare and early education	Remove tax and benefits disincentives	Increase access for childcare for immigrants/refugees/minorities	Improve parental leave policies	Implement corporate governance codes/quotas	Align the official retirement age for women and men	Provide language acquisition support	Improve training	Expedite recognition of skill/qualifications	Improve information/monitoring of the situation of minorities
Australia	Maroon					Blue				Maroon
Austria	Maroon	Maroon								
Belgium			Blue				Maroon		Maroon	
Canada										
Czech Republic	Maroon			Blue						
Denmark							Blue	Blue		
Estonia	Maroon									
European Union							Blue			
Finland				Blue						
France										
Germany	Maroon	Blue	Blue				Blue	Maroon	Maroon	
Greece										
Hungary										
Iceland										
Ireland										
Israel										
Italy										
Japan	Maroon	Blue								
Korea	Blue			Maroon						
Latvia								Blue		
Lithuania	Blue									
Luxembourg	Blue	Maroon	Blue							
Netherlands										
Norway										
New Zealand	Maroon		Maroon							Blue
Poland	Blue									
Portugal										
Slovak Republic	Blue	Blue		Blue						Blue
Slovenia		Blue								
Spain										
Sweden							Blue	Blue	Blue	
Switzerland	Maroon	Blue	Blue		Blue	Blue				
United Kingdom										
United States	Blue			Blue						
Argentina	Blue				Blue					
Brazil										
Chile	Maroon									
China										
Colombia	Blue									
Costa Rica	Blue									
Indonesia										
India										
Mexico	Blue									
Russia										
South Africa										
Turkey	Blue									

Note: Blue cells represent priorities for a given country in a given area (with no action taken in 2017). Maroon cells represent actions taken on a priority (fully implemented or in the process of implementation).

Reforms to integrate migrants and minorities

34. The share of the foreign-born population has increased significantly across advanced countries, reaching now nearly 10% of the total population. Second-generation immigrants are also numerous and heterogeneous, and several advanced countries have sizeable minorities, such as Roma or aboriginal populations. At the same time, refugee flows have recently increased significantly, especially to European countries. This increasing population diversity can bring significant economic and social benefits to OECD countries, such as easing demographic pressure on labour participation. But the realisation of these benefits will depend largely on the design and implementation of integration measures. *Going for Growth* recommendations in this area range from measures to promote rapid labour market integration to early action in education and social domains that could facilitate labour market integration in the future and reduce inequality of opportunity overall (Table 7). Recent actions in this area include:

- Australia created a new programme (Youth Jobs PaTH) aimed at improving skills and opportunities of indigenous communities
- Belgium included in its Plan Formation 2020 a social, professional and linguistic assessment of migrants as well as specific offer of training and/or validation for newly arrived migrants.
- In Germany, an initiative has been introduced to enable up to 10 000 young refugees to start training in the skilled crafts sector. Moreover, refugees can now get quick access to some small-scale paid employment in the context of active labour market policies. Specific counselling services are now also being offered to young immigrants.

Reforms to reduce obstacles to job creation, labour force participation and employment in formal sector jobs

35. Policy impediments to job creation and labour participation span several potential areas of actions. First, high labour tax wedges can reduce firms’ labour demand by driving up the cost of labour (due to high employers’ contributions or payroll taxes). As a result, high labour tax wedges are associated with lower employment and hours worked as well as higher unemployment. Such detrimental effects are stronger for workers already facing foremost labour demand-side obstacles, generally the youth, the disabled and the low-skilled, and those facing supply-side obstacles like the elderly. Too high and ill-designed social security provisions and tax wedges are also major drivers of labour informality in emerging countries, reflecting both labour demand and supply-side obstacles. Reducing labour taxes, including through cuts in social security contributions, remains thus a priority for many advanced and emerging-market countries (Table 8). Recent actions in this area include:

- In addition to the tax reform that entered into force in 2016, Austria is progressively reducing payroll taxes until 2018.
- Estonia introduced continuous training measures targeted to those at risk of unemployment.
- In Finland, fiscal measures associated with the Competitiveness Pact reduced the tax wedge.
- Hungary reduced employers' social security contributions from 27% to 22%, and will reduce them by a further 2 percentage points in 2018.
- Turkey reduced employers' social security contributions from 14% to 9% of gross wages. Moreover, for firms that have increased their net employment over 2016, new hiring will be exempt of social security contributions for one year.

Table 8. Recommendations and actions to lift obstacles to labour force participation and employment

	Active labour market policies						Social benefits				Labour taxation			Labour market regulations			Minimum wage and wage bargaining systems		
	Increase spending	Improve efficiency	Focus on key risk groups	Expand some specific programmes	Better enforce mutual obligation	Improve co-ordination between different	Restructure benefits to increase work incentives	Improve targeting	Expand the coverage of social benefits	Eliminate regressive subsidies	Reduce social security contributions	Reduce labour tax wedge for low wage workers	Introduce or expand EITC	Tackle dualism and diminish the gap in protection between permanent and temporary workers	Improve legal certainty for collective or justified individual dismissals	Reduce severance pay	Promote agreements at firm level and reduce automatic extensions	Avoid a too high minimum wage level and allow for age and regional differentiation	Increase the minimum wage
Australia																			
Austria																			
Belgium																			
Canada																			
Czech Republic																			
Denmark																			
Estonia																			
European Union																			
Finland																			
France																			
Germany																			
Greece																			
Hungary																			
Iceland																			
Ireland																			
Israel																			
Italy																			
Japan																			
Korea																			
Latvia																			
Lithuania																			
Luxembourg																			
Netherlands																			
Norway																			
New Zealand																			
Poland																			
Portugal																			
Slovak Republic																			
Slovenia																			
Spain																			
Sweden																			
Switzerland																			
United Kingdom																			
United States																			
Argentina																			
Brazil																			
Chile																			
China																			
Colombia																			
Costa Rica																			
Indonesia																			
India																			
Mexico																			
Russia																			
South Africa																			
Turkey																			

Note: Blue cells represent priorities for a given country in a given area (with no action taken in 2017). Maroon cells represent actions taken on a priority (fully implemented or in the process of implementation).

36. Second, the articulation between unemployment benefits, social protection and active labour market policies should be designed to provide adequate income support during jobless spells while encouraging the return to work, efficiently matching workers and jobs. The challenge consists in designing

social protection systems that minimise trade-offs between financial sustainability, adequacy and efficiency (Fall et al., 2015). At the same time, a large number of countries still need to address long-term unemployment and bring back in the labour market those discouraged by long unemployment spells. This requires targeted policies, such as a more intensive and personalised approach to case management (e.g. regular face-to-face interviews and the development of individual action plans) as well as measures to find job opportunities that contribute to skills acquisition and work experience. The importance of ALMPs is now well established, as reflected in the sustained pace of reforms in this area since the post-crisis period. But despite this encouraging progress, reforms in this area are still needed, with differential emphasis depending on country-specific performance and policy challenges (Table 8). Recent actions in this area include:

- Finland tightened job-search reporting requirements and reduced the duration of unemployment insurance.

- Greece rolled out nation-wide its “social solidarity income” (GMI), with supporting infrastructure for identifying eligible households and transferring funds.

- Italy implemented a nationwide anti-poverty programme, with the creation of an inclusive income to tackle severe poverty.

- Lithuania enacted the Law on Employment, which changes the structure of public employment services, centralising the management of activities planning, financial and human resources. The law also strengthens activation policies by scrutinising active labour market measures, extending the scope of employment support and widening training possibilities for the unemployed.

- Luxembourg strengthened eligibility conditions for unemployment benefit recipients and included the requirement to actively search for employment and retrain.

- The Slovak Republic amended its previous Act on Employment Services to improve the access of jobseekers to training and to widen the range of available measures.

37. Third, too stringent labour market regulations and collective bargaining systems slow down the reallocation process and thus aggregate productivity growth because they raise labour adjustment costs for firms (Haltiwanger et al., 2006). A clear tendency towards reducing the strictness of employment protection has been observed over the past decade, mostly focussed on regulations governing individual and collective dismissals. In the aftermath of the crisis, more than one-third of advanced economies undertook some relaxation of these regulations, with reforms concentrated in countries with the most stringent provisions. However, most of the easing took place for non-regular contracts, leading to their expansion and a heightened duality on the labour market. High labour market duality can have adverse impacts on both equity and efficiency, as the young tend to be confined in these contracts between unemployment spells and thus suffer from skill depreciation, which translates in lower productivity over all.

38. Reforms in this area are thus still needed in a number of countries (Table 8). The emphasis is on simplifying procedures and reducing costs and uncertainties associated with lay-offs but at the same time strengthening the protection of individuals (as opposed to jobs). This requires having in place adequate income support for the unemployed as well as effective job-search counselling and re-employment services (see above). As a result, job protection recommendations are often formulated as part of broader labour market reform packages, with differential emphasis depending on countries’ challenges and weaknesses. Recent actions in this area include:

- In Japan, the guidelines for equal pay for equal work have been set out to improve the treatment of non-regular workers and to help them receive judicial relief in the case of discrimination. The government will submit the relevant bills to the Diet.

- As part of its major labour market reform, France streamlined workers' representation and sector-specific agreements will have to include specific conditions for small and medium enterprises. The Labour Minister now has more leeway to base administrative extensions on an evaluation of their economic and social effects.

39. Finally, low-paid employment is a policy concern when it is associated with in-work poverty or reflects situations where workers are unable to get wages in line with their productivity or to find jobs that make full use of their skills. In particular, setting the level of the minimum wage requires a careful balancing. Too low net minimum wages can fail to assure adequate living standards and are likely to be ineffective in fostering incentives to work for individuals at the margin of the labour market, while a minimum wage set too high can reduce firms’ incentives to hire or to formalise employment of low-skilled workers. Policies and institutions can help to set minimum wages appropriately and minimise any adverse employment effects. Reforms in this area are recommended for countries where ill-designed minimum wage policies appear to weigh on low-skilled or formal employment (Table 8). Recent actions in this area include:

- Korea increased the minimum wage by 7.3%, to 56% of the median wage, a ratio that is close to the OECD average.

Reforms to reduce policy barriers to mobility

40. Institutional settings regulating (residential and commercial) property and land-use can discourage labour as well as capital mobility, often by distorting the price responsiveness of rental and construction supply and demand conditions. Country-specific recommendations in this area are formulated with a view to boost both labour utilisation and labour productivity (Table 9). This policy area can nonetheless raise trade-offs with equity. One example is social housing, which is an important tool to improve access to affordable housing among vulnerable households, but may act as a barrier to labour mobility. Recent actions in this area include:

- Denmark modernised land use regulation, notably to allow larger retail stores and better opportunities for tourism in rural areas.

- In the United Kingdom, the Housing Infrastructure Fund was introduced to unlock land from local councils in order to deliver 100,000 new homes in areas of high demand, and an additional 40,000 affordable homes.

Table 9. Recommendations and actions to address workers' mobility

	Housing policies				
	Ease planning and construction regulations	Reduce/eliminate preferential tax treatments	Reduce rent regulation	Improve targeting of social housing/subsidies	Increase the supply of social housing
Australia					
Austria					
Belgium					
Canada					
Czech Republic					
Denmark					
Estonia					
European Union					
Finland					
France					
Germany					
Greece					
Hungary					
Iceland					
Ireland					
Israel					
Italy					
Japan					
Korea					
Latvia					
Lithuania					
Luxembourg					
Netherlands					
Norway					
New Zealand					
Poland					
Portugal					
Slovak Republic					
Slovenia					
Spain					
Sweden					
Switzerland					
United Kingdom					
United States					
Argentina					
Brazil					
Chile					
China					
Colombia					
Costa Rica					
Indonesia					
India					
Mexico					
Russia					
South Africa					
Turkey					

Note: Blue cells represent priorities for a given country in a given area (with no action taken in 2017). Maroon cells represent actions taken on a priority (fully implemented or in the process of implementation).

Reforms to address public healthcare challenges

41. Addressing the determinants of population health and health inequalities obviously requires policies across multiple sectors for achieving better social, education and labour market outcomes and thereby more inclusive growth and well-being. Among them, reforms to promote health sector efficiency and the promotion of healthy lifestyle feature regularly among *Going for Growth* recommendations, and in some countries the scope for improvement remains large (Table 10). Recent actions in this area include:

- China linked 167 regions and 1008 cross-regional medical institutions to the nationwide settlement system for medical expenses, which will now make direct reimbursement possible for treatment received outside of the household registration area. This will improve the utilisation of health services by migrant workers and reduce the time between when health costs are incurred and reimbursed.

- Lithuania increased excise duties on alcohol and tobacco products to promote healthy lifestyles. The number of municipal public health bureaus, responsible for health promotion and disease prevention, has also been increased.

- Switzerland adopted a decree which aims at decreasing generic drugs prices by comparing them with international prices and by linking the price with the turnover made by the original maker.

Table 10. Recommendations and actions in the health sector

	Health sector efficiency		
	Promote and improve generics drugs use	Reinforce/monitor equity in access	Promote more healthy lifestyles
Australia			
Austria			
Belgium			
Canada			
Czech Republic			
Denmark			
Estonia			
European Union			
Finland			
France			
Germany			
Greece			
Hungary			
Iceland			
Ireland			
Israel			
Italy			
Japan			
Korea			
Latvia			
Lithuania			
Luxembourg			
Netherlands			
Norway			
New Zealand			
Poland			
Portugal			
Slovak Republic			
Slovenia			
Spain			
Sweden			
Switzerland			
United Kingdom			
United States			
Argentina			
Brazil			
Chile			
China			
Colombia			
Costa Rica			
Indonesia			
India			
Mexico			
Russia			
South Africa			
Turkey			

Note: Blue cells represent priorities for a given country in a given area (with no action taken in 2017). Maroon cells represent actions taken on a priority (fully implemented or in the process of implementation).

REFERENCES

Andrews, D. and F. Cingano (2012), “Public policy and resource allocation: Evidence from firms in OECD countries”, *OECD Economics Department Working Papers No. 996*, OECD Publishing, Paris.

Andrews, D., C. Criscuolo and P. Gal (2015), “Frontier firms, technology diffusion and public policy: Micro Evidence from OECD Countries”, *OECD Productivity Working Papers No. 2*, OECD Publishing.

Andrews, D., C. Criscuolo and Peter N. Gal (2016), "The Best versus the rest: The global productivity slowdown, divergence across firms and the role of public policy," *OECD Productivity Working Papers No. 5*, OECD Publishing, Paris.

Arnold, J., B. Brys, C. Heady, A. Johansson, C. Schwellnus, and L. Vartia (2011), “Tax Policy for Economic Recovery and Growth*”, The Economic Journal, Vol. 121*, Royal Economic Society.

Causa, O., M. Hermansen and N. Ruiz (2016), “The distributional impact of structural reforms”, *OECD Economics Department Working Papers No. 1342*, OECD Publishing, Paris.

Calvino, F. and M. E. Virgillito (2016), "The Innovation-Employment nexus: a critical survey of theory and empirics", *LEM Papers Series 2016/10, Laboratory of Economics and Management (LEM)*, Sant'Anna School of Advanced Studies, Pisa, Italy.

Égert, B. and P. Gal (2017), "The Quantification of Structural Reforms in OECD Countries: A new Framework," *OECD Economics Department Working Papers No. 1354,* OECD Publishing, Paris.

European Commission (2014), “Is unemployment structural or cyclical? Main features of job matching in the EU after the crisis”, Economic Papers *No.* 527, European Commission.

Fall, F., D. Bloch, J-M Fournier, and P. Hoeller (2015), "Prudent debt targets and fiscal frameworks," *OECD Economic Policy Papers No. 15*, OECD Publishing, Paris.

Fournier, J-M. (2016), "The positive effect of public investment on potential growth", *OECD Economics Department Working Papers No. 1347,* OECD Publishing.

Glaeser, E., R. LaPorta, R.F. Lopez-de-Silanes and A. Shleifer (2004), “Do institutions cause growth?”, *Journal of Economic Growth*, Vol. 9, Elsevier.

Haltiwanger, J., S. Scarpetta and H. Schweiger (2006), “Assessing job flows across countries: The role of industry, firm size and regulations”, *IZA Discussion Paper No. 2450*, Bonn.

Heckman, J., L. Lochner and P. Todd (2005), “Earning functions, rates of return, and treatment effects: The Mincer equation and beyond”, *NBER Working Paper, No. 11544*, National Bureau of Economic Research.

Hermansen, M., N. Ruiz and O. Causa (2016), “The distribution of the growth dividends”, *OECD Economics Department Working Papers, No. 1343,* OECD Publishing, Paris.

James, C., M. Devaux, C. Marechal, and F. Sassi F (2015), “Inclusive growth and health*”, OECD Employment, Labour and Social Affairs Health Division Committee Paper*.

OECD (2013), *Interconnected Economies: Benefiting from Global Value Chains*, OECD Publishing, Paris.

OECD (2015), *The Future of Productivity*, OECD Publishing, Paris.

OECD (2016a), *Inequality Update – November 2016*, OECD Publishing, Paris.

OECD (2016b), *The Productivity-Inclusiveness Nexus*, OECD Publishing, Paris.

OECD (2016c), *OECD Employment Outlook 2016*, OECD Publishing, Paris.

OECD (2017), *Economic Policy Reforms 2017: Going for Growth*, OECD Publishing Paris.

Ollivaud, P., Y. Guillemette and D. Turner (2016), “Links between weak investment and the slowdown in productivity and potential output growth across the OECD”, *OECD Economics Department Working Papers*, No. 1304, OECD Publishing, Paris.